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FINANCIAL POLICIES TO ATTRACT FOREIGN DIRECT INVESTMENT FOR ECONOMIC RESTRUCTURING IN THANH HOA PROVINCE

**Major:** Finance - Banking

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SUMMARY OF DOCTORAL THESIS IN ECONOMICS

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library of the Academy of Finance
1. Urgency of the thesis topic

Economic restructuring is among the contents of special importance to socio-economic development. In the resolution of Thanh Hoa province’s XV Party Congress, the goals of economic restructuring were to quickly increase the ratio of industry, construction, and service but reduce the ratio of agriculture in the provincial GRDP structure. However, the process of economic restructuring in the province is still slow and does not meet the target. The ratio of industry in GRDP is not high, especially for manufacturing and industrial fields with modern technology; the service structure does not display a strong shift regarding high-quality service. There are many different reasons for such situation but the most important reason is the lack of capital to accelerate the economic restructuring process in Thanh Hoa province. As a result, it is an urgent requirement to study appropriate financial policies of solid scientific basis for the country in general and Thanh Hoa province in particular as the stepping stone to achieve the goal of attracting foreign direct investment (FDI). Based that reality, it is of urgent important to study the following topic "Financial policies to attract foreign direct investment for economic restructuring in Thanh Hoa province”

2. Overview of studies related to the thesis topic

2.1. Local studies

2.1.1. Studies in the form of doctoral thesis

The thesis mentions 02 doctoral theses about FDI attraction and economic restructuring, 01 thesis about economic policies related to FDI attraction, 2 theses about tax policies related to FDI attraction and economic restructuring, 01 thesis about financial solutions for economic restructuring in agriculture, and 01 thesis about financial solutions for FDI attraction.

2.1.2. Studies in the form of scientific studies

In addition, the thesis mentions 02 scientific studies about economic restructuring and economic structure in the market economy.
2.1.3. **Studies in the form of scientific articles**

The thesis mentions 01 scientific article about experiences of China and Singapore in FDI attraction and experience lessons for Vietnam and 01 article about FDI management in Thanh Hoa province nowadays.

**2.2. International studies**

The thesis mentions 03 foreign studies related to FDI: Japan’s FDI to foreign countries, the impact of FDI on Japan’s economic restructuring, and the impact of FDI on economic growth of developing countries.

**2.3. Overall assessment of related studies and research gap**

Through related studies related to the thesis topic, the author draws out issues to be inherited and clarified, which serve as the basis for establishing theoretical framework, applying theory into reality, and proposing solutions to improve financial policies for attracting FDI for economic restructuring in Thanh Hoa province. It is confirmed that the thesis does not duplicate previous studies.

**3. Research objectives and goals**

**3.1. Research objectives**

Building theoretical framework about financial policies for attracting FDI for economic restructuring and applying it to analyze the reality of financial policies for attracting FDI for economic restructuring in Thanh Hoa province during the 2011-2017 as well as proposing feasible solutions to improve financial policies for attracting FDI for economic restructuring in Thanh Hoa province until 2025 with vision to 2030.

**3.2. Research goal**

To achieve the above-mentioned research objectives, the following basic goals need to be reached:

- Clarify theoretical issues related to the thesis such as FDI and FDI attraction, economic structure and restructuring, impacting factors of FDI attraction, how financial policies affect factors to accelerate FDI attraction into the province to create the theoretical framework for analyzing and assessing the reality.
- Analyzing, assessing the reality of financial policies for attracting FDI for economic restructuring in Thanh Hoa province; pointing out obtained results, shortcomings, and reasons for such shortcomings.

- Proposing solutions to improve financial policies for attracting FDI for economic restructuring in Thanh Hoa province in the coming time.

4. **Research objects and scopes**

4.1. **Research objects**

The thesis’s objects are theoretical and practical issues about financial issues related to FDI attraction for economic restructuring.

4.2. **Research scope**

**In terms of content:** The thesis studies financial policies with the main focus on state budget expenditure policies, tax policies, and policies on encouraging FDI attraction for economic restructuring in Thanh Hoa province.

**In terms of space:** The thesis studies FDI attraction for economic restructuring in Thanh Hoa province and experience of FDI attraction for economic restructuring in some countries and other areas of Vietnam.

**In terms of time:** The thesis studies practical issues related to FDI attraction for economic restructuring in Thanh Hoa province and experiences of some countries and other areas of Vietnam based on the reality and data from 2011 to 2017. Proposals, goals, viewpoints, orientations, and solutions to improve financial policies for attracting FDI for economic restructuring in Thanh Hoa province are studied for application.

5. **Research methodology**

To achieve the research objectives, the thesis combines the following research methods: using dialectical materialism and historical materialism methods as the main methods combined with specific scientific methods such as statistics, analysis, comparison, induction, deduction, specialist opinions in fields related to the thesis topic to clarify research objectives.
6. **New contributions of the thesis**

* In terms of theory: The thesis presents the theoretical basis about financial policies for attracting FDI for economic restructuring with focus on the government spending policies, tax policies, infrastructure development, investment promotion, land, human resource training, and administrative reform. The thesis also draws experience lessons of applying financial policies of countries in the world and in other provinces and cities of Vietnam.

* In terms of reality: The thesis analyzes and clarifies the reality of FDI attraction and reality of financial policies for attracting FDI for economic restructuring in Thanh Hoa province. The thesis also presents two groups of solutions including the group of policies to improve financial policies and group of supporting solutions to accelerate FDI attraction for faster economic restructuring in Thanh Hoa province.

7. **Structure of the thesis**

In addition to the introduction, conclusion, list of reference materials and appendix, the thesis has three chapters:

* Chapter 1: Financial policies for attracting FDI for economic restructuring

* Chapter 2: Reality of financial policies for attracting FDI for economic restructuring in Thanh Hoa province

* Chapter 3: Improving financial policies for attracting FDI for economic restructuring in Thanh Hoa province until 2025 with vision to 2030.
Chapter 1

FINANCIAL POLICIES TO ATTRACT FOREIGN DIRECT INVESTMENT FOR ECONOMIC RESTRUCTURING

1.1 FOREIGN DIRECT INVESTMENT AND ECONOMIC RESTRUCTURING

1.1.1. Foreign direct investment

1.1.1.1. Definition and characteristics of foreign direct investment

- Definition of foreign direct investment

“Foreign direct investment is an investment in which an investor invests all capital or an amount of capital substantial enough into a project to gain controlling and direct ownership. In recent years, this form of investment plays an important part in foreign investment.

- Characteristics of foreign direct investment

The thesis presents 5 characteristics of foreign direct investment:

Firstly, FDI creates more investment capital for developing countries without adding to national debt; secondly, unlike foreign indirect investment, FDI capital involves sustainable investment in a long investment period with high stability in the country receiving investment; thirdly, FDI capital includes borrowed capital at the receiving country or capital extracted from profit after tax; fourthly, foreign investors have to obey the legal regulation and the receiving country; they have all controlling rights in case of investing 100% of capital; if they contribute to part of the total capital, their controlling rights depend on the investment amount; fifthly, FDI is the form of export of capital to gain high profit.

1.1.1.2. The role of foreign direct investment

The thesis presents 5 characteristics of FDI regarding the investment-receiving country:

Firstly, FDI contributes to local economic structuring; secondly, FDI contributes to technology transfer; thirdly, FDI contributes to job creation
and increase in labor income; fourthly, FDI contributes to the increase of labor quality through direct and indirect training; fifthly, FDI contributes to the capital source for local development.

1.1.1.3. **Forms of foreign direct investment**

Forms of FDI include: 100% FDI enterprise, joint-venture, business cooperation contract; BOT, BTO, PPP.

1.1.2. **Economic restructuring**

1.1.2.1. **Economic structure**

From a systematic approach: “Economic structure can be understood as a comprehensive economic system that consists of a number of closely interrelated factors in an specified space and time, both expressed in terms of quantitative and qualitative, quantity and quality, in line with the defined objective of the economy.”

1.1.2.2. **Economic restructuring**

The thesis presents a number of contents related to local economic restructuring from the following perspectives: definition and nature, impacting factors; urgency, and evaluation of economic restructuring.

1.1.3. **Foreign direct investment and economic restructuring**

1.2. **FINANCIAL POLICIES TO ATTRACT FOREIGN DIRECT INVESTMENT FOR ECONOMIC RESTRUCTURING**

1.2.1. **Foreign direct investment attraction**

1.2.1.1. **Overview of several theories about FDI attraction**

The thesis presents 3 theories about FDI attraction, including: marginal profit theory, eclectic theory (or OLI model), and investment development path theory.

1.2.1.2. **Impacting factors of FDI attraction**

Firstly: infrastructure; secondly: investment promotion; thirdly: land; fourthly: human resource training; fifthly, administrative procedures.
1.2.2. Financial policies to attract foreign direct investment for economic restructuring

1.2.2.1. Overview of financial policies

Financial policy is the overall objective and financial solutions in the exploitation, mobilization and effective use of national financial resources to serve the cause of socio-economic development in each particular period. It is very sensitive in nature, related to different aspects of interests and closely link to the movement of financial resources in society.

State budget expenditure policies to attract FDI for economic restructuring

Tax policies to attract FDI for economic restructuring

1.2.2.2. Financial policies as the motivating factor for attracting foreign direct investment for economic restructuring

Firstly, financial policies on infrastructure

The impact of state budget expenditure on attracting FDI for economic restructuring through investing in infrastructure construction is shown through state budget’s expenditures for basic infrastructure construction; this is the process of using a part of monetary capital in the state budget to carry out simple and expanded reproduction with a view to increasing fixed assets, step by step improving material and technical infrastructure for the national economy, and creating conditions for better economic growth and infrastructure to attract investment.

Secondly, financial policies on investment promotion

One: state budget expenditures for advertising, promotion and support for investment, commerce, and tourism.

Two: state budget expenditures for organizing programs and joining promotion activities for local investment, commerce, tourism, services.

Three: state budget expenditures for foreign relation and investment promotion abroad.
Thirdly, financial policies on land

One: state budget expenditures for site clearance of investment projects to accelerate the handover of land for investors so that projects can be carried out according to schedule.

Two: To attract investors, localities need to have tax exemption policies for renting land for a definite period of time.

Third: the localities receiving investment should have preferential policies on lease price in the urban, rural, highland areas and in economic zones, industrialized zones to encourage investors.

Fourth: together with state budget expenditures, the tax policies of the government can be used as incentives for investors in terms of land rent.

Fourthly: financial policies on human resource training

Expenditure for education and trading is considered one of important expenditures in the state budget because it is directly related to the development of people’s spiritual life and progress of science and technology. No investor wants to come and invest in a country where the level of science and technology does not meet the requirements. Import tax and input sales tax are not collected for education facilities that import scientific books, magazines, and materials as well as electronic information sources about science and technology for teaching and research of science. On the other hand, the government has policies to exempt value-added tax for training institution that carry out teaching and job training activities.

Fifthly, financial policies on administrative reform

To carry out administrative reform, the policy of allocating state budget expenditures for local administrative agencies to computerize procedures in managing, processing, standardizing forms of documents is also a factor that help reduce time and cost for investors. The government should pay for synchorized technology and equipment for servers, workstations, data storage devices…and the software for software management and processing of administrative procedures for the one-stop unit to achive the model of one-stop electronic procedure.
1.3. EXPERIENCE IN USING FINANCIAL POLICIES TO ATTRACT FOREIGN DIRECT INVESTMENT FOR ECONOMIC RESTRUCTURING IN SEVERAL COUNTRIES AND LOCAL AREAS

1.3.1. International experience

The author presents experience in using financial policies of China, Singapore, and Thailand to draw experience lessons for Vietnam in general and Thanh Hoa province in particular.

1.3.2. Experience in some local areas

The author presents experience in using financial policies of the two local areas that attract FDI the most to draw experience lesson for Thanh Hoa province.

1.3.3. Lessons for Thanh Hoa province

The author presents experience lessons of several countries and local provinces and cities of Vietnam regarding the use of financial policies such as financial policies on infrastructure, investment promotion, land, human resource training and administrative procedures.

CONCLUSION OF CHAPTER 1

With the aim of creating theoretical framework for studying the thesis topic, in this chapter, the author clarifies the following theoretical issues:

Firstly: Theory about FDI and attracting FDI, economic structure and economic restructuring, overview of some theories about attracting FDI and impacting factors of FDI attraction.

Secondly, the relation between FDI and economic restructuring, how the role of financial policies affects factors to accelerate FDI attraction into localities for economic restructuring.

Thirdly, study of practical experience on using financial policies to attract FDI for economic restructuring of several countries in the world and localities in Vietnam to draw valuable lessons for Thanh Hoa province.
Chapter 2
REALITY OF FINANCIAL POLICIES TO ATTRACT FOREIGN DIRECT INVESTMENT FOR ECONOMIC RESTRUCTURING IN THANH HOA PROVINCE

2.1. OVERVIEW OF NATURAL, SOCIO-ECONOMIC CONDITIONS AND THE REALITY OF FOREIGN DIRECT INVESTMENT IN THANH HOA PROVINCE

2.1.1. Overview of natural and socio-economic conditions of Thanh Hoa province

2.1.1.1. Natural conditions: The thesis presents the geographical location and natural resources of Thanh Hoa province.

2.1.1.2. Socio-economic conditions: The thesis presents three main features of Thanh Hoa province’s socio-economic conditions: economic growth rate and average per capital income during the 2011 - 2017 period. The thesis also points out highlights of current population, education, and human resources in Thanh Hoa province and introduces infrastructure conditions.

2.1.2. Reality of FDI in Thanh Hoa province

During the 2011 - 2017 period, Thanh Hoa province attracted 60 projects with total registered capital of USD 4.051.46 million, implemented capital of USD 179.91 million. The thesis divides the reality of FDI in Thanh Hoa province according to investor (there are 11 investors at present), according to investment location in the economic zone (EZ), industrial zone (IZ) and outsides these zone, and according to business sector into agriculture, industry, and services.

2.2. REALITY OF FINANCIAL POLICIES TO ATTRACT FDI FOR ECONOMIC RESTRUCTURING IN THANH HOA PROVINCE

2.2.1. Financial policies on infrastructure

Regarding infrastructure investment in financial policies, policies on state budget expenditures and tax provide the most support for infrastructure construction to attract FDI for economic restructuring.
Firstly, policies of state budget expenditures

From the center government: Issuing decisions on supporting the budget for infrastructure investment.

Decision No 126/2009/QD-TTg dated Oct 26, 2009 26/10/2009 on promulgating the mechanism on central budget capital supports for investment in the development of coastal economic zone infrastructure systems

Decision No.43/2009/Q-D-TTg dated Mar 19, 2009 on introducing financial assistance policies for technical infrastructures in disadvantaged areas with a view to providing capital supports for these areas to develop industrial zones.

Obtained results:

During the 2011 - 2017 Thanh Hoa provinces invested a total amount of VND 1.828.380 million for developing infrastructure of economic zones and tourism infrastructure, mostly for investment in transport infrastructure of routes connecting to Nghi Son Economic Zone and routes linked to local tourism areas. The total amount of capital support from the government was VN 2.453.432 million, of which investment for infrastructure of economic zone was VND 1.653.200 million and for tourism infrastructure was VND 175.180 million, accounting for 90,4% and 9,6%, respectively.

When the policies are implemented, the investment environment in Thanh Hoa province was improved. Nghi Son Economic Zone and industrial zone Thanh Hoa province was granted capital to implement investment and development of technical infrastructure works according to the approved planning, meeting the initial conditions to attract business registrations of investors.

Shortcomings:

Support policies according to Decision No.43/2009/QD-TTg dated Mar 19, 2009 and No.126/2009/QD - TTg dated Oct 26, 2009 regarding economic zone and industrial zone mainly provided support investment in construction of transport routes inside and outside the economic zone,
technical infrastructure in industrial zones, and resettlement support for people whose lands are reclaimed. However, there was little support of the center state budget for constructing solid waste and waste water treatment facilities in industrial zones.

**Obtained results and shortcomings in implementing the policy on supporting capital for industrial cluster’s infrastructure according Decision No.2409/QD-UBND dated Sept 05, 2006.**

With capital support from the center state budget and local province, at present, there are 57 industrial clusters with the total area of 1.647 ha, of which 27 are in the delta area, 13 in the coastal area, and 17 in the mountainous area. However, one of the province’s policies is to support maximum of 30% of total cost for compensation budget in site clearance if individuals and entities leasing raw land for infrastructure business do not operate effectively.

**Secondly, tax policies for providing investment incentives for infrastructure development to attract FDI for economic restructuring.**

The thesis presents 03 types of preferential tax to improve infrastructure, namely: income, value added and import taxes.

2.2.2. **Financial policies on investment promotion**

During the period of 2011 - 2017, promotion activities for investment into Thanh Hoa province was carried out in a more organized manner with bigger scale. Promotion contents are divided into programs:

- Promotion programs for investment, commerce, and tourism
- Local activities for promotions of investment, commerce, and tourism
- The province’s activities abroad for international relation and investment promotion

The total amount of state budget expenditures for these activities during the 2011 - 2017 was VND 117.538,4 billion.

In addition to the above-mentioned policies, the People’s Committee of Thanh Hoa province issued Decision No.3667/2013/QD-UBND, dated
Oct 10, 2013 about issuance of policies on incentives and supports for investment in Nghi Son Economic Zone and local industrial zones. The reward amount ranges from VND 100 million to 500 million for individuals and organizations that successfully contribute to investment promotion in Nghi Son Economic Zone and local industrial zones.

### 2.2.3. Financial policies on land

**From the government**

The government issued Decree No. 46/2014/ND-CP dated May 15, 2014 on collection of land rent and water surface rent which stated the following preferential cases for investors:

*Firstly*, exemption of land rent and water surface rent throughout the renting period in case of an investment project subject to special preferential treatment in extremely difficult socio-economic locations and in case the project using land to build houses for workers in industrial zones.

*Secondly*, the government also allows exemption of land rent and water surface rent during the time of basic construction for projects approved by an authorized agency but no longer than 03 years from the issuing date of decision on leasing land and water surface.

In addition to preferential policies on exemption of land rent and water surface rent, Law No. 48/2010/QH12 dated June 17, 2010 on non-agricultural land use tax stated regulations on exempting and reducing tax for land use: exempting land rent for investment project subject to special preferential treatment in extremely difficult socio-economic locations, investment projects in the fields that encourage investment (with investment incentives) in areas of great socio-economic difficulties.

**From the People’s Committee in Thanh Hoa province**

The People’s Committee in Thanh Hoa province issued Decision No. 3667/2013/QD - UBND dated Oct 18, 2013 on encouraging, supporting investment in Nghi Son Economic Zone and local industrial zones in which the provincial budget would support 10% cost site clearance cost, not
exceeding VND 500 million/ha, for investment in Nghi Son economic zone. The source for support capital is included in the province’s annual budget estimate.

The committee also issued Decision No. QD-UBND dated Aug 19, 2008 on revising Decision No. 2409/2006/QD-UBND 5/9/2006 of the provincial People’s Committee on incentive policy for development local handicraft industry and industrial clusters which provide the support mechanism of 30% of compensation for site clearance for investment in infrastructure of local industrial zones.

2.2.4. Financial policies on human resource training

Firstly: state budget expenditures for human resource training

The People’s Committee in Thanh Hoa province issued Decision No. 3906/QD - UBND dated Oct 29, 2011 on approving the project titled “Providing job training for the labor for in rural area of Thanh Hoa province until 2020” in agriculture and non-agriculture fields.

 Obtained results:

Training was provided for 20,665 people in agriculture, 10,368 in industry and service, 6,627 in handicraft villages, and 1,185 in offshore fishing, accounting for 53%, 27, 17% and 3%, respectively.

 Shortcomings

- Agriculture still accounts for a high ratio of 50% in human resource training, which is unsuitable for labor restructuring from agriculture to industry and service. On the other hand, there is very little training for people whose lands are reclaimed for project to help them change their livelihood or they are still unemployed after training.

The People’s Committee in the province issued Decision No. 2409/2006/QD-UNBN dated Sept 05, 2006 on incentive mechanism for development of handicraft, industrial zones in the provincial area. One of its content is providing support mechanism in terms of training and attracting labor. However, during implementation, it is seen that the policy does not suit the reality due to low amount of support, loose conditions about
receiving incentives from the policy leading to easy exploitation of policy and difficulties in implementation.

Secondly, tax policy on human resource training

The tax policies that are issues included VAT, income, import taxes and tax for using non-agriculture land with incentives for institutions providing human resource training. Tax policies aim to encourage the socialization of education and training.

2.2.5. Financial policies on administrative reform

During 2011 - 2017, attention was given on the implementation of administrative reform in Thanh Hoa province to improve the investment environment. This was indicated by the issuance of a number of representative policies such as: Decision No.4089/QD-UBND dated Nov 17, 2010 on approving the application of information and technology (IT) in the operation of state agencies in Thanh Hoa province during 2011 - 2015; Decision No.1769/QD - UBND dated May 24, 2016 on approving the detailed allocation of budget for IT application in the operation of state agencies in 2016. Specifically, Thanh Hoa province allocated state budget for application in the operation of state agencies as follows: (1) state budget expenditures for technical infrastructure development; (2) IT application in the operation of state agencies; (3) IT application for enterprises; (4) state budget expenditures for IT human resource training.

2.3. OVERALL ASSESSMENT OF FINANCIAL POLICIES TO ATTRACT FDI FOR ECONOMIC RESTRUCTURING IN THANH HOA PROVINCE

2.3.1. Obtained results

Firstly, financial policies contributed to step by step improvement of socio-economic infrastructure towards modernization to attract FDI for economic restructuring.

Secondly, financial policies for investment promotion were issued in in the direction of upgrading each program to focus on inviting investors, especially big ones.
Thirdly, financial policies on land were issued towards providing incentives, exemption, and cost reduction for projects in the fields that encourage investment. Priority is given to state budget expenditures for site clearance.

Fourthly, financial policies for human resource training were issued towards proding support and favourable conditions to establish human resources of high quality.

Fifthly, spend state budget for applying IT in administrative reform towards streamlining administrative procedures.

Sixthly, the revision and adjustment of tax incentive policies to attract FDI for economic restructuring more or less contributed to the establishment of the tax system that is more and more suitable for the integration process.

2.3.2. Shortcomings and reasons for such shortcomings

2.3.2.1. Shortcomings of financial policies to attract for economic restructuring

Firstly, regarding infrastructure development

One: there are still shortcomings in mechanism and policies on state budget expenditures for infrastructure development to attract FDI for economic restructuring.

Two: investment for socio-economic infrastructure mainly comes from state budget; investment resources according to other forms such as BOT, PPP, BT are limited.

Thirdly, the province manages the budget allocation but due to scattered investment in some key programs and projects, they cannot be finished according regulations.

Fourthly, due to limited capital resource from the state budget, the investment in solid waste and waste water treatment in economic and industrial zones are still limited; only those in Nghi Son Economic Zone and Le Mon Industrial Zone received investment.
Secondly, regarding investment promotion

Mechanism and policies of state budget expenditures for investment promotion only received attention during the 2011 - 2017 period. Promotion activities main focus on organizing local conference and forums; oversea promotion is still lacking with focus on such countries in Asia like Korea, Japan, Singapore, Taiwan rather than developed countries in Europe and the U.S.

Thirdly, regarding land policies

One: policies for supporting site clearance cost for investors provide lower incentives compared to neighboring provinces so they are not attractive enough for investors.

Two: land rent price in economic zones and industrial zones in provinces with similar conditions like Thanh Hoa province (Appendix II) generally does not exceed USD 30 million/m²/50 years except for industrial zones built in area with exceptional favorable socio-economic conditions. Land rent price of industrial zones in Thanh Hoa province is much higher.

Third, in issued policies, unit price of compensation for land, assets, architectural items, trees, crops...at reclaimed land area is lower than reality in the province, leading to claim about land reclamation and compensation for site clearance

Four: support policies to attract investment in industrial structure are not really suitable with practical situations.

Fourthly, regarding human resource training

Expenditures are mainly for general labor training. There is a lack of specialists in the human resource and skilled managers holding important positions in FDI enterprises; the ratio of trained labor force with educational qualifications and technical qualifications increased but at a slow rate.

Fifthly, regarding administrative reform

One: state budget expenditures for IT application in administrative procedures is still low; the level of online public service at level 3 is still very low, so far only reaching only 2% of total provincial public services.

Two: even state budget was spent on IT application in tax declaration, this proved not effective enough
2.3.2.2. Reasons for shortcomings of financial policies to attract FDI for economic restructuring

* Objective reasons

Many legal documents related to investment in construction are revised with many contents related to procedures and management of investment; the issuance of guideline documents is still slow; legal documents in several fields (such as investment without construction and planning) are not revised and adjusted to match with practical situations, causing confusion for investors and management agencies in the implementation of infrastructure construction. On the other hand, the land origin in reclaimed areas is complicated and hard to define, causing difficulties for compensation and site clearance activities; for investment in transport field in high mountainous areas, complicated geographical conditions affect the implementation process, leading to prolonged project time and reduced efficiency of investment.

* Subjective reasons

Firstly: During these time, state budget expenditures to attract FDI for economic restructuring are limited because budget collection is not enough to offset.

Secondly: the areas of land in planning of Nghi Son Economic Zone, Lam Son - Sao Vang Industrial Zone and some other industrial zones in Thanh Hoa province mainly include land from hills with difficult geographical conditions for transport, leading to very high cost of site clearance and eventually high land rent.

Thirdly, mobilization of investment for infrastructure construction through other forms such as BOT, BTO, BT, PPP is still limited.

Fourthly, promotion about potentials and incentive mechanism for the province is mainly done on through media means; there is a lack of professional and systematic promotion activities to attract oversea investment and promote the investment environment

Fifthly, even though there are adjustments with good impact about regulation on tax management and administrative reform, investors still encounter difficulties.
Chapter 3

IMPROVING FINANCIAL POLICIES TO ATTRACT FOREIGN DIRECT INVESTMENT FOR ECONOMIC RESTRUCTURING IN THANH HOA PROVINCE UNTIL 2025 WITH VISION TO 2030

3.1. OBJECTIVES OF ECONOMIC RESTRUCTURING AND VIEWPOINTS, ORIENTATION TO ATTRACT FDI FOR ECONOMIC RESTRUCTURING OF THANH HOA PROVINCE UNTIL 2025 AND VISION TO 2030

3.1.1. Forecast of FDI movement flow in the world, opportunities and challenges for Thanh Hoa province.

3.1.2. Objectives of economic restructuring

3.1.2.1. Socio-economic development objectives of Thanh Hoa province until 2025 with vision to 2030.

3.1.2.2. Objectives of economic restructuring

The structure ratios of agriculture-forestry-fishery, industry, and service account for 13.2%, 51.7% and 35.1% in the provincial GRDP’s economic structure, respectively.
3.1.3. Orientations to attract FDI and viewpoints of financial policies to attract FDI for economic restructuring

3.1.3.1. Regarding orientations to attract foreign direct investment

Firstly, having co-operation strategy with foreign investment in line with the province’s economic development strategy.

Secondly, having policies to attract FDI into industries of important impact on the process of industrialization and modernization.

Thirdly, having mechanisms and policy to encourage FDI in line with economic restructuring and establishment of new economic structure towards industrialization and modernization.

3.1.3.2. Regarding the viewpoints of financial policies

Firstly, spending state budget funds for investment with focus on development of industry and service.

Secondly, implementing financial policies in a synchronized and effective manner in line with the utilization of other resources.

Thirdly, financial policies must be closely associated with the objectives of economic restructuring.

3.2. SOLUTIONS TO IMPROVE FINANCIAL POLICIES TO ATTRACT FDI OF ECONOMIC RESTRUCTURING IN THANH HOA PROVINCE UNTIL 2025 WITH VISION TO 2030

3.2.1. Groups of solutions to improve financial policies

3.2.1.1. Financial policies on improving infrastructure

Firstly, increasing investment technical infrastructure development as an attracting point for foreign investors.

Secondly, stepping up the application of experience lessons of several provinces in the country to improve preferential policies and incentives to encourage and create mechanism and momentum to attract investment from economic sectors into the development of infrastructure in economic zones and clusters.

Thirdly, Thanh Hoa province needs to re-balance between state budget expenditures for economic and industrial zones and expenditures for tourism infrastructure to increase tourism investment projects.
Fourthly, improving the effectiveness of state budget expenditures for investment in infrastructure development by selecting and giving priority to the allocation of state budget expenditures for key programs and projects with urgent impact on FDI attraction for economic restructuring in the province to avoid scattered and wasted investment

3.2.1.2. Improving financial policies on investment promotion

Firstly, in Decision No.3667/2013/QD-UBND on encouraging, supporting investment in Nghi Son Economic Zone and local industrial zones (Appendix III) which stated the reward amount of minimum VND 100 million and maximum VND 500 million/project for projects with investment capital from USD 2,5 million to 50 million. However, this policy is not effective due to low reward amount. Therefore, the management board of Nghi Son Economic Zone and industrial zones should propose a new policy of higher reward with the People’s Committee in Thanh Hoa province to ensure that it can attract individuals and organizations in investment promotion.

Secondly, to attract investment for project with very large investment scale (from USD 1 billion and more), the management board of Nghi Son Economic Zone and industrial zones should propose with the People’s Committee in Thanh Hoa province to add more preferential policies to hire consultants for investment promotion.

Thirdly, increasing and providing support services for foreign investment throughout the investment process.

Fourthly, increasing state budget expenditures for investment promotion activities.

Fifthly, creating favourable conditions and streamlining procedures to open representative offices and branches of foreign companies operating in Thanh Hoa province.

Sixthly, it is necessary to choose appropriate promotional tools to convey information to foreign investors.

3.2.1.3. Improving financial policies on land

Firstly, for investment projects in the fields that encourage investment according to regulations in Appendix I (not including
investment projects for infrastructure of industrial zones), if investment rate is at least USD 2 million/ha (in case the investment is in VND, it can be converted using the exchange rate of the State Bank of Vietnam at the time of investment registration) and the project is actually implemented, Thanh Hoa province should provide support for site clearance as follows:

- Providing support of 10% of compensation cost for site clearance from the provincial budget according to approval of the authorized level. The investors pay the compensation cost for site clearance in advance, the province will provide support after the project is finished and put into operation.

In case of projects with investment scale from USD 50 million onwards, in addition to support of 10% of compensation cost for site clearance as above, investment will be handed over clean ground according to the period of time agreed between the province and investors. Investors will compensate the site clearance cost to the state budget before carrying out land renting or handover procedures.

Secondly, to attract investors, especially investors in infrastructure, for synchronized investment in industrial zones towards green, clean, and modern direction, strong policy support is required to reduce land rent in industrial zones No.3,4,5,6 and make it become competitive.

### 3.2.1.4. Improving financial policies on human resource training

Firstly, for officers related to investment field and work at the Department of Investment and Planning and Investment and Trade Promotion Center in Thanh Hoa province, the management board of Nghi Son Economic Zone needs to regularly provide training to improve their competence and has preferential policies on wages, recruitment, and housing to attract human resources of high quality.

Secondly, it is necessary to have expenditure policies to provide support for FDI enterprises to increase working, communication skill and providing foreign language training for workers.
Thirdly, investment into Thanh Hoa province is on the rise with forecast to increase in the future, therefore Thanh Hoa province needs to find out which are the urgent requirements for the human resources in the coming time and provide training the right fields.

Fourthly, Thanh Hoa province continues to invest more from the budget to develop the system of universities, colleges, and training institutions in the local area.

Fifthly, Thanh Hoa province needs to create policies to attract human resources of high quality from other areas.

3.2.1.5. Improving financial policies on administrative reform

Firstly, budget capital should be used soon to invest in implementation of the smart city scheme. Accordingly, e-Government mechanism will be effectively applied to solve administrative procedures.

Secondly, it is necessary to accelerate allocation of budget for information and technology application in state management agency to ensure publicity and transparency in work activities.

3.2.2. Group of other support solutions

3.2.2.1. Changing the mindset and increasing the awareness level of the province’s leader in FDI attraction for economic restructuring

3.2.2.2. Group of solutions about improving planning to encourage FDI attraction for economic restructuring in Thanh Hoa province

3.2.2.3. Group of solutions to create preferential mechanism and more incentives for attracting FDI into key economic sectors.

3.2.2.4. Group of solutions to select the partner to attract FDi for economic restructuring.

3.3. RECOMMENDATION FOR RELATED ORGANIZATIONS

3.3.1. Recommendations for the National Assembly

3.3.2. Recommendations to the government and relate state agencies
CONCLUSION OF CHAPTER 3

Even though there are many shortcomings during the implementation of financial policies, certain results are obtained, which are basically in the right direction. However, these obtained results only serve as the initial step. In the future, Thanh Hoa province will face many challenges because agriculture still accounts for a very high ratio in the provincial GRDP. More than ever, finding the direction and solutions to attract FDI for accelerating economic restructuring and achieving an appropriate economic structure is a matter of critical importance for economic development in Thanh Hoa province.

GENERAL CONCLUSION

Thesis achieves the following objectives:

(1) Providing an in-depth analysis of the role of financial policies in attracting FDI into the localities, how financial policies affect factors so that these factors accelerate FDI attraction into localities, experience in using financial policies to attract FDI of several foreign countries and local area as well as experience lessons for Thanh Hoa province.

(2) Providing an in-depth analysis of the reality of financial policies for each factor, such as: infrastructure, investment promotion, land, human resource training, and administrative reform to accelerate FDI attraction into Thanh Hoa province. Evaluating obtained results and shortcomings when implementing financial policies for factors of economic restructuring and pointing out reasons for such shortcomings.

(3) Basing on targets of economic restructuring and viewpoints, orientations in FDI attraction of Thanh Hoa province in the coming time and proposing financial and support solutions to accelerate FDI attraction and reach the objectives of economic restructuring in Thanh Hoa province.
LIST OF PUBLISHED WORKS OF THE AUTHOR RELATED TO THE THESIS TOPIC


