

HO CHI MINH NATIONAL ACADEMY OF POLITICS

NGUYEN THI THUY THAO

**IMPACTS OF INSTITUTIONAL QUALITY
ON SUSTAINABLE ECONOMIC DEVELOPMENT
AT THE PROVINCIAL LEVEL IN VIETNAM**

**DOCTORAL DISSERTATION SUMMARY
MAJOR: ECONOMIC MANAGEMENT**

HANOI - 2026

**The dissertation was completed at
Ho Chi Minh National Academy of Politics**

Academic supervisors: 1. Dr. Nguyen Thi Mien



2. Assoc. Prof. Dr. Do Anh Duc



Reviewer 1:.....

Reviewer 2:.....

Reviewer 3:.....

**The dissertation will be defended before the Academy-level Dissertation
Evaluation Council at Ho Chi Minh National Academy of Politics**

At o'clock, on day month year

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INTRODUCTION

1. Rationale for selecting the topic

The impacts of institutional quality on economic growth and development has attracted considerable scholarly attention since the twentieth century. In 2024, the Nobel Prize in Economics was awarded to Acemoglu, D., Johnson, S., and Robinson, J. for their research on how social institutions are formed and how they influence the prosperity of nations. Institutional economics theory has demonstrated that institutional quality positively affects social development in general and sustainable economic development in particular. In practice, countries with transparent, democratic political systems and effective policies and laws tend to achieve high long-term economic growth, with social security and environmental issues well addressed. Conversely, countries with high corruption rates and poor policy and legal quality often experience stagnant economies, difficult living conditions, and social instability.

Although institutional theory has long been studied, it has focused primarily on the national level, while research on the impacts of institutions on development at the local level remains very limited. In particular, within a single country, how differences in institutional quality among provinces and cities may generate different effects on growth and sustainable development, and the transmission mechanism for this impact, have not yet been systematically established in the literature.

Over 40 years of national renovation (Doi Moi), alongside improvements in economic institutions, Vietnam has achieved remarkable economic development results that have been recognized and highly regarded internationally. The economy has maintained relatively high and stable growth, averaging approximately 6.2% per year during 2021-2025, ranking among the higher growth economies in the region and globally. Since 2008, Vietnam has moved out of the low-income country group. In 2025, Vietnam's GDP reached over USD 514 billion, ranking 32nd globally; per capita income reached USD 5,026, placing it in the upper-middle-income group. Major economic balances have been largely ensured, growth quality has improved, the economy has integrated extensively into the international market, social security has achieved many results, particularly

in education and healthcare, and environmental issues have received attention and improvement.

However, the development process has revealed notable limitations, particularly development disparities among localities, economic growth below potential and below set targets, environmental pollution not yet effectively controlled and in some aspects worsening, and the absence of a synchronized mechanism, policy, and social environment necessary for comprehensive human development. These issues necessitate a shift toward a new sustainable growth model in Vietnam, in which the key imperative is to improve institutional quality, as identified in the Party's 13th and 14th National Congress documents: one of the three strategic breakthroughs for sustainable national development is the synchronous improvement of development institutions.

In practice, assessments of Vietnam's institutional quality reveal many shortcomings: "the improvement of the socialist-oriented market economy institutions has been slow, and the relationship between the State, the market, and society in the socialist-oriented market economy has not been well resolved. Some laws, mechanisms, policies, regulations, and administrative procedures remain contradictory, overlapping, and unsynchronized, hindering development"; notably, there are considerable disparities in institutional quality among localities. This raises the requirement to improve institutional quality to ensure sustainable and balanced economic development across localities, "leaving no one behind."

In Vietnam, administrative reform is proceeding vigorously. Effective from 1 July 2025, Vietnam officially implemented the two-tier local government model (provincial and commune levels) and merged provinces and cities to expand development space for localities. In which, the provincial level has become the strategic level, responsible for issuing mechanisms and policies on socio-economic development, finance, and local budgets. This new context poses an urgent requirement to improve provincial institutional quality to meet practical demands. However, most studies and practical assessments in Vietnam have focused on institutional quality at the national level. In particular, there is a lack of systematic research examining the impacts of local institutional quality on sustainable

economic development at the provincial level. Furthermore, assessing the impacts of institutional quality on sustainable economic development in the past provides an important basis for drawing lessons and solutions for the governance of provincial governments after mergers.

Therefore, the doctoral candidate has chosen the topic ***“Impacts of institutional quality on sustainable economic development at the provincial level in Vietnam”*** as a doctoral dissertation in the major of Economic Management. The topic is of urgent significance in both theoretical and practical terms, aiming to provide additional empirical evidence on the relationship between institutional quality and sustainable economic development at the provincial level in a developing country, as well as to contribute important policy implications for improving institutional quality and promoting sustainable economic development at the provincial level in Vietnam.

2. Research goals and tasks

- Research goals: Based on systematizing the theoretical foundations of the impacts of institutional quality on sustainable economic development at the provincial level, the dissertation evaluates and quantifies the direction and magnitude of the impacts of institutional quality on the dimensions of sustainable economic development at the provincial level in Vietnam; thereby proposing solutions to improve institutional quality and promote sustainable economic development at the provincial level in Vietnam.

- Research tasks:

To achieve these goals, the dissertation will carry out the following tasks:

- + Reviewing the literature related to the dissertation topic.
- + Systematizing the theoretical frameworks and developing assessment indices on provincial institutional quality and sustainable economic development, and examining the mechanism through which institutional quality affects sustainable economic development at the provincial level.

+ Analyzing, evaluating, and quantifying the direction and magnitude of the impacts of institutional quality on the dimensions of sustainable economic development at the provincial level in Vietnam.

+ Proposing viewpoints and solutions to improve institutional quality and promote sustainable economic development at the provincial level in Vietnam.

3. Research questions

(i) What is provincial institutional quality, and how is it measured?

(ii) What is sustainable economic development at the provincial level?

(iii) What are the direction, magnitude, and transmission mechanism of the impacts of institutional quality on sustainable economic development at the provincial level in Vietnam?

(iv) What solutions are required to improve provincial institutional quality in order to promote sustainable economic development in Vietnam?

4. Research object and scope

- **Research object:** The impacts of institutional quality on sustainable economic development at the provincial level in Vietnam.

- **Research scope:**

+ Spatial scope: the study covers 63 centrally-governed provinces and cities in Vietnam prior to the mergers.

+ Temporal scope: from 2015 to 2024.

+ Content scope: the dissertation examines the impacts of institutional quality on sustainable economic development at the provincial level in Vietnam. Specifically:

Provincial institutional quality is examined through six dimensions drawn from the PAPI index: citizen participation; transparency; accountability; corruption control; public administrative procedures; and public service delivery.

Sustainable economic development at the provincial level is approached through three dimensions: economic, social, and environmental ones. The economic dimension is represented by real GRDP at 2010 constant

prices; the social dimension is represented by the provincial Human Development Index (HDI); the environmental dimension is represented by the provincial environmental quality index. Other indicators of sustainable economic development, such as productivity, economic structure, multidimensional poverty, inequality, and environmental pollution, are used as supplementary in the analysis of the current situation.

5. Novel contributions of the dissertation

- Theoretical contributions

(i) Systematizing and further clarifying the theoretical foundations of institutional quality and sustainable economic development at the provincial level; (ii) Clarifying the mechanism through which institutional quality affects sustainable economic development at the provincial level in the context of a transition economy such as Vietnam; (iii) Supplementing the analytical framework of the impacts of institutional quality on sustainable economic development at the provincial level using a combination of qualitative and quantitative methods, identifying direct and indirect transmission mechanisms.

- Practical contributions

(i) Providing empirical evidence on the impacts of institutional quality on sustainable economic development at the provincial level in Vietnam; (ii) Identifying the direction and magnitude of the impacts of institutional quality on sustainable economic development at the provincial level, in particular determining the asymmetry among the components of institutional quality in their effects on the dimensions of sustainable economic development, serving as a basis for appropriate policymaking; (iii) Proposing solutions to improve institutional quality and promote sustainable economic development at the provincial level in the context of digital transformation and the implementation of the two-tier local government model.

6. Dissertation structure

The dissertation consists of an Introduction, the main text (comprising five chapters and sixteen sections), a Conclusion, a list of the author's published scientific works related to the dissertation, and a list of references.

Chapter 1

LITERATURE REVIEW

1.1. REVIEW OF STUDIES ON THE IMPACTS OF INSTITUTIONAL QUALITY ON SUSTAINABLE ECONOMIC DEVELOPMENT AT THE PROVINCIAL LEVEL

1.1.1. Group of studies on institutional quality and provincial institutional quality

1.1.1.1. Studies on institutional quality

New institutional economics emerged in the 1970s, and over time the concept of institutions has evolved from North's (1990) relatively flat view of institutions to the notion of institutions comprising four levels with their operating logic. Studies have shown that institutions constrain human behavior and are accompanied by enforcement mechanisms.

There are various definitions of institutional quality based on different approaches, in which, to assess whether an institution is considered good, studies rely on evaluations of transparency and accountability, the resolution of public issues, the effective management of public resources, the fulfillment of human rights without corruption, and the creation of a stable, transparent business and legal environment for private sector activities.

Some studies have also proposed ways to measure institutional quality at the national level through perception-based or evaluation indices of government effectiveness, corruption control, accountability, and so forth.

1.1.1.2. Studies on provincial institutional quality

Compared with studies on institutional quality at the national level, studies on provincial institutional quality are far fewer and typically focus on measuring local institutional quality.

Local and provincial institutional quality indices internationally and in Vietnam broadly adhere to the "good governance" framework inherited from the Worldwide Governance Indicators (WGI). Vietnam's PAPI and PCI also contain sub-indices similar to the provincial institutional quality index in China and Italy's IQIM, in evaluating criteria on public administrative quality and public services, and citizen participation.

In addition, international indices have fewer components and are more general in nature. In contrast, Vietnam's PAPI and PCI are broken down into more detailed criteria, evaluating the operational processes of government such as administrative procedures, informal costs, and business support services.

1.1.2. Group of studies on sustainable economic development and provincial-level sustainable economic development

In general, international studies approaching the concept of sustainable economic development typically divide into two main groups of viewpoints. The first group emphasizes the balance between growth and ecological limits. The second group focuses on the capacity to maintain long-term productivity accompanied by social welfare.

Regarding domestic studies, sustainable economic development entails a synthesis of maintaining long-term growth, ensuring distributive equity in the enjoyment of benefits, using resources rationally, and protecting the environment.

Consequently, sustainable economic development in general and provincial-level sustainable economic development in particular encompass multiple elements: long-term economic growth, a progressive economic structure, the assurance that people enjoy the fruits of development and the rational utilization of resources without causing environmental pollution.

1.1.3. Group of studies on the impacts of institutional quality on sustainable economic development

1.1.3.1. Studies on the impacts of institutional quality on sustainable development in general

Most studies focus on evaluating the impacts of institutional quality on sustainable development. However, the economic dimension is considered one of the foundational pillars of sustainable development. Therefore, although not directly addressing sustainable economic development as an independent research object, these studies still provide important theoretical and practical foundations for explaining the role of institutional quality in sustainable economic development.

Many studies employ quantitative methods to assess the impacts of institutional quality on sustainable economic development, such as OLS, FE, RE, and GMM regression, depending on the data collected. Among these, the most important issue in quantification is addressing endogeneity and establishing the robustness of the model. Consequently, some studies have used multiple methods simultaneously to ensure that results do not depend on a specific technical approach.

1.1.3.2. Studies on the impacts of local institutional quality on sustainable economic development

Compared with research at the national level, the number of studies on the impact of local institutions and local institutional quality on sustainable economic development remain substantially scarcer. These studies mainly focus on assessing the impact of institutions on single economic variables such as economic growth, firm performance, or FDI attraction.

1.2. OVERALL ASSESSMENT OF STUDIES RELATED TO THE DISSERTATION TOPIC

1.2.1. Achievements

First, studies have shown that institutions are constantly changing and are accompanied by enforcement mechanisms. At the provincial level, institutional quality closely follows the “good governance” framework with criteria on citizen participation, public administrative quality, public services, and corruption control. In Vietnam, provincial institutional quality is primarily assessed through the two index systems of PAPI and PCI.

Second, studies converge on the concept and substance of provincial-level sustainable economic development: long-term economic growth, a progressive economic structure, ensuring that people enjoy the fruits of development and that resources are used rationally without causing environmental pollution.

Third, the research scope is mainly at the national and international levels; the local level is less studied and has mainly focused on empirical studies assessing the impacts of institutional quality on individual elements of economic development rather than directly approaching provincial-level

sustainable economic development as an integrated framework. Most studies use long time-series data or large cross-country samples.

Fourth, most empirical studies find that institutional quality has a positive effect on economic development in general and sustainable economic development in particular, with clearer and stronger effects in developing and low-income countries. At the provincial level, countries with substantial decentralization from central to local government tend to exhibit clearer effects. For sub-indices, the direction of the effect varies depending on the characteristics of the research sample and estimation methods.

Fifth, many studies employ quantitative methods with panel data and diverse quantitative techniques to address the endogeneity of institutional variables, control for cross-sectional dependence among spatial units, and ensure the robustness of estimation results.

1.2.2. Research gaps

First, regarding the theoretical gap. Studies have inherited the foundations of new institutional economics and the “good governance” framework to define the substance of institutional quality at the national level. Meanwhile, the transmission mechanism from institutional quality to sustainable development has been mainly argued at the national level. From there, the dissertation will construct a theoretical framework for provincial institutional quality, clarifying the substance of provincial institutional quality and the mechanism of its impact on the pillars of sustainable economic development.

Second, regarding the empirical gap. Few studies have examined the impacts of institutional quality on sustainable economic development across the overall dimensions of economic growth, equality in benefit enjoyment and rational resource use without environmental pollution. In particular, in Vietnam there has been no study on the impact, nor clarification of the transmission mechanism, of provincial institutional quality on sustainable economic development.

Third, regarding the gap in economic management implications. No study has focused on analyzing and proposed solutions to improve provincial institutional quality to promote sustainable economic development based on evidence about which components of institutional quality affect which pillars of sustainable economic development at the provincial level. In particular, no study has examined this issue in the context of Vietnam's provincial administrative restructuring and the implementation of the two-tier local government model.

Chapter 2

THEORETICAL FOUNDATIONS OF THE IMPACTS OF INSTITUTIONAL QUALITY ON SUSTAINABLE ECONOMIC DEVELOPMENT AT THE PROVINCIAL LEVEL

2.1. THEORETICAL FOUNDATIONS OF PROVINCIAL INSTITUTIONAL QUALITY

2.1.1. Theory of institutions

- Definition: Institutions are systems of rules, laws, and enforcement mechanisms established by the state to regulate the behavior of economic actors, thereby orienting economic activities toward development objectives.

- Characteristics of institutions:

- + They are human-made and therefore changeable, reflecting the will, interests, and power relations of the actors who create them.

- + They are rule-based.

- + They are relatively durable and stable.

2.1.2. Concepts of institutional quality and its measurement

- Definition: Institutional quality is the degree of effectiveness and efficiency of the system of rules and enforcement mechanisms of a country or territory in creating a stable, transparent, and predictable environment for economic activities.

- Measuring institutional quality: This is a challenge because the concept of institutions is very broad and not easily quantified. To date, many

studies have measured institutional quality through various index systems primarily based on the perceptions of the public and businesses.

2.1.3. Concepts of provincial institutional quality and measurement indices

- Definition: Provincial institutional quality is the degree of effectiveness, efficiency, transparency, and accountability in the management, governance, and policy implementation activities of local government, aimed at creating a favorable investment and business environment, reducing transaction costs, and promoting efficient resource allocation for sustainable economic development.

- Measuring provincial institutional quality: six dimensions: (1) citizen participation at the grassroots level; (2) transparency; (3) accountability to citizens; (4) corruption control; (5) public administrative procedures; (6) public service delivery.

2.2. SUSTAINABLE ECONOMIC DEVELOPMENT AT THE PROVINCIAL LEVEL

2.2.1. The concept of sustainable economic development

Definition: Sustainable economic development is a development process aimed at maintaining long-term economic growth, on the basis of harmonizing economic growth with social progress and equity and environmental protection, thereby ensuring development capacity for the present and the future.

2.2.2. The concept and substance of sustainable economic development at the provincial level

Definition: Provincial-level sustainable economic development is a development process aimed at maintaining long-term local economic growth on the basis of harmonizing economic growth with social progress and equity and environmental protection, thereby maintaining the locality's development capacity for the present and the future.

Substance: first, sustainable economic growth; second, social progress and equity in the process of economic growth; third, environmental protection in the process of economic growth.

2.3. Trends and content of the impacts of institutional quality on sustainable economic development at the provincial level

2.3.1. Trends in the impacts of institutional quality on sustainable economic development

The crucial role of institutional quality in the economic development of countries has been demonstrated in numerous studies; however, the impact of institutions is highly complex, varies across countries, and changes over time.

At the local level, quantitative studies have also shown the positive impacts of institutional quality on elements of sustainable economic development such as economic growth and multidimensional poverty.

2.3.2. Content of the impacts of institutional quality on provincial-level sustainable economic development

First, good institutional quality promotes sustainable economic growth.

Good institutional quality creates a stable environment, reducing the uncertainty and risk of economic transactions; protecting property rights and promoting investment by people and businesses; and ensuring an efficient operating environment for the economy.

Second, good institutional quality ensures social progress and equity in the process of economic growth.

Good institutional quality effectively provides essential public services such as healthcare and education; and expands access to information, data, and knowledge for citizens, businesses, and research organizations.

Good institutional quality also affects social progress and equity indirectly through economic growth.

Third, good institutional quality ensures environmental quality in the process of economic growth.

Good provincial institutional quality creates a strong legal framework for implementing environmental protection and pollution control measures, compelling local production and business enterprises to produce more cleanly; and promoting environmental technology initiatives.

Chapter 3

RESEARCH METHODOLOGY

3.1. RESEARCH APPROACH

- Methodologically, the dissertation employs a dual-method approach combining qualitative and quantitative data analyses.

- In terms of content, the dissertation adopts the following approaches: the macro-level institutional economics perspective, a systems approach, a historical approach, a theory-to-practice approach, and a causal approach.

- The theoretical foundation of the dissertation: institutional theory.

3.2. HYPOTHESES AND RESEARCH MODEL

Research hypotheses: institutional quality has a positive impact on sustainable economic development at the provincial level, specifically:

H1: Local institutional quality has a positive impact on economic growth.

H2: Local institutional quality has a positive impact on social progress and equity in the growth process.

H3: Local institutional quality has a positive impact on environmental quality in the growth process.

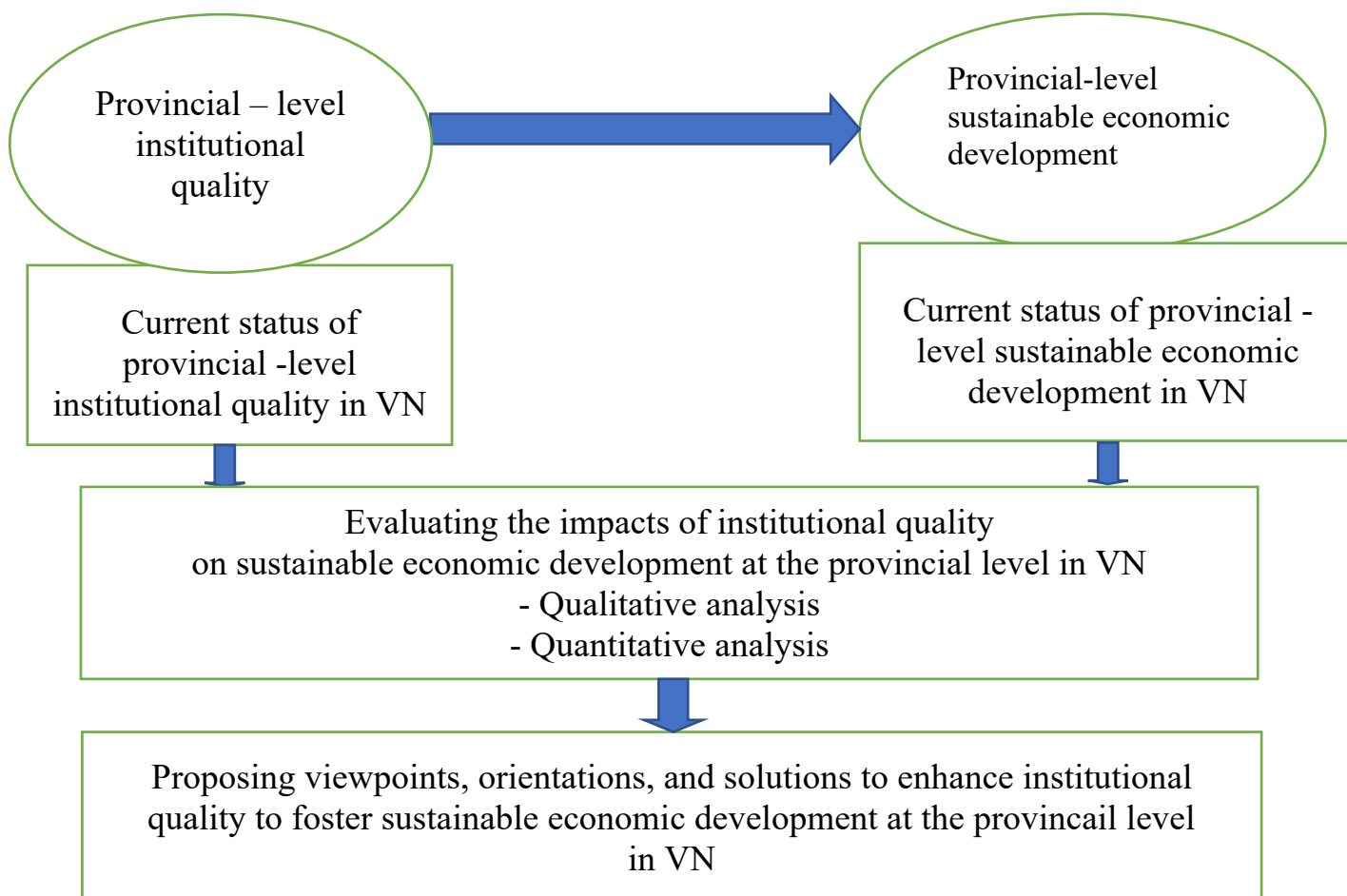


Figure 3.1. Research framework of the dissertation

Source: Author's proposal.

3.3. METHODS FOR ASSESSING THE IMPACTS OF INSTITUTIONAL QUALITY ON SUSTAINABLE ECONOMIC DEVELOPMENT AT THE PROVINCIAL LEVEL IN VIETNAM

3.3.1. Qualitative analysis

Aimed at assessing the current state of institutional quality and sustainable economic development in Vietnam and their evolution during the research period, as well as evaluating and forecasting the context to derive policy implications and solutions.

3.3.2. Quantitative analysis

- Statistical and descriptive analysis
- Correlation testing
- Regression analysis:

Regression equations:

$$\ln(\text{GRDP}_{it}) = \alpha_0 + \alpha_1 \text{IQ}_{it} + \alpha_2 \text{X}_{it} + \mu_i + \lambda_t + \varepsilon_{it} \quad (1)$$

$$\ln(\text{GRDP}_{it}) = \alpha_0 + \alpha_1 \text{IQ1}_{it} + \alpha_2 \text{IQ2}_{it} + \alpha_3 \text{IQ3}_{it} + \alpha_4 \text{IQ4}_{it} + \alpha_5 \text{IQ5}_{it} + \alpha_6 \text{IQ6}_{it} + \alpha_7 \text{X}_{it} + \mu_i + \lambda_t + \varepsilon_{it} \quad (2)$$

$$\ln(\text{HDI}_{it}) = \beta_0 + \beta_1 \text{IQ}_{it} + \beta_2 \text{X}_{it} + \mu_i + \lambda_t + \varepsilon_{it} \quad (3)$$

$$\ln(\text{HDI}_{it}) = \beta_0 + \beta_1 \text{IQ1}_{it} + \beta_2 \text{IQ2}_{it} + \beta_3 \text{IQ3}_{it} + \beta_4 \text{IQ4}_{it} + \beta_5 \text{IQ5}_{it} + \beta_6 \text{IQ6}_{it} + \beta_7 \text{X}_{it} + \mu_i + \lambda_t + \varepsilon_{it} \quad (4)$$

$$\text{EQ}_{it} = \gamma_0 + \gamma_1 \text{IQ}_{it} + \gamma_2 \text{X}_{it} + \mu_i + \lambda_t + \varepsilon_{it} \quad (5)$$

$$\text{EQ}_{it} = \gamma_0 + \gamma_1 \text{IQ1}_{it} + \gamma_2 \text{IQ2}_{it} + \gamma_3 \text{IQ3}_{it} + \gamma_4 \text{IQ4}_{it} + \gamma_5 \text{IQ5}_{it} + \gamma_6 \text{IQ6}_{it} + \gamma_7 \text{X}_{it} + \mu_i + \lambda_t + \varepsilon_{it} \quad (6)$$

Where i ($i=1 \dots 63$) indexes the provinces included in the assessment;

t : time of assessment;

GRDP: real gross regional product of each locality calculated at 2010 constant prices.

HDI: provincial Human Development Index.

EQ: environmental quality.

IQ: explanatory variable measuring local institutional quality.

IQ1: explanatory variable measuring citizen participation.

IQ2: explanatory variable measuring government transparency.

IQ3: explanatory variable measuring government accountability.

IQ4: explanatory variable measuring corruption control.

IQ5: explanatory variable measuring public administrative procedures.

IQ6: explanatory variable measuring public services.

X_{it} : a vector of control variables reflecting the socio-economic characteristics of the locality.

μ_i : locality fixed effects, controlling for unobservable factors that are time-invariant.

λ_t : time fixed effects, reflecting common macro shocks.

ε_{it} : the random error term.

Regarding the estimation method: two-way fixed effects (FE) estimation (including provincial fixed effects (μ_i) and year fixed effects (λ_t) for the period 2015-2024), with robust standard errors to control for heteroskedasticity and autocorrelation.

- Variables and data sources:

+ Real GRDP at 2010 constant prices of provinces: retrieved from the Statistical Yearbooks of the 63 former provinces nationwide, expressed in VND billion.

+ Provincial Human Development Index: data from the General Statistics Office.

+ Environmental quality: constructed based on the synthesis of two sub-indices - water environmental quality and air environmental quality - within the environmental governance index of the PAPI framework.

As these data are measured for the 2018-2024 period, the dissertation uses estimated parameters to back-extrapolate index values for the 2015-2017 period.

Formula: $EQ_{it} = a.t + b$

Where: EQ_{it} : environmental quality index of province i in year t ;

t : years 2018-2024;

a : the time trend of variation.

+ Institutional quality (IQ): the unweighted sum of six component indices: Citizen participation (IQ1); Transparency (IQ2); Accountability (IQ3); Corruption control (IQ4); Public administrative procedures (IQ5); Public service delivery (IQ6). Data are collected from PAPI reports for 2015-2024.

+ Control variables: foreign direct investment (FDI) measured in VND million; the number of trained workers; population; local government budget expenditure. These data are collected from the statistical yearbooks of the provinces for 2015-2024.

Chapter 4

ANALYSIS OF THE IMPACTS OF INSTITUTIONAL QUALITY ON SUSTAINABLE ECONOMIC DEVELOPMENT AT THE PROVINCIAL LEVEL IN VIETNAM

4.1. OVERVIEW OF THE CONTEXT OF THE DECENTRALIZATION OF STATE ECONOMIC MANAGEMENT IN VIETNAM

The decentralization of state economic management in Vietnam was initiated at the Party's 6th National Congress in 1986, and to date the Party and State have consistently pursued the policy of strengthening decentralization and delegation of authority to localities.

Since 2016, the decentralization of state economic management in Vietnam has comprised five main areas: (1) state budget management; (2) state enterprise management (exercising the rights and obligations of the state owner over state enterprises and state capital invested in enterprises); (3) investment management (for investment from state budget capital and government bonds); (4) management of public service, cadres, civil servants, and public employees; (5) land management.

During the research period 2015-2024, Vietnam had 63 provincial-level administrative units.

4.2. THE CURRENT STATE OF INSTITUTIONAL QUALITY OF PROVINCIAL LOCAL GOVERNMENTS IN VIETNAM

- Provincial institutional quality by six component indices:

Provincial institutional quality went through three phases of change: a period of considerable improvement from 2015 to 2019, a decline during 2020-2023, and a positive recovery in 2024.

The bright spot is corruption control, which achieved continuous positive improvements over the years. Public service delivery maintained a relatively high and stable score.

Limitations: public administrative procedures are a bottleneck, having shown almost no improvement over ten years, particularly the service for granting land use right certificates. Accountability is the least improved

index, reflecting the passivity of government in receiving and responding to citizens' feedback. Transparency has seen moderate improvements, particularly as access to information on land use plans and commune-level budgets remains very limited.

- Institutional quality by economic regions:

The Red River Delta has maintained the leading position in provincial institutional quality; followed by the North Central and Central Coast regions; the Southeast; the Mekong River Delta; and the Northern midlands and mountains. The Central Highlands has consistently ranked lowest over the ten years.

By component indices, northern provinces tend to score higher on citizen participation, transparency, and accountability. Southern provinces tend to score higher on corruption control and public service delivery during 2015-2019; by 2020-2024, northern and central provinces had recorded positive changes in corruption control. Central Highlands and Northern midlands and mountains provinces are often in the low-scoring group, particularly for public service delivery.

Women tend to give lower scores than men across the six indices, especially citizen participation at the grassroots level. Ethnic minority respondents also give lower scores than Kinh respondents, particularly on the three indices of citizen participation, transparency, and corruption control.

4.3. THE CURRENT STATE OF SUSTAINABLE ECONOMIC DEVELOPMENT OF PROVINCIAL LOCALITIES IN VIETNAM

4.3.1. Sustainable economic growth

The 2015-2024 period recorded solid economic growth, an expanding economic scale, and major economic balances that were largely ensured. The disparity in scale and growth quality among the 63 centrally-governed provinces and cities remains large: the Southeast and Red River Delta regions are the two main growth poles, while many provinces in the Northern midlands and mountains, North Central, Central Highlands, and Southwest regions still have lower GRDP scale and growth rates than the country's growth centers.

4.3.2. Social progress and equity in the process of economic growth

During 2015-2024, Vietnam achieved many important results in social progress and equity linked with economic growth. The most notable are rapid poverty reduction, expanded access to education, healthcare, and social security, alongside significant improvements in living standards; the

HDI of the 63 centrally-governed provinces and cities increased steadily over the years.

4.3.3. Environmental protection in the process of economic growth

Vietnam's environmental quality is under great pressure from urbanization and industrialization, in which air, soil, and water pollution are the most prominent issues, concentrated in large urban areas, industrial zones, craft villages, and high-density transport corridors.

4.4. QUANTITATIVE RESULTS ON THE IMPACTS OF INSTITUTIONAL QUALITY ON SUSTAINABLE ECONOMIC DEVELOPMENT AT THE PROVINCIAL LEVEL IN VIETNAM

4.4.1. Descriptive statistics of variables

-Dependent variable, real GRDP at 2010 constant prices: 629 observations, strongly differentiated, not following a normal distribution. Therefore, the dissertation uses the natural logarithm of real GRDP.

-Dependent variable, provincial HDI: 567 observations, with a relatively balanced distribution.

-Dependent variable, environmental quality (EQ): 629 observations, with a relatively wide range of variation reflecting considerable differences in provincial environmental quality.

-Explanatory variable, institutional quality: 619 observations, fairly balanced distribution, low variability.

4.4.2. Correlation description of variables

According to the variable correlation matrix, institutional quality does not have a strong linear relationship with the components of sustainable economic development when considered individually. Therefore, it is necessary to use panel data regression models with fixed effects and a full set of control variables to accurately assess the role of institutional quality in provincial-level sustainable economic development.

4.4.3. Estimation results and discussion

4.4.3.1. Estimation results and discussion on the impacts of institutional quality on economic growth at the provincial level

Using two-way fixed effects (FE) estimation with robust standard errors, the regression results show that institutional quality (IQ) has a positive, stable, and statistically significant effect on provincial real GRDP scale, even after controlling for important socio-economic variables. Notably, when decomposing the aggregate IQ index, "citizen participation at the grassroots level" is identified as the most important institutional transmission channel promoting provincial economic growth.

4.4.3.2. Estimation results and discussion on the impacts of institutional quality on human development at the provincial level

The estimation results show that aggregate institutional quality (IQ) does not have a direct effect but rather plays an indirect role through economic growth and other social variables. Analysis of the component indices of institutional quality reveals heterogeneous effects: “transparency” and “public administrative procedures” contribute positively to human development; “corruption control” carries a statistically significant negative coefficient, reflecting that rising compliance costs may slow improvements in living standards in the short term.

4.4.3.3. Estimation results and discussion on the impacts of institutional quality on environmental quality at the provincial level

The estimation results show that the aggregate institutional quality index (IQ) plays a crucial role, consistently having a positive effect that is statistically significant at the 1% level on environmental quality improvement. By component index, “corruption control” is the strongest positive channel of impact (coefficient 0.110; $p < 1\%$), while “citizen participation at the grassroots level” carries a negative coefficient, reflecting passive responses to emergent pollution incidents.

4.5. OVERALL ASSESSMENT OF THE IMPACTS OF INSTITUTIONAL QUALITY ON SUSTAINABLE ECONOMIC DEVELOPMENT AT THE PROVINCIAL LEVEL IN VIETNAM AND EMERGING ISSUES

- Provincial institutional quality has a positive but non-uniform and non-linear effect across dimensions and indices on the three aspects of sustainable economic development. Institutional quality directly promotes sustainable economic growth; affects social progress and equity both directly and indirectly; and is an important factor in environmental protection.

- Emerging issues: “citizen participation” has the strongest effect on growth but its actual score is low and declining; institutions are not yet strong enough to directly distribute social welfare, requiring the intermediary of growth; anti-corruption imposes short-term adjustment costs; public administrative procedures are stagnant, restraining development; and deep institutional disparities across regions threaten social equity.

Chapter 5**SOLUTIONS TO IMPROVE INSTITUTIONAL QUALITY
AND PROMOTE SUSTAINABLE ECONOMIC DEVELOPMENT
AT THE PROVINCIAL LEVEL IN VIETNAM****5.1. INTERNATIONAL AND DOMESTIC CONTEXT
AFFECTING INSTITUTIONAL QUALITY AND SUSTAINABLE
ECONOMIC DEVELOPMENT AT THE PROVINCIAL LEVEL IN
VIETNAM****5.1.1. International context**

International integration and participation in new-generation free trade agreements; the strong global advancement of the Fourth Industrial Revolution; changes in the structure of international capital flows, particularly the rising trend of high-quality FDI linked to ESG standards; and global shocks such as the financial crisis, the Covid-19 pandemic, climate change, and geopolitical instability - all of these have demonstrated the especially important role of institutions in enhancing the resilience of the economy.

5.1.2. Domestic context

The requirement to establish a new growth model that harmonizes economic growth with environmental protection, social progress, and equity. The two-tier local government model is a new model with many challenges that need to be addressed.

**5.2. GUIDING VIEWPOINTS ON IMPROVING
INSTITUTIONAL QUALITY TO PROMOTE SUSTAINABLE
ECONOMIC DEVELOPMENT AT THE PROVINCIAL LEVEL IN
VIETNAM****5.2.1. Viewpoints and orientations of the Party and State**

First, it is necessary to properly assess the role of improving institutional quality as an important element in achieving the goal of sustainable economic development.

Second, improving institutional quality must ensure the viewpoint of using development to secure stability and stability to promote development, while continuously improving people's living standards and happiness, in harmony with the environment.

Third, improving institutional quality must be based on the development specifics and readiness of each locality.

Fourth, improving local institutional quality must be linked with the context of international integration, sustainable development commitments,

and the application of science, technology, innovation, and digital transformation.

5.2.2. Viewpoints of the dissertation

First, institutional quality is an important factor that directly affects provincial economic growth.

Second, citizen participation at the grassroots level is the element that needs to be prioritized first in improving provincial institutional quality.

Third, the impacts of institutional quality on human development occurs mainly through the indirect channel of economic growth and through specific implementation components.

Fourth, corruption control and the efficiency of public expenditure are the primary instruments for improving environmental quality at the provincial level.

Fifth, provincial institutional quality has improved unevenly and is differentiated by region, requiring solutions with clear priorities and focus.

5.3. SOLUTIONS TO IMPROVE INSTITUTIONAL QUALITY AND PROMOTE SUSTAINABLE ECONOMIC DEVELOPMENT AT THE PROVINCIAL LEVEL IN VIETNAM

5.3.1. Strengthening citizen participation in local development management

First, improving the institutional framework ensuring citizen participation in the activities of local government.

Second, enhancing the capacity and conditions for citizens to participate in the activities of local government.

Third, diversifying the forms of citizen participation in the activities of local government.

5.3.2. Strengthening transparency of local government information

First, improving the institutional framework for transparency in the activities of local government.

Second, enhancing the ability of citizens and businesses to access information.

Third, strengthening transparency in areas with major impacts on local sustainable economic development.

5.3.3. Strengthening effective corruption control

First, continuing to maintain and strengthen the political will for corruption prevention and control within the political system.

Second, focusing on corruption prevention and control in the land sector.

Third, eliminating nepotism in public sector recruitment.

Fourth, applying digital transformation and building digital government to control corruption.

Fifth, protecting whistleblowers and promoting the supervisory role of citizens.

Sixth, focusing on corruption control at stages that directly affect the environment.

Seventh, narrowing the gap in corruption control across regions.

5.3.4. Improving the quality of public administrative procedures

First, continuing institutional reform and reducing compliance costs of administrative procedures.

Second, accelerating digital transformation and building digital government in handling administrative procedures.

Third, enhancing the capacity and responsibility of cadres and civil servants implementing administrative procedures.

Fourth, ensuring inclusiveness and narrowing the digital divide in access to public administrative services.

Fifth, strengthening the accountability of agencies implementing public administrative procedures.

5.3.5. Narrowing the gap in institutional quality among localities

First, reducing disparities in institutional quality within provinces after mergers.

Second, accelerating digital transformation and standardizing local management platforms.

Third, enhancing the capacity of commune-level government.

Fourth, strengthening resource support for particularly disadvantaged regions.

CONCLUSION

Institutional quality plays an important role in promoting sustainable economic development. Through studying the theoretical and practical foundations of the impacts of institutional quality on sustainable economic development at the provincial level of Vietnam during 2015-2024, analyzing the new context, and proposing solutions, the dissertation draws the following conclusions:

In theoretical terms:

The dissertation has scientifically systematized and clarified the concept of provincial institutional quality based on the analysis and synthesis of theoretical literature. The dissertation has established specific criteria for assessing provincial institutional quality based on the six available PAPI indices: (i) citizen participation; (ii) transparency; (iii) accountability; (iv) corruption control; (v) public administrative procedures; and (vi) public service delivery.

The dissertation has systematized and clarified the concept and substance of provincial-level sustainable economic development, comprising three main pillars: sustainable economic growth; social progress and equity in the process of economic growth; and environmental protection in the process of economic growth.

Through reviewing and analyzing the theoretical literature, the dissertation has identified the direction of impact and the direct and indirect transmission mechanisms through which institutional quality affects sustainable economic development at the provincial level.

In practical terms:

Combining qualitative and quantitative research methods, based on the theoretical framework of the impacts of institutional quality on sustainable economic development, the dissertation has clearly analyzed the current state of institutional quality and sustainable economic development of provincial localities in Vietnam during 2015-2024, and assessed the impact of institutions on provincial-level sustainable economic development. The results indicate that:

- The institutional quality of the provinces has experienced significant improvements, however, these advancements remain uneven and unstable, with notable signs toward stagnation in recent years.

- Institutional quality has distinct yet differential impacts on the three dimensions of sustainable economic development. Good institutions directly affect the scale of the economy and environmental quality, but do not directly affect social progress and equity, operating mainly through the intermediary channel of economic growth.

- Among the components of institutional quality, citizen participation in the governance of local government is the key institutional channel for enhancing the economic performance of the provinces. Transparency and public administrative procedures of local government are factors with positive effects on human development. Corruption control has a large effect on the environmental quality of the provinces. Meanwhile, citizen participation in government activities remains largely formalistic or reactive to environmental incidents, and has not yet been institutionalized into binding power over government environmental decisions.

- Based on the analysis of the international and domestic context, particularly the implementation of the two-tier local government model from 1 July 2025, the Party and State's viewpoints on improving institutional quality, and the results of the situational analysis, the dissertation has proposed five groups of solutions for provincial governments to improve institutional quality and promote sustainable economic development at the provincial level in Vietnam.

Beyond the issues resolved, the dissertation still has some limitations: the use of PAPI indices, which measure citizens' perceptions, to assess provincial institutional quality means that not all aspects of institutional quality can be captured. Regarding environmental data, the use of water and air environmental quality data based on citizens' assessments within PAPI does not fully reflect the environmental quality of the provinces. Although formulated as specifically as possible in alignment with the dimensions of institutional quality and their impact mechanisms, the policy solutions proposed by this dissertation remain at the level of broad policy frameworks, lacking detailed technical designs, implementation roadmaps, and dedicated resources for each locality. Given the considerable differences in natural, socio-economic, and cultural conditions across localities, the application of these solutions requires subsequent micro-level studies as well as flexible adjustments by policymakers. These limitations may serve as potential avenues for future research.

LIST OF PUBLISHED WORKS

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