FOREIGN DIRECT INVESTMENT AND GOOD LOCAL GOVERNANCE: THE ISSUE OF POLITICAL WILL AND COMMITMENT

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ABSTRACT

Many studies have identified the factors affecting the attraction of Foreign Direct Investment (FDI) from the perspective of governance. This study looks for evidence on the impact of public governance on existing foreign investment in host countries. The study collected the assessment of 102 managers of FDI enterprises on the extent of public governance impact on their operations in the locality. The results show that ten out of twelve criteria in terms of macro environment and institutions as well as a tectonic local government have a positive impact. In which, the political will and commitment are considered as a catalyst; while, corruption has no significant effect. This study provides a new perspective on the relationship between FDI and good governance which is executed by a tectonic local government. Only the government has the capacity and power to create a transparent and fair ecosystem for all types of businesses to enhance their contribution to the local socio-economic development.

Keywords: Local Developmental Government, Public Administration, Foreign Direct Investment, FDI

INTRODUCTION

In the last few decades, along with the concept of governance, the concept of good governance has been mentioned increasingly. Good governance is a set of principles and criteria for social management aimed at promoting and ensuring the harmonious and sustainable development of a country (Vũ Công Giao, 2017).

When an enterprise wants to invest in another country, that enterprise will have to access the governance of the host country, for example, investment procedures. After establishing an entity (company, factory and branch) and conducting business activities, the enterprise will be subject to the host local governance according to its authority. It can be seen that this is an inevitable relationship. Currently, when the economies of countries are adversely affected by the COVID-19 pandemic, all countries have economic recovery strategies including the possibility of using foreign capital flows. When the country does not have many advantages in terms of resources, technological progress, and large markets to attract Foreign Direct Investment (FDI), the way of survival is to reform the manner of state governance to supporting investment activities, increasing investment efficiency.

Since 1996, the World Bank has developed a set of criteria to measure the quality of national governance for more than 200 countries and territories around the world. Worldwide Governance Indicators (WGI) is synthesized from more than 30 available data sources. These data are compiled from respondents' opinions on the quality of the country's governance. This set includes six main components: Voice and Accountability, Political Stability and Absence of

Violence, Government Effectiveness, Regulatory Quality, Rule of Law, and Control of Corruption.

There are several studies on the relationship between good governance and FDI. Most of these studies use WGI archived data and test the relationship on a macro level. To our limited knowledge, we have not found any studies that evaluate this relationship at a local level, by insiders' perspectives-foreign investors who are experiencing the impact of public governance by the host local government. This study aims to fill this gap. Second, if previous studies found evidence of the impact of good governance on FDI attraction, this study shows the impact of good governance on the development of FDI lasting locally.

Vietnam is a country with a socialist-oriented market economy, a modern market economy and international integration; manage by the socialist rule of law, led by the Communist Party of Vietnam. Currently, in the world, only Vietnam pursues this economic development model. Therefore, this study not only complements the theory on the impact of good governance on FDI but also provides practical evidence insight this particular case.

The article is divided into 6 sections. The next section presents the theory on the impact of good governance on FDI; Section 3 presents research methods and data; Section 4 and 5 discuss the results and conclude with Section 6.

THE IMPACT OF GOVERNANCE ON FDI

First, we want to clarify the concepts of institution and good governance.

For institution, we agree with (Abell et al., 1992) and (Hodgson, 2007) that institutions are sets of formal and informal rules for organizing political, economic and social interactions. Formal institutions include constitutions, laws, regulations, contracts, and legal agreements enforced by third parties. Meanwhile, informal institutions are traditions, procedures, conventions, and norms that are closely tied to culture (Leftwich & Sen, 2010). The content of the institution includes three main elements: (1) the legal system and regulations governing the legally recognized relationships of a country (2) Subjects (state organizations), companies, communities, civil society organizations); (3) Operational mechanisms, methods and procedures (Vũ Công Giao, 2017).

For good governance, UNDP defines it as "Good governance refers to governing systems which are capable, responsive, inclusive, and transparent" (Clark, 2011). According to the World Bank, "Governance consists of the traditions and institutions by which authority in a country is exercised". Thus, governance embraces the institution.

Several scholarly schools explain the birth and development of FDI under the perspective of Industrial Organization, Internalization theory, Product Internationalization theory, Finance-Oriented theory and Institutional theory (Nguyen, 2011). In which, institutions can open or bend FDI flows. Indeed, a compilation of UNCTAD's twenty-nine annual World Investment Reports (WIR) from 1991 to 2019, in addition to factors in cost conditions and business conditions, changes or trends in the national, regional and international policies and regulations also play an equally important role in determining the development direction of FDI flows. Institutions revolve around investment protection or further liberalization and promotion of foreign investment. Some policies to encourage investment, for example, include: expanding areas that allow foreign investors to invest, removing monopolies and privatizing state-owned enterprises, financial incentives, loosening screening requirements. filter, streamline approval procedures or expedite project licensing. To improve the business environment, corporate tax rates were also lowered in some countries, especially in developed countries and developing economies in Africa and Asia (Nguyễn Thanh Hoàng et al., 2021).

Countries are increasingly turning to new development strategies through policymaking to attract investment. Most governments want to attract and facilitate foreign investment as a means of building productive capacity and sustainable development. Pakistan attracts FDI thanks to the role of the government in providing infrastructure; the market is wide enough along with the increase in per capita income creating large purchasing power. In addition, democracy in this country is also considered an attractive factor, ensuring the most favorable conditions for investment and profit purposes (Shah & Ahmed, 2003). In China, (Buckley et al., 2016) state that FDI enterprises from the US, Europe, Japan and South Korea when investing in China often choose localities where the government is strong, transparent and less intervene in the private sector, and strengthen the protection of intellectual property rights. This result is echoed in the studies of (Che et al., 2017) who find that FDI enterprises choose to invest in regions with similar institutional quality to the host country. However, for investors from countries with lower institutional quality, this is not an important issue.

When observing FDI inflows into the service sector of ASEAN, (Kaliappan et al., 2015) identify factors that attract FDI as market breadth, trade openness, human resources, and infrastructure; while inflation represents market instability as a barrier. In two ASEAN countries, Malaysia and Thailand, FDI is attracted by the potential development of the market, the availability of natural resources and labour of Thailand; but political instability is a major barrier (Chandprapalert, 2000). In Malaysia, factors such as financial development, real GDP, economic growth rate, infrastructure development and openness of the economy have attracted FDI. An interesting result is that macroeconomic instability in Malaysia attracts FDI; while high taxes and exchange rates are obstacles. (Cheng & Kwan, 2000) also find a large market, good infrastructure and preferential policies to have a positive effect while wage costs have a negative effect on FDI.

In Vietnam, (Hemmer & Nguyen, 2002) concludes that localities with advantages of economies of scale, availability of human capital, high per capita income and availability of industrial zones, attract more FDI. Similarly, research by (Pham, 2010) shows that in addition to the factors mentioned above, salary, infrastructure and investment promotion policies are important factors. That is why the northern mountainous and midland provinces of Vietnam have not attracted much FDI in recent years because of unfavorable traffic conditions and infrastructure, lack of qualified human resources, cumbersome administrative procedures and low transparency (Đỗ, 2012). Meanwhile, (Dương, 2018) points out that the limitations in policies to attract FDI in high-tech agriculture in Vietnam are un-preferential policies; cumbersome and complicated administrative procedures; and low connectivity between farmers and businesses.

The above studies provide evidence on the role of macro conditions, investment-related policies and administrative management of host country governments, which have an impact on FDI inflows.

At the same time, many researchers have used WGI to test the relationship between governance and FDI inflows. Most studies have found evidence for this relationship in Vietnam (Nguyễn Văn Bốn, 2019), SAARC South Asian countries (Shah & Afridi, 2015), Asia (Gani, 2007) and the Americas Latin (Biro et al., 2019), in Africa (Gangi & Abdulrazak, 2012), the results vary from case to case. For example, (Sabir et al., 2019) use panel data for the period

1996–2016 to analyze the impact of institutional quality on FDI. The results show that this factor has a positive impact on FDI in almost all groups of countries from low, middle and high income. However, the indicators of corruption control, government effectiveness, and political stability, and regulatory quality, rule of law, voice and accountability have higher coefficients in developed countries compared to developing countries. Meanwhile, the study of (Saidi et al., 2013) provides evidence that only political stability and regulatory quality has an impact on FDI in 20 developing and developed countries, in the period 1998–2011.

In recent years, "tectonic state" and "tectonic government" are shaping thinking and changing the way of public governance in Vietnam. A tectonic (in Vietnamese: Kien Tao) government is a government of action that plays the role of creating a favorable business environment in order to create good social welfare (Hương Ly, 2017). The essence of a tectonic government is a model of the rule of law. State agencies implement construction-based administration through building institutions to create an environment for investment and business development. At the same time, state agencies coordinate public service activities based on respecting the nature and characteristics of the market economy (Nguyễn Văn Chiến, 2017). The administrative mechanism of the tectonic government is to be publicity, transparent and accountable (Nguyễn & Vũ, 2018); through publicizing administrative procedures, individuals and organizations can conveniently and smoothly access state activities (Phan Hải Hồ, 2019); administrative reform in the direction from the people, for the people, having close relations with businesses and the people; government agencies whose officials must first of all be responsible for their work, have the expertise, and serve with dedication.

Public governance is performed by the government apparatus. In each locality, the local government will exercise public governance to all local people and companies. This means that when assessing the impact of governance, it is not possible to ignore the presence of the government apparatus that will perform the public duties. This study combines 6 criteria of WGI and 6 criteria that are representative of the tectonic local government. The twelve criteria are divided into three groups:

(1) **Macro conditions:** Political Stability and Absence of Violence (G1); Stability of society and market (G2); Integration into the international community (G3).

(2) **Law, Regulations and Procedure:** Government Effectiveness (G4) via Policy Stability and Uniformity; Quality of administrative procedures (G5); Regulatory Quality (G6) via Investment Promotion Policy and Legal Environment (labour, tax, customs regulations); Rule of Law (G7) via Right to protection (property, intellectual property, people) and Right to fair treatment.

(3) **Execution Apparatus (Characteristic of the Tectonic Local Government):** Transparency, publicity (in general information including policies, procedures, investment information) (G8); Professionalism of executor (G9); Control of Corruption (G10); Political will and commitment of leaders and officials (G11); Voice and Accountability (G12).

RESEARCH METHODOLOGY AND DATA

Through collecting opinions of managers of FDI enterprises, this study aims to determine the factors of public governance of local governments that affect foreign investment activities in the area.

The localities selected for the study are Ben Tre & Lam Dong. Ben Tre is one of 13 provinces in the Mekong Delta, has strengths in ornamental flowers and fruit trees. Meanwhile, Lam Dong is one of the 5 provinces of the Central Highlands, a very famous place for tourism, temperate agricultural products, especially flowers. Regarding the Provincial Competitiveness Index (PCI), Ben Tre is ranked high while Lam Dong is at the good level of the whole country. In 2020, this index is 8th for Ben Tre and 23th for Lam Dong respectively .

Until 2019, there are 56 and 92 FDI enterprises making investments in Ben Tre and Lam Dong provinces, respectively. The research team approached all of these 148 enterprises; 102 enterprises agreed to participate in the study, reaching the rate of 68.92%. Of which, 44 enterprises surveyed directly and 58 enterprises responded by phone and email. The survey was conducted in late 2019 and early 2020 (due to the COVID-19 pandemic, so the in-person survey was interrupted, including the online survey). According to the table for determining sample size from a given population of (Krejcie & Morgan, 1970), with a population of 150, the sample should be 108. Thus, with 102 enterprises participating in the study out of a total of 148 enterprises, the sample size is acceptable. The majority of enterprises come from Asia - Pacific (81.4%), followed by Europe (14.7%) and America (3.9%) investing in Agriculture (40.02%), Industry, including both agricultural product processing industry (51%), and Trade - Service (8.8%). The majority of investors from Japan, Korea, and Taiwan (China) invest in farming and processing agricultural products. By registered capital, there are 38.2% of large scale, 36.3%, 16.7% and 8.8% of medium, small and micro-scale, respectively. If calculated by labour size, the proportions of large, medium, small and micro enterprises are as follows: 30.4%, 11.8%, 43.1%, and 14.7%, respectively. In general, about one-third of FDI enterprises investing in these two localities are on a large scale; the rest are small, medium and super small.

The independent variable of “good governance of the tectonic local government” includes twelve criteria (from G1 to G12) and the dependent variable "growth of FDI" is measured through three criteria: (1) ability to maintain the investment (FDI1), (2) ability to expand the investment (FDI2), and (3) ability to invite other enterprises to invest (FDI3).

The survey uses a 5-point Likert scale:

1=very inconsequential/ very not important impact (impact level from 0 to less than 20%),

2=not much effect/not important impact (20-under 40%),

3=medium impact, not low, not high (40-less than 60%),

4=influential/important impact (60-under 80%),

5=very influential/very important impact (from 80% or more)

An example of a survey question is as follows:

Please give your opinion on the impact of the local government’s governance on the growth of investment of your enterprise:

No.	Table 1 CRITERIA	1	2	3	4	5
1	The political will and commitment of the Vietnamese political system include leaders and officials at all levels of government, with a focus on the local government where your business is located.					

Before going into the mass survey, we perform the "Face and Content validity" test with an eight-person expert group consisting of two academic researchers; two senior managers of the

Department of Planning and Investment of Ben Tre and Lam Dong provinces; together with four managers of FDI enterprises in two localities. The meeting is in an online format. Experts discuss and evaluate the "representativeness" of each criterion and the "understandability" of the questions in the questionnaire. Rating is based on 4 levels: 1=very inconsistent/very unclear to 4=very suitable, very clear. Most of the criteria get agreement among experts. Some important adjustments as follows:

1. Remove “violence” from G1 because Vietnam is a safe and secure country, where violence is almost absent; at the same time, adding “the state, the government” to G1 to clarify the stability is not only in politics but also in the state and the government.
2. Adding the word “openness, friendliness, dedication” to G9 because Vietnam is an Asian country, the open, friendly, committed personality must become a characteristic of Vietnamese civil servants.

RESULTS

Collected data are analyzed for Mean and in turn through tests of Correlation, Reliability, Validity and Regression for determining the linear relationship between good governance and FDI.

The average value of the managers’ assessment is shown in Table 1. Mean is converted as follows: for every 0.1 increase in Mean, the influence level increases by about 2.5%.

1.00–1.80: impact level from 0 to less than 20%
1.81–2.60: impact level from 20 to less than 40%
2.61–3.40: impact level from 40 to less than 60%
3.41–4.20: impact level from 60 to less than 80%
4.21 –5.00: impact level from 80% and more

Table 2
MEAN, IMPACT LEVEL AND STANDARD DEVIATION (SD)

	Criteria	Mean	Impact Level (%)	SD
G8	Transparency, Publicity	4.01	75	0.6674
G12	Voice and Accountability	3.882	71.8	0.7485
G9	Professionalism, Openness, Friendliness and Dedication of Executor/ Bureaucrat	3.843	70.8	0.714
G5	Quality of Administrative Procedures	3.775	69.1	0.7162
G1	Stability of Politics, State, Government	3.755	68.6	0.8948
G7	Right to Protection (property, intellectual property, people) and Right to Fair Treatment	3.706	67.4	0.7783
G4	Policy Stability and Uniformity	3.686	66.9	0.8203
G6	Investment Promotion Policy and Legal Environment	3.647	65.9	0.7264
G3	Integration into the International Community	3.539	63.2	0.8405
G11	Political Will and Commitment of the Political System	3.363	58.8	0.8764
G10	Control of Corruption	3.127	52.9	0.8863
G2	Stability of Society and Market	2.814	45.1	0.9411

Overall, SD is all below 1, showing that there is not to differ among managers’ opinions. Three criteria having a moderate influence on FDI growth (under 60%) namely G2 (social and market stability), G10 (control of corruption) and G11 (political will and commitment). The remaining criteria all have an important influence on FDI growth; in which G8 (transparency, publicity) has the strongest impact (75%). This result clearly shows that, from the point of view of the managers, the good governance of the local tectonic government has more or less an impact on the FDI growth of enterprises. This result is consistent with previous studies that we have presented in the literature review. More details are in the Discussion.

For the correlation test, the results show that most of the criteria representing the independent variable are correlated with the dependent variable. However, the correlation is quite weak in criteria G2 and G10.

For the reliability test, in round 1, G10 has Cronbach's Alpha coefficient if Item deleted .864 is greater than the common coefficient of .844; at the same time, the Corrected Item-Total Correlation coefficient is only .095, below 0.3; therefore, G10 is excluded as indicated by (Nunnally & Bernstein, 1994). In round 2, G2 gives the same result as G10 with Cronbach's Alpha if Item deleted .876 is greater than the common factor of .864 and the Corrected Item-Total Correlation coefficient is only .278. Therefore, G2 is eliminated. In round 3, all remaining criteria are retained, Cronbach's Alpha coefficient reaches .864. With coefficients above 0.8, these criteria are sufficient to represent a very good scale (Hoang & Chu, 2008).

For the validity test, we perform exploratory factor analysis with the Alpha Factoring extraction method and the Promax with Kaiser Rotation method. (Field, 2013: 674-675) thinks that this method is suitable for building new scales. At the Initial Eigenvalues value greater than 1, two factors are extracted, reaching the rate of 59.75%. Factor 1 includes G1, G3, G4, G5, G6, G7, G11 and Factor 2 includes G8, G9, G12. With a KMO of .836 and Bartlett's Sig of .000, the scale is accurate (Hoang & Chu, 2008). We repeat the test with the Principal Axis Factoring extraction method and the Oblimin with Kaizer Normalization rotation method, giving similar results.

We call Group 1 "Macro Environment & Institutions", MAC for short; Group 2 is "Tectonic Local Government", GGO for short.

For testing the hypothesis, we apply linear regression analysis to test the impact of good governance on the growth of FDI.

The results determine that this model is suitable for Sig equivalent .000, F=17.801, R2=.264, Durbin-Watson=1,902, without multicollinearity (VIF<2). It is important that both F_MAC and F_GGO have a positive statistical relationship with F_FDI. If factors related to the Macro Environment & Institutions increase by 1 unit, the potential growth of FDI in the locality increases to .158 units. Similarly, if the factors related to the Tectonic Local Government increase by 1 unit, the potential growth of FDI in the locality increases to .221 units. Of these two factors, F_MAC has a stronger effect (0.375) than F_GGO (0.204).

Table 3
MODEL SUMMARY[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.514[a]	0.264	0.25	1.5707	0.264	17.801	2	99	0	1.902
a. Predictors: (Constant), F_GGO, F_MAC										
b. Dependent Variable: F_FDI										

Table 4
ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	87.835	2	43.917	17.801	.000[b]
	Residual	244.244	99	2.467		
	Total	332.078	101			

a. Dependent Variable: F_FDI

b. Predictors: (Constant), F_GGO, F_MAC

Table 5
COEFFICIENTS[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	5.229	1.178		4.437	.000		
	F_MAC	.159	.043	.375	3.659	.000	.708	1.412
	F_GGO	.221	.111	.204	1.990	.049	.708	1.412

a. Dependent Variable: F_FDI

We interpret this result as Figure 1. The political will and commitment of the political system (G11) is a powerful catalyst for the effects stemming from the stability of politics, state and government (G1) on the international integration of the country (G3), the social and market stability (G2), the stability and consistency of government-issued policies (G4), the attractiveness of investment promotion policies (G6), and to promote the professionalism of the tectonic local government. With the tectonic government, it is first and foremost a rule of law. The rule of law protects the legitimate interests of businesses and people (G7). The rule of law will promote the quality of administrative procedures (G5); promote transparency and publicity (G8), and voice and accountability (G9) and enhance the professionalism, openness, friendliness and dedication of public service officials (G12) as well as control corruption (G10). At the same time, the publicity, transparency, accountability and the officials' dedication will improve the quality of administrative procedures. In fact, enterprises have direct contact with officers; therefore, the possibility of bribery and corruption comes from this relationship.

From this diagram, we see that the stability of politics, state and government is the starting point and has an overarching impact on other public governance activities. The control of corruption is almost at the bottom of the chart because it directly affects the relationship between enterprises and government representatives.

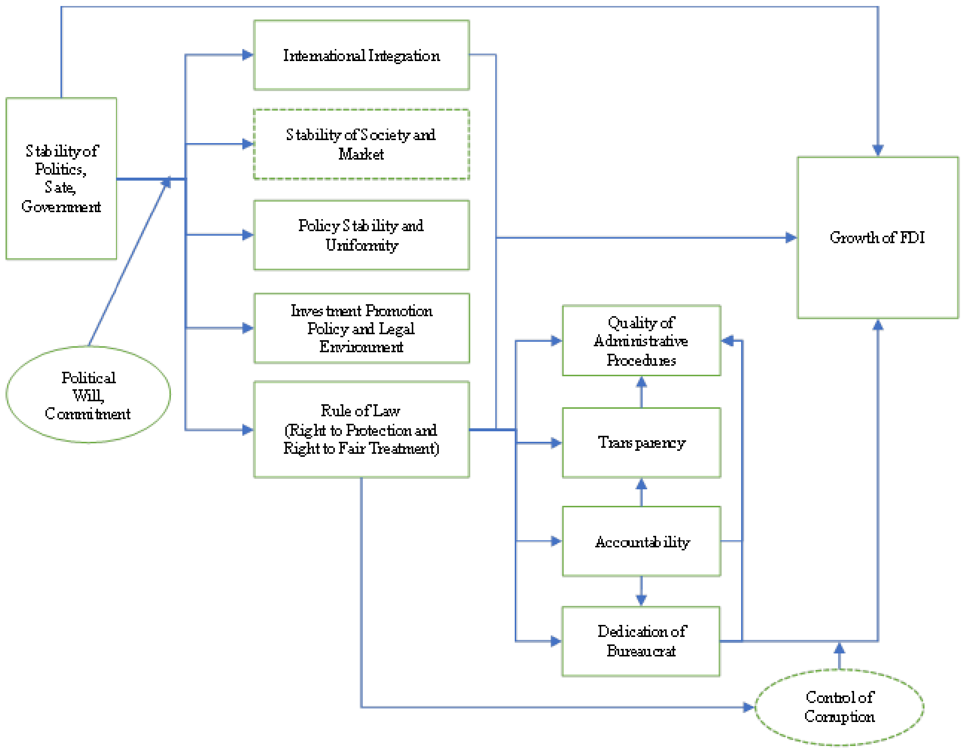

FIGURE 1
THE RELATIONSHIP BETWEEN MACRO-CONDITIONS & INSTITUTIONS AND TECTONIC LOCAL GOVERNMENT WITH FDI
Dash Line: Element with no Statistically Significant Impact

DISCUSSION

Political stability is always a top concern of investors. Countries with political instability will lead to social instability, increasing inflation, violence, corruption and poverty, making it difficult to attract and retain FDI (Caon, 2021). Many scientific studies have identified a positive relationship between political stability and FDI such as in Vietnam, Indonesia, Malaysia, Philippines, Singapore, and Thailand (Hoang & Bui, 2015), and BRIC countries (Abdella et al., 2018). This shows that the country has political stability that builds investor confidence in the investment destination. Over the past decades, Vietnam has been a country of steady development. According to Heads of the Korea Chamber of Business (KorCham) and the Japan External Trade Organisation (JETRO) in Vietnam, Vietnam is a safe place to invest (Phúc Minh, 2021). Because the society is so stable, this factor does not seem to be a concern of FDI enterprises in Vietnam. Especially in 2020, Vietnam is the fastest growing national brand; brand value skyrocketed 29% to US$319 billion. The COVID-19 pandemic has made Vietnam a bright spot. The country has very well controlled the epidemic and has become a reliable place for countries to move production out of China. In addition, recent trade agreements with the EU are further supporting Vietnam’s development (Brand Finance, 2021). International commitments through such trade agreements always make international investors feel secure to increase investment (Buthe & Milner, 2008). Indeed, representatives of the American Business Association (Amcham), the British Business Association (Britcham), and Eurocham all said that the important FTAs that Vietnam is implementing have created great FDI attraction, especially from markets in which they benefit from agreements to enter Vietnam (Phúc Minh, 2021). Besides, once FDI has invested in a country, FDI is considered an endogenous variable; meanwhile, the stability of the policy which is considered an exogenous variable will positively affect the development of FDI (Mahmood et al., 2019). Vietnam is in the upper one-third group of countries and territories in the world with a favourable legal environment for business activities and protection of business ownership. This rank is not low but not high; therefore, this is exactly the issue that investors care about when investing in Vietnam.

Having a stable and attractive investment environment is not enough, it also requires the government to have capacity and power. State power is expressed through the rule of law-based social management (Trần Đức Lượng, 2003). Thus, a government with strong political will and commitment will have the strength and persistence to forge consensus among diverse groups in the use and allocation of social resources in order to actualize the issued policies. Only governments with sufficient political capacity are capable of making commitments to open-market policies that are synonymous with a commitment to investment returns (Coan & Kugler, 2008).

In countries like Vietnam where there is one ruling party, state power and political power are closely related, seemingly indistinguishable or separate (Vũ Đức Khiển, 2010). During the process of consulting experts on the construction of the scale, this criterion caused a small debate. Experts from state agencies highly appreciate the impact of the political will and commitment of the local government; because once there is a high determination from the top leader, it is possible to pull the entire state apparatus (which is cumbersome) into the orbit: from accepting the change of thinking to show behaviour and going to assist. Without this element, there would be no change, no construction. FDI enterprises' representatives agree with this argument; however, they do not specifically feel this effect. This can be interpreted from two dimensions. In the first perspective, enterprises are not too concerned about the political institutions of the host country; even though Vietnam is a one-party state and is led by the Communist Party. Second, political will and commitment only indirectly affect businesses, it catalyzes a better investment environment.

A strong government must be both powerful and capable of what we here call tectonic government or rather tectonic local government in the local context of our research. Local governments organize and ensure the implementation of the Constitution and laws in their localities; decide on local issues prescribed by law; subject to inspection and supervision by superior state agencies (Clause 1, Article 112, 2013 Constitution of the Socialist Republic of Vietnam, 2013). In which, the administrative management mechanism is publicity, transparent, professional, responsible and dedicated to serving.

Transparency in the governance of state agencies is always the top concern of enterprises. For investors, the government's lack of transparency and publicity exposes them to risks and uncertainties. The lack of transparency increases risks, especially political risks and this risk negatively affects investment efficiency; the more transparency, the lower the risk, enterprises feel secure to invest (Barry & Di Giuseppe, 2019). The lack of transparency also increases bribery and corruption, instability in policies, manifestations of weak government, businesses are not protected (Drabek & Payne, 2002); this will affect the quantity and quality of investment that the country expects. Transparency shows the development level of society and authority. Transparency helps companies to access information fairly because of publicity. Improving the quality and transparency of policies and laws is one of the key issues that the Vietnamese government is committed to implementing. Everything is transparent through promoting technology application, especially e-Government, digital technology in the development process (Nguyên Đức, 2020). This transparency makes administrative procedures simpler and better because it is public and digitized.

Public governance activities are carried out by civil servants. The professionalism, openness, friendliness and dedication of civil servants in public management will support companies to become more efficient by saving time and costs (Hong Van, 2018). However, bureaucratic corruption may occur in the process of performing this duty (Public Safety Canada, 2015); it damages not only the interests of the State but also the legitimate rights and interests of organizations and individuals (Lê Quang Kiệm, 2018). Therefore, the quality of civil servants in terms of quality, qualifications and capacity is an issue that enterprises care about.

Corruption is harmful if left in control.

Interestingly, FDI enterprises in this study assess that corruption has a not too important impact on the performance of enterprises. In other words, the level of corruption in these two localities is low. In fact, the index of “informal costs” assessed by private sector enterprises operating in two localities is 7.81 and 7.36 (preferably 10) for Ben Tre and Lam Dong, respectively. In the same topic, a study by Mekong Development Research Institute in Vietnam in 2018 found that 23% of state-owned enterprises state concern about corruption; while only 14% of enterprises in the private sector are concerned about this issue (Das, 2019). In Vietnam, about 60% of social resources are used by state-owned enterprises, but their contribution to GDP is only close to 40%, with the remaining 60% being contributed by private enterprises and FDI (Vũ Khuê, 2021). This raises the question of whether less efficient firms prefer to pay bribes (and then induce corruption) to make things easier. FDI enterprises are more capable than domestic enterprises; therefore, the absence of corruption in the assessment of managers of FDI enterprises is understandable. A similar case occurred when (Abdella et al., 2018) finds corruption has no statistical relationship with FDI inflows into BRIC countries.

CONCLUSION

The novelty of this study is to identify factors affecting existing FDI, not potential FDI. The study provides clear evidence of the positive impact of good governance on the growth of FDI through two groups of factors. The first group “Macro Environment & Institutions” includes the Stability of Politics, State and Government, the Integration into the International community, the Policy Stability and Uniformity, the Quality of Administrative Procedures, the Investment Promotion Policy and Legal Environment, the Right to Protection and the Right to Fair Treatment, and the Political Will and Commitment of the Political System. The second group of “Tectonic Local Government” includes Transparency, Publicity, Professionalism, Openness, Friendliness and Dedication of Executor, and Voice and Accountability. The Stability of Society and Market and Control of Corruption are excluded.

This study is based on assessments provided by managers of FDI enterprises. Therefore, the results are the real proofs - the voices of the insiders. To promote the contribution of FDI to local development, local governments need to improve the quality of governance. Each level of good governance is raised, leading to an increase in investment efficiency, and companies can rest assured to maintain and expand investment in the locality. The highlight of this study is to show the presence of the political will and commitment of the political system. This factor acts as a catalyst, when increasing this catalyst, it creates a stronger impetus for the positive impact of good governance on FDI. At the same time, this catalyst also works to reduce and eliminate corruption in the public apparatus.

The meaning of increasing investment efficiency is not only for investors' profits but also for localities' interests. The results show that only state agencies have the authority and capacity to create an environment in which FDI enterprises from exogenous entities turn into endogenous entities. Once becoming endogenous entities, FDI enterprises become a component like many other local economic sectors. It is an ecosystem or an equal playing field between sectors and types of businesses, regardless of domestic or foreign enterprises, all of which contribute to the local economic development.

One thing that needs to be emphasized is that the tectonic government does not stand above enterprises but goes along with even ahead of enterprises. The thing that the government accompanies enterprises needs to set a clear boundary: the government is the government; the enterprise is the enterprise. Enterprises cannot intrude on the public governance of the government and the government does not do the work of enterprises. To define this line requires building a state governed by the rule of law, living and working according to the law in a transparent, publicity, and fair manner.

The new generation investment policy puts sustainable growth and development at the heart of efforts to attract and benefit from foreign investment. This leads to country- and local-specific investment policy challenges. Integrating investment policies into development strategies, incorporating sustainable development goals into investment policies, and ensuring the relevance and effectiveness of investment policies require a smart tectonic government.

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