



Original Article

Improving Socio-economic Efficiency of Ho Chi Minh City's FDI Enterprises Towards Sustainable Development

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Abstract: Ho Chi Minh City (HCMC) is known as the economic leader of Vietnam. This city also makes a major contribution to Vietnam's state budget revenue. The reality of the socio-economic development of HCMC reveals that the Foreign Direct Investment (FDI) sector has made important and effective contributions in terms of exports, state budget revenue, job creation and income. However, the investment efficiency of this sector and technology transfer through FDI has not been as high as expected. Using secondary data, this article analyzes and assesses the socio-economic efficiency of the FDI sector in HCMC according to some criteria, namely: investment efficiency, export, state budget revenue, technology transfer, job creation and income generation. On that basis, some policy recommendations are proposed to improve the socio-economic efficiency of the FDI sector in HCMC in the direction of sustainable development, including: (i) enhancing to attract and use FDI consistently with the socio-economic development strategy of HCMC; (ii) continuing to formulate and complete investment incentive policies and tax policies; (iii) improving the effectiveness and efficiency of state management and (iv) developing human resources, science and technology to create necessary prerequisites for absorbing positive spillover effects, as well as limiting the negative impact of FDI inflows.

Keywords: FDI, Ho Chi Minh City, socio-economic efficiency.

1. Introduction

Compared to other cities and regions of Vietnam, HCMC has the advantages of geographical location, natural conditions and favorable traffic conditions for socio-economic

development. These advantages contribute to bring HCMC to its position as the economic leader, the center of culture - education, science - technology and international integration of Vietnam.

Since Vietnam started the Doi Moi reform and opened up the economy more than 30 years ago, FDI has played a crucial role in the process of HCMC's socio-economic development. In general, the FDI enterprise sector has

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contributed to promote economic growth [1], shift the economic structure positively in accordance with the orientation of the HCMC's Party Committee [2], create more jobs, and increase the average income of workers [3]. However, besides the above mentioned benefits, FDI capital may also bring many risks for the socio-economic development of HCMC.

Typically, the goals of foreign investors and the goals of host countries/regions are not consistent. The goal of foreign investors is to exploit and maximally utilize incentives, advantages and resources of the host countries/regions to maximize their profits. Meanwhile, the transparent goal of home countries/regions is towards sustainable development, including a sustainable economic development goal. Regarding the relationship between FDI and the sustainable economic development goal [4], supposes that FDI associated with the sustainable economic development goal of the home countries/regions is considered to be achieved when this economic sector meets the expectation of the home countries/regions. In order to evaluate the contribution of the FDI sector to the receiving regions' socio-economic development process truly, the socio-economic efficiency of the FDI sector is considered as the most important target.

Within the scope of this article, the author attempts to assess the socio-economic efficiency of the FDI sector in HCMC using available statistical sources. At the same time, on the basis of comparing with previous research results, the achieved results and the remaining limitations in the operation process of the FDI sector in HCMC are also indicated. On that basis, some policy recommendations are proposed to improve the socio-economic efficiency of the FDI sector in HCMC in the direction of sustainable development.

The following sections present the theoretical framework for analyzing the socio-economic efficiency of FDI enterprises in HCMC, followed by findings and discussions about the socio-economic efficiency of the FDI sector in HCMC. In the final section, some

conclusions and policy recommendations are discussed.

2. Framework for foreign direct investment efficiency analysis

The socio-economic efficiency of the FDI sector is an overall indicator measuring all direct and indirect economic and social benefits received by an economy/region through FDI [5]. Assessing the socio-economic efficiency of FDI enterprises is by comparison between what a society has to pay for the best use of its available resources and the benefits that FDI brings to the whole economy [6]. Thus, the socio-economic efficiency of the FDI sector is the highest standard, which reflects the benefit of which the FDI sector is capable and is possible to bring to the economic-social development of the whole economy. This benefit should be assessed both economically and socially, across the economy as a whole, both directly and indirectly. The socio-economic efficiency of FDI enterprises is a category reflecting the degree of socio-economic benefits that a region receives, compared with the fee that FDI enterprises and the home region have to spend in a certain period of time. To evaluate the socio-economic efficiency of FDI enterprises, a set of criteria can be applied, including: Incremental capital - output ratio (ICOR), export efficiency, budget contribution efficiency, technological diffusion, job creation efficiency, income generating efficiency and environmental impact assessment.

2.1. Incremental capital - Output ratio (ICOR)

Considering the relationship between FDI and economic growth from previous theoretical studies [7], shows that FDI makes an important contribution to the economic growth of the host country. However, the effect of FDI on economic growth depends significantly on the socio-economic conditions of the host country. A research by [8] investigating the relationship between FDI inflows and economic growth in Vietnam's provinces/cities proves that FDI has a positive effect on economic growth and the

degree of this influence depends on the absorption capacity of the economy. The effect of FDI on economic growth in Vietnam will be greater if more resources are invested in education and training, the financial market is more developed and the technology gap between FDI enterprises and domestic enterprises is narrowed [9].

In investment activities, the correlation between investment and economic growth is directly shown by the Icor coefficient [10-12]. Accordingly, Icor is defined as follows:

$$Icor_{FDH} = \frac{D_t}{I_t}$$

Where:

$Icor_{FDH}$: Coefficient of invested capital usage by FDI enterprise sector in year t;

D_t : Ratio of invested capital of the FDI enterprise sector to the host country/region's GDP in year t, calculated at constant prices;

I_t : GDP growth rate of the host country/region in year t compared to year t - 1, calculated at constant prices.

The socio-economic efficiency of FDI enterprises can be assessed through the $Icor_{FDH}$ coefficient. The $Icor_{FDH}$ coefficient indicates how many units of capital are required to invest in the FDI sector to increase a unit of Gross Regional Domestic Product (GRDP) created by the FDI sector. The $Icor_{FDH}$ varies according to the local economic development situation in different periods and depends on the investment structure and the efficiency of capital use. The lower the $Icor_{FDH}$ is, the more effective the investment is, and vice versa.

2.2. Export efficiency

In terms of the effects of FDI on exports, [13] proves that FDI has a positive impact on Vietnam's exports during 1995-2009. In the short term, a 1% increase in FDI disbursement will increase exports by 0.14%. In the long run, the effect is even greater, with a corresponding increase in exports of 0.99%. The greater long-term influence is thought to be due to the spillover effect of FDI on domestic enterprises'

exports. The social-economic efficiency of the FDI enterprise sector in terms of exports is reflected in the comparative relationship between the "total export value" and the "total implemented investment capital" of the home country/region in a certain period [5, 10, 11]. This ratio indicates how many units of "total value of exported goods" are created by a unit of "total implemented investment capital". When compared between economic sectors, this ratio will indicate which business sector activity is more efficient in terms of exports.

2.3. Budget contribution efficiency

For most developing host countries/regions, the state budget revenue from the FDI enterprise sector mainly comes from taxes. The social-economic efficiency of the FDI sector in terms of contribution to the state budget is shown through the comparative relationship between "the total state budget revenue" and "the total implemented investment capital" of this sector in a certain period [11]. The budget contribution efficiency indicates how many units of value contributed to the budget are generated by a unit of investment by FDI enterprise units.

2.4. Technological diffusion

Due to the fact that host countries/regions are moving towards the sustainable economic development goal, the role of FDI is a hotly debated issue among researchers. [14] suggests that the positive effects created by the increase in the technological level in the economy are often overwhelmed by the negative effects on the competitiveness of enterprises in the home country/region. However, the spillover effect, especially in terms of technology knowledge and business know-how, enables a strong development of innovation both horizontally and vertically. Discussing the role of tax policy on the spillover effect of FDI in economic growth, [15] supposes that tariff reforms, especially tax cuts when China joined the WTO increased the FDI's spillover effect on the productivity of China. Assessing the impact of

FDI on labor productivity and the technology level in Vietnam [16], indicates that most of the FDI projects in Vietnam use average level technology originating from Asian countries. Therefore, it is necessary to consider the level of technology spillover of FDI to the host economy as a criterion to evaluate the socio-economic efficiency of the FDI enterprise sector in implementing the sustainable economic development strategy of the home country/region.

2.5. Job creation efficiency

Assessing the multidimensional effect of FDI on the development of host countries/regions [17], supposes that FDI is really a double-edged sword. On the one hand, FDI promotes economic growth, labor productivity and innovation of the host region. On the other hand, it also reduces the number of jobs and causes environmental pollution. In addition, institutional development of the host country/region also enhances the positive impact and minimizes the negative impact of FDI [17]. Accordingly, it is necessary to assess the effectiveness of FDI on the socio-economic development of host regions not only in terms of economy, but also in terms of social and environmental efficiency.

Discussing the impact of FDI on skilled labor demand in Mexico from 1975 to 1988, [18] states that the rise of FDI helps to increase the demand for skilled workers [19], investigating the effect of FDI on income inequality using provincial/city data of Vietnam for the period of 2002-2012 indicates that FDI into Vietnam tends to reduce the income gap, as low-skilled workers are employed. Studying the employment and income of workers in FDI enterprises in HCMC, [3] shows that an increase in FDI inflows helps to create more jobs and raises the average income for the labor force in FDI enterprises, which is always higher than that of domestic enterprises (due to the higher capital intensity and labor productivity). The job creation effect of the FDI sector in the host country can be determined through the comparative relationship between “total

implemented investment capital” and “number of directly working employees” in this sector [5, 10-12]. This ratio indicates how many units of investment capital the FDI sector needs to use to create a job.

2.6. Income generating efficiency

Analyzing the effect of FDI on human capital in the host countries by examining the wage differences of workers in domestic and FDI enterprises in Indonesia, Lipsey RE and Sjöholm F (2004) prove that there is a difference in the wage of workers. The average wage of workers in FDI firms is about 50% higher and this difference is due to the fact that FDI firms in Indonesia employ more highly skilled labor. Investigating the impact of FDI on the wage changes of Vietnam’s domestic enterprises, [21] points out that the appearance of FDI enterprises makes domestic enterprises increase wages. The wage spillover effect is done through vertical-links with FDI enterprises, but there is no corresponding impact in the case of cross-links. Studying the employment and income of workers in FDI enterprises in HCMC [3], shows that the trend of FDI inflows from labor-intensive industries to capital-intensive industries and high-technology-intensive industries, helps to raise the average income of workers in export-oriented FDI enterprises in HCMC. The effectiveness of the FDI enterprise sector in terms of generating income for workers can be assessed by the ratio of “total income of workers” working directly to the “total invested capital” of this sector in a certain period [5, 10, 11]. Comparing this ratio across business sectors will show which business sector activity is more effective in terms of income generation.

2.7. Environmental impact assessment

Examining the relationship between FDI and CO₂ emissions of industries in India in the period 1990-2003 [22], points out that FDI has a positive impact on economic growth, but has a negative impact on the environment due to the large amount of CO₂ emissions of FDI enterprises. In the current context, the impact of

FDI on the environment is also a hot topic which is discussed by many Vietnamese scholars, in which the research of [23] emerges as the most comprehensive. Through a scene survey, [23] proves that Vietnam follows the rule of “A polluted Paradise” and there is a significant relationship between FDI and the environment from a negative perspective. FDI causes a significant increase in gas emissions, waste water and energy use in Vietnam. Although GDP growth may increase social capital for environmental protection to some extent, the overall impact is still negative. FDI causes pollution, especially in textiles, chemicals, tanning and food processing industries. Besides [23], also clarifies inadequacies in environmental management policies for the FDI sector in Viet Nam. Therefore, evaluating the environmental effect is extremely necessary when analyzing and assessing the effectiveness of the FDI sector.

3. Analyzing actual economic-socio efficiency of the foreign direct investment sector in Ho Chi Minh City

3.1. Foreign direct investment statistics in Ho Chi Minh City

Since the Law on Foreign Investment in Vietnam was implemented in 1987, HCMC has always been the leading city in attracting FDI. Accumulated to December 31, 2018, HCMC has attracted 9,529 projects, with a total registered capital of \$45,674 million respectively. In the period 2013-2018, HCMC

attracted 4,255 projects (accounting for 44.65% of the total number of licensed projects), with a total registered capital of \$11,439 million (see Table 1). In the first 6 months of 2019 (as of June 20, 2019), HCMC attracted 572 projects, with a total registered capital of US \$528.8 million (HCMC Statistical Office). These results are supposed to be the results of favorable natural conditions, the developed socio-economic level and the efforts of HCMC in investment promotion, administrative reform and continuous improvement of the investment environment.

Statistical data of FDI attraction in HCMC shows that, up to December 31, 2018, 79.86% of the attracted projects were in the form of 100% foreign capital (accounting for 64.44% of total registered capital); followed by joint ventures and business cooperation (HCMC Statistical Office). By economic sectors, real estate activities attracted the highest level of investment capital, with the proportion of more than 40% of the total registered FDI. The next industries include manufacturing, wholesale and retail, repair of automobiles, motors, motorcycles and other motor vehicles, professional and scientific and technological, which accounted for 5.47% total investment capital in 2015 and 13.97% in 2017 (HCMC Statistical Office).

This proves that the policy, in order to promote resources attraction towards the process of renewing the economic growth model of HCMC, is being drastically implemented.

Table 1. Number of licensed FDI projects in HCMC

	Number of licensed projects	Total registered capital (Mil. USD)
1988-2012	5.274	34.235
2013	477	1.048
2014	457	2.879
2015	595	3.042
2016	852	1.315
2017	845	2.370
2018	1029	785
Tổng	9.529	45.674

Source: HCMC Statistical Office

According to investment partners, accumulated to December 31, 2017, up to 6/10 countries/territories from East Asia (Singapore, Korea Rep. of, Malaysia, Japan, Hong Kong, Taiwan) had invested over 1 billion USD in HCMC. Among these countries and territories, Singapore is leading with 10,618.227 million USD, accounting for 23.98% of the total investment capital (HCMC Statistical Office). The dominance of investment partners from East Asia can be explained by the cultural similarities between the countries in this region.

3.2. Assessing socio-economic efficiency of the Foreign direct investment enterprise sector in Ho Chi Minh City

In recent years, the business investment environment of HCMC has been constantly improved. Especially, HCMC's authorities have step by step concretized policies and solutions to implement Resolution 54/2017/QH14 dated

24/11/2017 on "Pilot mechanism and specific policy for HCMC's development" of the National Assembly of the Socialist Republic of Vietnam, to create motivation for faster development. In the period 2013-2018, the Gross Regional Domestic Product (GRDP) of HCMC continued to increase year by year. The GRDP growth in the following year was always higher than the previous year and reached 8.3% in 2018. The increase of HCMC's GRDP was significantly contributed to by FDI enterprises, especially industrial-construction and service sectors. The statistical data of the HCMC Statistical Office reveals that the annual contribution rate of FDI enterprises to HCMC's GRDP has usually been above 15% per year. From 2015 until now, the contribution rate of FDI enterprises to HCMC's GRDP has always been higher than the contribution rate to the total invested capital (see Figure 1).

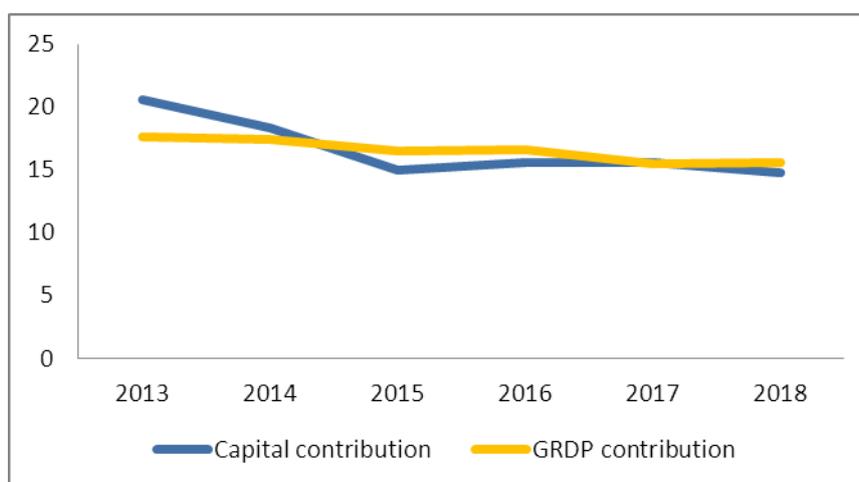


Figure 1. Contribution of FDI enterprises to total investment capital and HCMC's GRDP in the period of 2013-2018.

Source: HCMC Statistical Office

In foreign investment activities, the lag time required for FDI to have the maximum positive impact on economic growth is 1-6 years, meanwhile, the most positive and meaningful effect is gained when the lag time is 3 years [25]. To ensure the results of the study, we

identify the ICOR of the FDI sector over a period of 3 years. The statistical data of the HCMC Statistics Office shows that, in the period 2013-2018, the ICOR of FDI enterprises in Ho Chi Minh City was higher than the general level, which reflects the fact that the

investment efficiency of the FDI sector was lower than that of HCMC. In the FDI enterprises alone, the ICOR in the period 2013-2015 reached 6.09 points, higher than the 5.40 points of the period 2016-2018, proving that the investment efficiency of FDI enterprises in HCMC tended to increase (see Table 2). This

phenomenon was due to the fact that many large investment projects started to operate in the previous period. At the same time, it also partly reflected the efficiency of HCMC's innovation of a growth model towards depth growth.

Table 2. ICOR of FDI sector in HCMC in the period 2013-2018
(at 2010 comparative prices)

	2013-2015	2016-2018
HCMC		
Implemented capital (VND billion)	656,874	897,343
GRDP (VND billion)	2,010,714	2,532,806
Implemented capital/GRDP (%)	32.67	35.43
Average GRDP growth rate (%)	7.47	8.2
<i>ICOR</i>	4.37	4.32
HCMC's FDI SECTOR		
Implemented capital (VND billion)	116,915	136,627
GRDP (VND billion)	344,974	401,545
Implemented capital/GRDP (%)	33.89	34.03
Average GRDP growth rate (%)	5.56	6.30
<i>ICOR_{FDI}</i>	6.09	5.40

Source: HCMC Statistical Office and authors' calculation

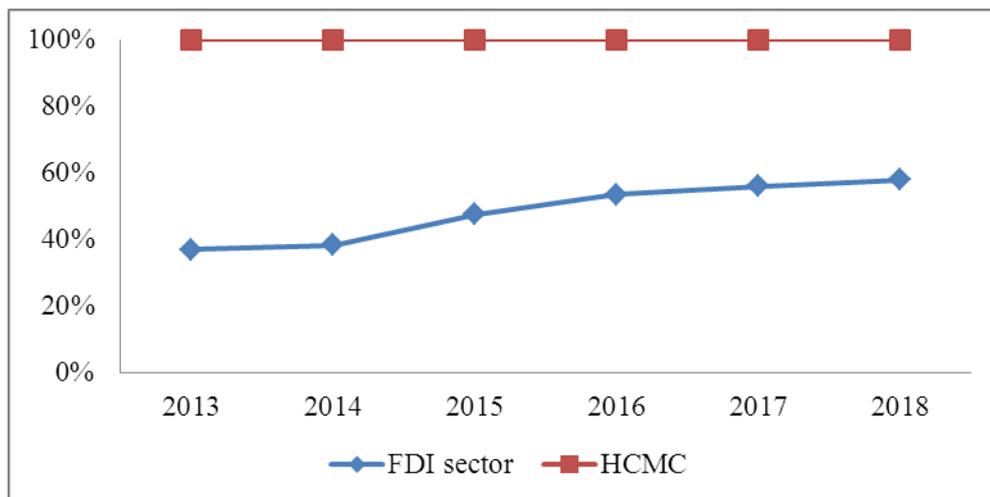


Figure 2. Contribution of FDI sector in export value of HCMC in the period of 2013-2018.

Source: HCMC Statistical Office

Table 3. FDI sector's efficiency in terms of export value and State budget contribution in the period 2013-2018 at current prices

	2013-2014	2015-2016	2017-2018
HCMC			
Implemented capital (VND billion)	477,393	595,681	831,610
Export value (USD million)	55,791.1	56,606.1	66,636.1
Export value/Implemented capital	11.7×10^{-2}	9.5×10^{-2}	8.0×10^{-2}
State budget revenue (VND billion)	481,401	588,103	715,621
State budget revenue/Implemented capital	1.01	0.99	0.86
HCMC's FDI SECTOR			
Implemented capital (VND billion)	87,988	99,312	125,415
Export value (USD million)	21,040.2	28,696.4	37,904
Export value/Implemented capital	23.9×10^{-2}	28.9×10^{-2}	30.2×10^{-2}
State budget revenue (VND billion)	65,939	90,238	120,643
State budget revenue/Implemented capital	0.75	0.91	0.96

Source: HCMC Statistical Office and authors' calculation

The value of the exported goods of HCMC in general and FDI enterprises in HCMC in particular has increased year by year. In 2015, the export value of HCMC was 27,274.9 million USD, of which, the export value of FDI enterprises was 12,974.9 million USD, equivalent to 47.57%. In 2018, the respective data was 33,857.3 million USD, 19,576.7 million USD and 57.82% (HCMC Statistics Office). Thus, the value of export goods of the FDI sector in HCMC increased continuously year by year and the contribution of this area to the total export value of the whole city was increasingly raised (see Figure 2), which shows that the FDI sector is the driving force of HCMC's exports.

Considering the effectiveness of the FDI sector in HCMC in terms of exports, it can be clearly seen that, in the 2013-2018 period, the ratio of exported goods value to implemented FDI capital tended to increase, from 23.9×10^{-2} points in 2 years 2013-2014, to 30.2×10^{-2} points in 2 years 2017-2018. Meanwhile, the ratio of the value of exported goods to the implemented capital of HCMC tended to

decrease (see Table 3). This proves that the FDI sector not only contributes a large proportion, but also has increased export efficiency and is the driving force for the exports of HCMC.

In the period 2013-2018, HCMC's budget revenue from the FDI sector increased in both quantity and proportion. In 2013, the budget revenue from the FDI sector was VND 29,527 billion (equivalent to 12.87%). The respective data for 2016 was VND 48,700 billion (equivalent to 15.85%). In 2018, the revenue contributed by the FDI sector was VND 62,219 billion (equivalent to 16.92%). This reflects the FDI sector's increasing role in contributing to state budget revenue, which in turn contributes to the socio-economic development of HCMC.

The data in Table 3 shows that, as in the export aspect, in terms of state budget revenue, the ratio of budget revenue to the implemented capital of the FDI sector tended to increase and was against the general trend for HCMC. The ratio of state budget revenue to the implemented capital of the FDI sector reached 0.75 points in the period 2013-2014, increasing to 0.91 points in the period 2015-2016 and 0.96

points in the period 2017-2018. The revenue collection efficiency of the FDI sector in the period 2013-2014 and 2015-2016 was lower than the general level for HCMC, but was higher in the period 2017-2018 (0.96 points compared to 0.86 points). This phenomenon can be explained by state management agencies' anti-transfer pricing measures in FDI enterprises. This proves that the effectiveness and efficiency of state management for the FDI sector is constantly being improved.

Assessing the socio-economic efficiency of FDI enterprises cannot ignore the level of technology spreading of FDI to HCMC's businesses. Attracting FDI into HCMC's hi-tech park, which led to the formation of high-tech/technology centers, has had a spillover effect on local enterprises' technological innovation. However, FDI was not the main source of technology and did not create a strong influence/pressure to innovate technology for firms in HCMC [26]. The acquisition and exploitation of technology applications was mostly done within the scope of FDI projects, meanwhile R&D implementation was very limited. Many commitments were made at the evaluation stage for investment registration certification but in the end were not implemented [27]. There is even no evidence to determine the effects of FDI on the labor productivity of the electronics industry [28]. That fact requires HCMC's government to seriously consider the technology transfer policy and the capacity to absorb the technology of local enterprises and the FDI sector development strategy.

In the period 2013-2017, HCMC's FDI sector created a significant number of jobs. The proportion of employees working directly in the FDI sector compared to the total number of employees working in HCMC ranged from 6.0% to 8.3% (HCMC Statistical Office). From Table 4, it can be seen that according to each year, the ratio of implemented capital to the number of directly working employees in the

FDI sector was always higher than the general level, which proves that the job creation effect of the FDI sector was lower than that of HCMC. However, the gap in the ratio of implemented capital to the number of direct workers between FDI enterprises and HCMC has gradually narrowed. For the whole 2013-2017 period, the ratio of implemented capital to the number of directly working employees in HCMC tended to increase, reflecting the fact that the job creation effect of HCMC tended to decrease, i.e., more "implemented capital" units were needed to create a job in the next year. The ratio of implemented capital to the number of directly working employees in the FDI sector tended to decrease in the period 2015-2017, proving that the job creation efficiency of the FDI sector improved.

Considering the efficiency of the FDI sector in HCMC in terms of generating income for employees, it is shown that the ratio of total income of labors to implemented capital of HCMC's FDI sector, as well as the whole city, tended to increase. On the other hand, from year to year, the ratio of total income of labor to implemented capital of FDI sector was always higher than the general level (see Table 5). This proves that the FDI sector's income generation ability was more effective than the whole city, which accordingly created pressure to increase income for workers in other economic sectors of HCMC.

Assessing the impact of FDI enterprises on the ecological environment of Ho Chi Minh City [27], shows that the activities of FDI enterprises in this area might cause environmental pollution. The reason is attributed to the fact that many FDI enterprises did not strictly comply with the provisions of the law on environmental protection. In addition, many FDI projects, especially projects using large areas of land, were delayed in the implementation process, which wasted land resources and destroyed the urban beauty of HCMC.

Table 4. Effectiveness of FDI sector in job creation 2013-2017 (at current prices)

Year	Implemented Capital (VND billion)		Number of directly working employees (people)		Implemented Capital /Number of directly working employees	
	Total	FDI sector	Total	FDI sector	Total	FDI sector
2013	227,033	35,745	4,057,281	336,846	55.9×10^{-3}	106.1×10^{-3}
2014	250,390	52,243	4,101,583	308,119	61.0×10^{-3}	169.6×10^{-3}
2015	285,160	51,800	4,201,880	245,047	67.9×10^{-3}	211.4×10^{-3}
2016	310,521	47,512	4,319,733	283,986	71.9×10^{-3}	193.9×10^{-3}
2017	365,710	56,874	4,412,933	343,923	82.9×10^{-3}	165.4×10^{-3}

Source: HCMC Statistical Office and authors' calculation

Table 5. Efficiency of FDI enterprises in income 2014-2016 period at current prices

Year	Implemented capital (VND billion)		Total income of employees (VND billion)		Total income of employees/ Implemented capital	
	Total	FDI sector	Total	FDI sector	Total	FDI sector
2014	250,390	52,243	218,441	65,175	87.2×10^{-2}	124.8×10^{-2}
2015	285,160	51,800	259,756	73,874	91.1×10^{-2}	142.6×10^{-2}
2016	310,521	47,512	291,164	85,982	93.8×10^{-2}	180.9×10^{-2}

Source: HCMC statistical office and authors' calculation

4. Conclusions and policy recommendations

Up to now, it can be clearly seen that the FDI sector has made important contributions to the socio-economic development of HCMC. Considering the effectiveness and reality level of these contributions, it can be said that the investment efficiency of the FDI sector tends to increase. The FDI sector has made great contributions and is really a driving force for HCMC's exports. The contribution to the state budget revenue from FDI enterprises has increased both in quantity and proportion, especially; the contribution efficiency from 2017 has been higher than the general level of HCMC. The job creation effect of the FDI sector has gradually improved. In particular, the efficiency in terms of generating income for workers of the FDI sector is very good, which has created pervasive pressure to increase

incomes for workers in HCMC in general. In addition to the achieved results, there are still some limitations in attracting FDI capital in HCMC. The FDI sector's investment efficiency is lower than the general level, which is reflected by the higher ICOR. The level of spillover through FDI is not really as high as expected.

In order to ensure that FDI is a truly important resource, contributing to the sustainable development goal of HCMC, some solutions should be implemented, including:

Firstly, enhancing to attract and use FDI consistently with the socio-economic development strategy of HCMC, towards changing the growth model, at the same time, taking advantage of this city (as an important domestic and international trade hub). HCMC's authorities should encourage FDI investors to

commit to implement modern technology transfer, and at the same time resolutely refuse FDI projects that are likely to harm the environment.

Secondly, continuing to formulate and complete investment incentive policies and tax policies in the direction of using FDI to address gaps that domestic enterprises cannot do. In particular, taking into account the links between HCMC and neighbor regions to avoid losses due to competition among regions in attracting and using FDI.

Thirdly, improving the effectiveness and efficiency of state management, renewing the FDI management mechanism according to the principle of post-conditional and time-limited inspection. Quickly completing the law on anti-transfer pricing, releasing a secured commitment on technology transfer suitable for each industry and each FDI project.

Finally, continuing developing human resources (including human resources for state management of the FDI sector), developing science and technology in order to create necessary prerequisites for absorbing positive spillover effects, as well as limiting the negative impact of FDI inflows. Developing supporting industries and strengthening the linkage between domestic enterprises and FDI enterprises is also necessary.

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