

PROSPECTS FOR IMPROVING THE PROVINCIAL COMPETITIVENESS INDEX AFTER THE MERGER OF ADMINISTRATIVE UNITS: THE CASE OF HUNG YEN PROVINCE, VIETNAM

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ABSTRACT

The merger of provincial-level administrative units in Vietnam from 2025 has created a new institutional context in which the operational conditions of the business environment are being restructured. This paper analyzes the prospects for improving the Provincial Competitiveness Index (PCI) through the case of Hung Yen province after its merger with Thai Binh. The study utilizes a qualitative method based on an analysis of PCI data of the 2019–2024 period, combined with a review of policy documents and an institutional–governance perspective. The findings indicate that differences in the reform trajectories of the two localities before the merger simultaneously generate opportunities to raise governance standards and challenges in integrating management systems. In this context, the ability of PCI improvement depends not only on reform efforts but also on the extent of procedural standardization, data integration, and the maintenance of consistency in public service supply. The study shows that merger is not a direct factor of improvements in the PCI, but institutional conditions make changes in the capacity to implement reforms. From an academic perspective, the paper extends the PCI approach by situating this index within the context of large-scale institutional integration, thereby clarifying the role of mediating conditions in improving governance quality. On this basis, the study proposes implementation-oriented solutions to enhance the effectiveness of local economic governance after the merger period.

Keyword: *PCI; administrative merger; local governance; business environment; Hung Yen.*

1. INTRODUCTION

In the context of intensifying interprovincial competition for development, the quality of provincial governance is widely regarded as a critical factor that directly influences the business environment, ability of investment attraction, and the efficiency of resource allocation. In Vietnam, the Provincial Competitiveness Index (PCI) has become an important instrument for capturing the business community's assessment of the quality of local economic governance. Beyond its role as a ranking mechanism, the PCI also serves as a highly credible policy feedback channel, contributing to the direction of administrative reforms and the enhancement of governance effectiveness at the provincial level [1].

The significance of the PCI becomes more noticeable in the context of Vietnam's implementation of provincial administrative

mergers starting from 2025 under Resolution No. 202/2025/QH15 [2]. The formation of larger localities may facilitate more effective development coordination and resource utilization; however, it also imposes higher demands for institutional integration, process standardization, and the assurance of consistent governance quality across a broader administrative scope. For the new Hung Yen province, formed through the merger of Hung Yen and Thai Binh, this issue is particularly important because the two localities followed different PCI improvement trajectories before the merger. At the same time, in the context of institutional restructuring after the merger, Hung Yen province has promulgated several policies to improve the investment environment and increase the quality of governance, such as resolutions on investment attraction incentives in high-technology sectors, the development of a science and technology ecosystem in agriculture, and policies to attract

high-quality human resources for the 2025–2030 period [3–6]. These policies contribute to reshaping the foundational conditions of the business environment, especially relating to entry costs, labor quality, and the level of business support.

The majority of existing studies on the PCI focus on measuring governance quality, analyzing the relationship between the PCI and economic growth, or evaluating administrative reforms under relatively stable administrative structures. Meanwhile, there remains a lack of research examining the PCI in the context of large-scale institutional changes such as provincial administrative mergers, particularly from a forward-looking analytical perspective rather than an empirical impact evaluation. This gap is significant both academically and in terms of policy, as administrative merger not only changes in territorial boundaries but also a restructuring of the operating conditions of local business environment. In which, newly enacted policies may function as “mediating variables” influencing governance quality. On this basis, the study raises the following research question: What conditions may be generated by provincial administrative merger that affect the prospects for improving the PCI of Hung Yen province? Accordingly, the study pursues three objectives: Firstly, to clarify the PCI foundations of Hung Yen and Thai Binh before the merger; Secondly, to analyze the opportunities and challenges for improving PCI within the new governance framework; And thirdly, to propose feasible solutions to enhance the quality of local economic governance after the merger.

2. LITERATURE REVIEW AND RESEARCH FRAMEWORK

The concept of competitiveness has been extensively developed in modern economics, with increasing emphasis placed on the role of institutions and governance quality. According to Porter [7], competitiveness depended not only on traditional input factors but also on the policy environment and the organizational capacity of governance systems to create favorable conditions for economic activity. Dunning [8] similarly showed that location-specific advantages, including institutional stability and policy transparency, play a crucial role in shaping firms’ investment decisions. At a broader level, Acemoglu et al. [9] emphasized institutional quality as a key determinant of long-term

differences in economic development, while recent studies continue to underscore that institutions not only affect resource allocation but also shape the trajectories of economic and technological development [10]. At the subnational level, Rodríguez-Pose et al. [11] demonstrate that the quality of regional governance can have a direct impact on economic growth.

In this context, governance quality indicators have become essential tools for both research and policymaking. In Vietnam, the Provincial Competitiveness Index (PCI) was developed by the Vietnam Chamber of Commerce and Industry (VCCI) in collaboration with the United States Agency for International Development (USAID) to measure the quality of local economic governance from the perspective of the business community. Unlike indicators reflecting the scale of development—such as Gross Regional Domestic Product (GRDP), budget revenues, or export turnover—the PCI focuses on assessing the quality of the business environment through ten sub-indices, including: Market entry; Land access; Transparency; Time costs; Informal costs; Fair competition; Proactivity and vanguard of authorities; Business support policies; Labor training; Legal institutions and security. Several empirical studies in Vietnam have used the PCI as a proxy for local institutional quality, demonstrating its positive association with regional economic growth [12] and its usefulness as a measure of governance effectiveness and private-sector development [13].

In addition, studies utilizing PCI data indicate that governance quality—particularly the effectiveness and innovativeness of public administration—is significantly associated with economic development outcomes. However, the magnitude of these effects may vary across localities [14]. Factors such as transparency, land access, the administrative capacity of local authorities, and the quality of human resources have been identified as key determinants influencing PCI performance [15].

From a broader perspective, international studies provide a theoretical foundation for explaining the factors of the business environment. Djankov et al. [16] demonstrated that market costs and the complexity of administrative procedures had a direct impact on firm activity. Islam [17] emphasized the role of information transparency

in reducing information asymmetry and enhancing market efficiency, while Bertot et al. [18] showed that the application of information technology in the public sector can improve transparency and reduce corruption. Although these studies do not directly mention the PCI, they provide important theoretical backgrounds for explaining the factors influencing the quality of local economic governance.

However, most existing studies have been conducted within relatively stable administrative structures, where institutional and organizational factors exhibit limited abrupt change. In contrast, provincial administrative merger can be viewed as a form of large-scale institutional transformation, with the potential to simultaneously affect organizational structures, operating processes, and resource allocation. From the perspective of Douglass North [19], such changes could change the incentive structures and behaviors of economic actors. Nevertheless, there remains a lack of research examining the PCI in the context of such institutional integration, particularly from a forward-looking analytical perspective.

Therefore, a significant research gap can be identified in analyzing the PCI as an indicator of governance quality under the conditions of provincial administrative merger. This study is to supplement this gap by approaching the PCI from a forward-looking perspective, thereby identifying the conditions that may influence improvements in the quality of local economic governance after the merger period.

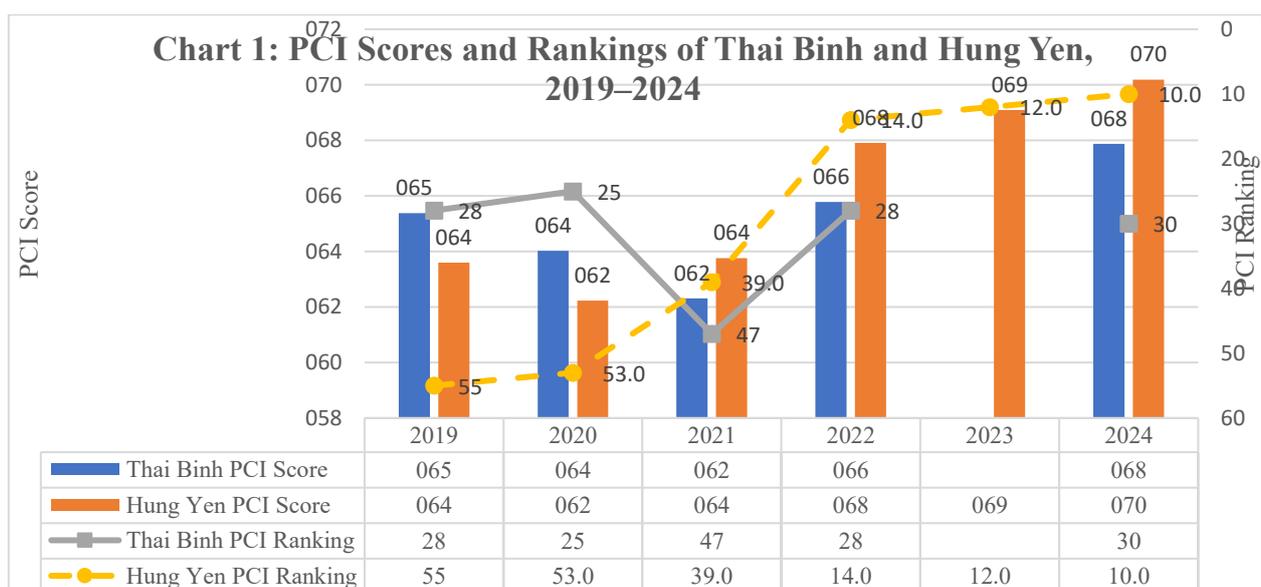
3. RESEARCH METHODOLOGY

This study applied a qualitative method, based on an analysis of PCI data for the 2019–2024 period of Hung Yen and Thai Binh provinces, combined with a review of policy documents and reports related to socio-economic development and local governance. The PCI was used as an indicator reflecting the quality of local economic governance from the perspective of businesses. Rather than measuring the impact of the merger, the study focused on analyzing the conditions that may influence the prospects for PCI improvement in the new context. This approach enabled the identification of structural opportunities and challenges while minimizing the risk of inference beyond the observed data.

4. RESULTS AND DISCUSSIONS

4.1. The PCI Status of Hung Yen and Thai Binh before the merger

The 2019–2024 period showed that Hung Yen and Thai Binh entered the merger with two different reform trajectories. While Thai Binh maintained a moderately good PCI level, with fluctuations and limited breakthroughs (moving from rank 28 in 2019 to rank 30 in 2024), Hung Yen improved strongly and consistently, rising from the lower tier of the national ranking (55th in 2019) to the leading group (10th in 2024) [1,20]. This suggests differences not only in outcomes but also in governance quality and the consistency of policy implementation (Chart 1).



Source: Compiled by the author [1,20]

An analysis of the variation in PCI sub-indices indicates that Thai Binh has achieved relatively favorable outcomes in certain dimensions, such as market entry and the dynamism of local authorities, yet continues to face limitations in foundational factors, including transparency and fair competition. This implies that the business environment has not yet reached a high level of

stability and predictability. In contrast, Hung Yen has shown notable improvements in indicators directly associated with firms' transaction costs, such as land access, time costs, and informal costs, indicating that reforms have had a substantive impact on the behavior of the administrative apparatus (Table 1).

Table 1. PCI rankings and sub-indices of Thai Binh and Hung Yen, 2019–2024

Sub-indices	2019		2020		2021		2022		2023		2024	
	Thai Binh	Hung Yen										
PCI rankings	28	55	25	53	47	39	28	14	N/A	12	30	10
1. Market entry	20	62	2	32	60	35	24	57	15	51	44	42
2. Land access	53	2	57	42	60	41	34	5	10	24	36	4
3. Transparency	9	63	18	57	14	44	60	57	62	44	23	50
4. Time costs	14	57	30	19	52	4	50	11	22	39	32	13
5. Informal costs	30	26	44	25	52	47	39	7	11	7	54	7
6. Fair competition	39	18	38	9	53	5	59	12	33	27	61	20
7. Proactivity and the vanguard of authorities	12	46	30	12	20	50	14	33	2	22	3	6
8. Business support policies	56	33	46	62	38	57	36	45	57	24	17	35
9. Labor training	33	27	27	33	41	13	14	23	43	16	27	33
10. Legal Institutions & Security	29	51	34	9	46	43	2	10	16	6	47	27

Source: Compiled by the author [1,20]

This divergence places Hung Yen province, after the merger, in a state of institutional heterogeneity, where two governance systems with different levels of effectiveness must be integrated into a unified administrative structure. From a theoretical perspective, this can be seen as an opportunity to “upgrade” the entire system through the diffusion and scaling up of effective practices. However, in the short term, the integration process may also increase costs and

generate risks of inconsistency in public service supply, particularly in the absence of clear standardization mechanisms.

This analysis becomes even more noticeable when situated within the broader national PCI context. The PCI 2024 report indicated that many foundational issues remained largely unresolved, particularly in relation to land access and informal costs [1]. Accordingly, Hung Yen province, after the merger, must not only address the internal challenges arising from institutional integration

but also confront increasing pressure to improve the business environment in an increasingly demanding national context.

4.2. Prospects for PCI improvement in the new development context of Hung Yen province

The prospects for improving the PCI of Hung Yen province after the merger period should be considered within the evolving economic–institutional context at both international and domestic levels. At the global level, strategic competition among major economies—particularly between the United States and China—along with applying reciprocal tariff measures by the United States from 2025, is increasing trade barriers and affecting investment flows into Vietnam [21]. At the same time, the restructuring of supply chains under the “China +1” strategy creates opportunities for provinces such as Hung Yen to attract foreign direct investment (FDI), while also intensifying institutional competition among localities. These shifts imply that competitive advantage is increasingly contingent upon governance quality, thereby positioning the PCI as a key indicator of local governments’ adaptive capacity.

In addition, prolonged military conflicts such as the Russia–Ukraine war and tensions in the Middle East continue to heighten global economic uncertainty through fluctuations in energy prices, supply chain disruptions, and rising logistics costs. These factors affect the business environment by increasing production costs and market risks, thereby intensifying the need to improve transparency, predictability, and policy implementation effectiveness—core components of the PCI.

Domestically, the process of administrative merger and the implementation of a two-tier local government model are reshaping governance structures. For Hung Yen, expanded territorial scale and resource endowments create favorable conditions for regional linkages, resource reallocation, and the formation of new growth poles. At the same time, major policy directives such as Resolution No. 68-NQ/TW on private sector development and Resolution No. 57-NQ/TW on science, technology, innovation, and digital transformation have clearly defined new growth motivations, thereby placing greater demands on improving the investment

environment and enhancing governance quality at the local level [22,23].

During the 2026–2030 period, Hung Yen aims to maintain GRDP growth of approximately 10–11% per year, alongside structural transformation toward industrialization and the development of modern services. Its long-term vision to 2035 sets the goal of becoming a modern industrial province, with a further ambition toward 2045 to develop into a smart, ecological urban model with high competitiveness [24]. Achieving these objectives requires Hung Yen to accelerate economic restructuring, promote the synchronous development of infrastructure, the digital economy, innovation ecosystems, and high-quality human resources, while ensuring sustainable development. In this context, the PCI can be viewed as an intermediate indicator reflecting the effectiveness of the growth model transformation process. Therefore, improving the PCI is not only essential for enhancing governance quality but also a prerequisite for ensuring the feasibility of the development strategy. In this sense, strengthening the PCI becomes a critical implementation tool enabling Hung Yen to gain advantages after the merger into a substantive competitive capacity.

4.3. Opportunities for PCI improvement after the merger

Firstly, the merger creates conditions for expanding the development space and increasing the scale of resources. In 2025, Hung Yen’s GRDP per capita reached nearly VND 99 million, accompanied by a substantial increase in budget revenue (amounting to VND 82.122 billion), thereby providing fiscal space for investing in administrative modernization, developing digital government, and improving the quality of public services [24]. At the same time, the expansion of development space—from the industrial–urban areas in the West (former Hung Yen) to the agricultural and coastal areas in the Southeast (Thai Binh)—enables the reorganization of development along functionally integrated regions and interregional value chains. This has direct implications for several PCI sub-indices, including land access, labor training, and business support.

Secondly, the merger offers an opportunity to standardize institutions in a way that enhances governance quality. Given the differing levels of reform across the two localities before the merger,

the new province can select and scale up effective governance practices, thereby establishing a unified, transparent, and more predictable standard of public service supply. In particular, the standardization of planning, increased transparency in land allocation, and the harmonization of investor selection mechanisms constitute critical conditions for improving PCI indicators related to transparency, time costs, and fair competition.

Thirdly, the merger promotes investment in digital infrastructure and shared data systems. With greater financial capacity, the province is better positioned to develop integrated information systems at the provincial scale, enabling firms to access planning information, administrative procedures, and processing documents more conveniently and transparently. This contributes to reducing transaction costs, limiting informal costs, and enhancing the effectiveness of interactions between businesses and authorities, thereby improving multiple PCI sub-indices simultaneously.

Fourthly, the merger enhances regional connectivity and development coordination capacity, thereby creating momentum for improving the business environment in attracting investment. The province's location within a direct linkage space to the Hanoi-Hai Phong-Quang Ninh economic growth triangle and other northern coastal localities increases institutional competitive pressure from provinces with high PCI performance. At the same time, complementarities between industry-services and agriculture-marine economy sectors foster a more diverse business community, requiring local authorities to improve policy support, labor training, and ensure fair competition. Under such conditions, a unified, transparent, and effective governance system becomes a key factor in strengthening investor confidence and improving PCI assessments.

4.4. Challenges to PCI improvement after the merger

Alongside these opportunities, the merger of provincial-level administrative units also gives rise to the following challenges:

Firstly, ensuring consistency and coherence in governance quality across the entire province. Differences in governance foundations before the merger, together with disparities in development

levels (with per capita income in 2024 estimated at approximately VND 121.3 million in former Hung Yen compared to VND 70.2 million in Thai Binh), may increase the risk of uneven access to resources and public services [25,26]. Without appropriate mechanisms for coordination and standardization, this could lead to inconsistent business experiences, thereby undermining perceptions of transparency and fair competition. This challenge is further accentuated by findings from the PCI 2024 report, which indicate a slowdown in the quality of administrative procedure handling nationwide.

Secondly, the process of institutional and data integration may generate short-term administrative delays. In the absence of fully standardized procedures and interoperable information systems, firms may face longer processing times or an increased number of procedural steps, thereby raising both time costs and informal costs.

Thirdly, there is a risk of declining governmental dynamism during the transition period. As the administrative apparatus focuses on organizational restructuring and internal process adjustments, its capacity to respond swiftly to business needs may be constrained. This issue becomes particularly critical in the context of intensifying competition for investment and high-quality human resources from neighboring localities with more developed industrial ecosystems, requiring Hung Yen to sustain and enhance its proactiveness and innovativeness in governance to avoid a deterioration in its competitive position.

Fourthly, structural issues such as land access and administrative procedures may become more complex as the scope of governance expands. The integration of planning, synchronization of land data, and standardization of procedures across the province demand a high level of governance capacity. In the context that these institutional bottlenecks are increasingly evident at the national level, failure to address them effectively could constitute a major barrier to PCI improvement and undermine the province's investment attractiveness.

In summary, the findings suggest that the prospects for improving the PCI of Hung Yen Province after the merger depend primarily on the capacity to reduce institutional disparities,

manage administrative delays, and maintain consistent governance quality. Accordingly, the merger is not a direct cause of PCI improvement; rather, it constitutes a new institutional context that reshapes the conditions under which reforms are implemented.

5. SOLUTIONS FOR IMPROVING HUNG YEN PROVINCE'S PCI AFTER THE MERGER

Building on the analytical findings, improving the PCI in the period after the merger should be approached not merely as an effort to increase scores, but as a process of enhancing consistency, predictability, and the overall conduciveness of the business environment from the perspective of firms. This requires a program to improve the quality of economic governance systematically, in which solutions are designed to simultaneously address processes, data, and monitoring mechanisms.

Firstly, it is essential to accelerate administrative reform through the standardization of operational procedures across the province. Rather than simply simplifying procedures, the province should establish a unified set of operational standards for key sectors such as investment, land, construction, and the environment. These standards should clearly define procedural steps, processing timelines, and accountability mechanisms for each responsible agency, thereby reducing discrepancies in implementation across localities. In terms of impact, this solution aims to lower procedural costs and enhance the predictability of the business environment. To ensure effective implementation, it is necessary to develop real-time operational monitoring systems at each processing agency, linked to clearly assigned responsibilities, while periodically disclosing performance outcomes to create internal pressure for continuous improvement.

Secondly, it is necessary to develop integrated data platforms and digital public services that cover the entire lifecycle of administrative procedures. This system should ensure interoperability of data related to planning, land, investment, and application processing progress, while standardizing data structures and enhancing connectivity across departments and agencies. Unlike procedural reforms, this solution primarily targets the reduction of information asymmetry and the fragmentation of administrative processes. With standardized and transparent

information, firms can reduce search costs as well as informal costs arising during administrative procedures.

Thirdly, PCI improvement should be aligned with infrastructure development and regional connectivity in a manner that directly supports the business environment. Investments in transport infrastructure, industrial zones, logistics, and digital infrastructure should be strategically oriented toward reducing operational costs and enhancing competitiveness in investment attraction amid intensifying institutional competition. Through this mechanism, infrastructure functions not only as an input to economic growth but also indirectly improves firms' perceptions of the conduciveness of the business environment.

Fourthly, improving human resource quality should be considered a strategic solution for enhancing the PCI in the medium and long term. In the context of a strong structural shift toward modern industry and services, labor quality directly affects both local competitiveness and the effectiveness of investment attraction. This is particularly relevant to the labor training sub-index of the PCI, an area in which both Hung Yen and Thai Binh, before the merger, have not established a strong comparative advantage. Accordingly, the province should develop vocational training and workforce reskilling policies aligned with business needs, while strengthening linkages between vocational education institutions, industrial zones, clusters, and major investors. Moreover, in the context of digital transformation and green development, enhancing digital skills, modern management capabilities, and workers' adaptability will be essential conditions for improving growth quality and strengthening Hung Yen's competitiveness.

Fifthly, it is important to maintain enterprise dialogue mechanisms in a substantive, regular, and targeted manner. After the merger, Hung Yen will have a more diverse business structure in terms of scale, sectors, and spatial distribution. Therefore, business dialogues should not remain generic in form, but instead be differentiated by industry, locality, and firm type in order to accurately capture specific needs and constraints. At the same time, this mechanism should be designed to function as a policy feedback channel, whereby recommendations are categorized, monitored for implementation progress, and

publicly reported, thereby transforming dialogue from a formal exercise into an evidence-based policy adjustment tool.

Sixthly, it is necessary to develop a PCI monitoring system as a provincial-level governance and management tool. Unlike process-level monitoring systems, this framework should focus on system-level indicators such as business satisfaction, the proportion of unresolved recommendations, disparities in governance quality across localities, and trends in informal costs. These indicators should be integrated into a dashboard updated on a monthly or quarterly basis, enabling provincial leaders to track trends and identify systemic bottlenecks at an early stage. In this way, the PCI would not only serve as an external evaluation metric but also function as an internal governance instrument, supporting timely policy adjustments and more effective resource allocation.

6. CONCLUSIONS

The study demonstrates that provincial administrative merger does not automatically lead to improvements in the PCI. Through the case of Hung Yen Province, the findings indicate that the core issue lies not in changes to administrative boundaries but in the capacity to operate the new governance structure in a more transparent, consistent, and effective manner. Differences in governance foundations between Hung Yen and Thai Binh before the merger create both opportunities for upgrading governance standards and risks of institutional fragmentation if the integration process is not carefully designed and managed.

From an academic perspective, the study contributes to extending the analytical approach to the PCI by situating it within the context of large-scale institutional change. In this sense, the PCI reflects not only the state of the business environment but also the quality of institutional integration processes after the merger. From a practical perspective, the findings suggest that improving the PCI in the post-merger context requires a systematic reform strategy, with a focus on standardizing procedures, integrating data, maintaining consistent public service quality, and enhancing the implementation capacity of the administrative apparatus.

Due to data limitations, this study is confined to a forward-looking analysis and is not able to empirically verify the actual impact of the merger

on the PCI. Therefore, future research could be extended by utilizing data after the merger to conduct empirical evaluations of its effects on the PCI, while also providing a deeper analysis of intra-regional variations in governance quality and the effectiveness of institutional integration models after the merger.

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