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RECALIBRATING FDI PROMOTION POLICIES FOR ESG COMPLIANCE AND VALUE CREATION IN EMERGING MARKETS

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SUMMARY

In foreign direct investment (FDI) promotion, there is a traditional focus on investment volume measured by the number of projects, inflow of investment, and ease of approvals. But the rising demands for sustainability in the global environment have made investment quality, ESG compliance, and value creation the focus of FDI. This paper attempts to provide a solution to the problem of transitioning FDI promotion policies from volume-driven attractiveness to an ESG-driven investment strategy for sustainable economic development. In this study, the theoretical framework has been developed between FDI promotion policy tools and ESG compliance quality and value-based FDI outcomes. The empirical research was conducted in the Vietnamese context with the application of a quantitative methodology to develop and test the framework. A quantitative cross-sectional survey was conducted on 420 valid responses obtained from FDI firm managers, ESG officers, industrial zones, investment promotion officials, and policy experts. The research findings reveal that volume-based FDI promotion reduces ESG compliance quality ($\beta = -0.193$, $p < 0.001$) while ESG-based incentives ($\beta = 0.205$, $p < 0.001$), screening visibility ($\beta = 0.192$, $p < 0.001$), ESG-based aftercare ($\beta = 0.192$, $p < 0.001$), policy coordination ($\beta = 0.181$, $p < 0.001$), and regulatory capacity ($\beta = 0.152$, $p < 0.001$) increase ESG compliance quality. Additionally, ESG compliance quality is found to positively affect the value of FDI performance ($\beta = 0.389$, $p < 0.001$). It can be concluded that countries' investment competitiveness can be improved through including measurable ESG criteria in their promotion, incentive, and regulatory policies.

Key words: FDI, ESG compliance, investment promotion, emerging markets, sustainable investment, regulatory capacity, value-oriented FDI.

INTRODUCTION

FDI policy in emerging economies has historically been assessed through quantifiable metrics like the number of approved projects, the amount of registered capital, employment promises, export capability, and investment approval time. While these metrics continue to be useful in determining the attraction of external financing, technology, and capacity, they no longer suffice to determine the success of

investment. Current scholarship has suggested that there is a need to move beyond investment volumes and instead assess FDI policies from the perspective of sustainability impacts, responsible investing, and economic transformation [1]. There has been a shift in the international environment for investments, and currently, the main areas of emphasis include sustainability, responsible business, supply chain transparency, climate responsibility, and ESG considerations. Therefore, it is important to make sure that FDI is increased and it provides long-term economic, social, and environmental value [6]. The recent global trends in investment have shown the need for such a change. Indeed, the developing countries are under growing pressure to attract productive and sustainable investments in order to remain competitive [2]. At the same time, investors and multinational corporations tend to assess the host country by its ESG readiness, regulatory environment, sustainability efforts, and responsible investing practices [2]. Therefore, investment agencies should change their approaches from project attraction to compliance and technology upgrades [3].

The traditional methods of FDI attraction are based on the idea of incentives, quickness of processes, and investment amount. Such an approach will bring in the investment but may create some environmental, social, and governance-related issues unless it is regulated properly [10]. The value-based model introduces the idea of embedding ESG into the investment policy through incentives tied to sustainability, development of suppliers, responsible recruitment, and environmental issues [5]. Thus, improving the ESG monitoring and governance becomes crucial [15]. This paper studies the change of FDI promotion policy to ESG investment strategy in Vietnam as an emerging market economy. The paper points out the change in FDI policy from a volume-based approach to a value-based approach. It also outlines a quantitative framework that links the policy instruments for ESG with the quality of compliance and sustainable investments. The findings offer policy suggestions for Vietnam as well as other emerging markets interested in attracting responsible investments [7].

Previous studies have predominantly considered the issue of FDI attraction and ESG performance at the firm level; however, this study introduces an integrative ESG-driven FDI promotion framework that makes a connection between policy instruments, ESG compliance quality, and value-driven outcomes. The model helps to advance the theory through the introduction of ESG compliance as a mediator.

The current research carries significance for its contributions to the field of FDI promotion in developing economies by moving the focus from the volume of investment-to-investment quality by way of ESG compliance and sustainable value creation. The theoretical implications of this research are in that ESG compliance quality is suggested as an important channel by which policy tools can influence value-oriented results of FDI. Practical implications include support for the design of appropriate ESG incentives, screening, coordination, and facilitation programs for investors.

Major Contributions

1. Develops an ESG-focused framework for FDI promotion with a relationship between policy tools, quality of ESG compliance, and value creation investments.
2. Presents empirical support on how ESG-related incentive schemes, screening, after-care, coordination, and regulation capacity enhance sustainable FDI performance in Vietnam.
3. Presents policy recommendations for emerging markets to move from volume-based FDI attraction towards value-driven investments.

The rest of this paper is structured as follows. The literature review section (Section 2) focuses on the shift from volume to quality of FDI, ESG as an investment competitiveness variable, and the role of investment promotion organizations. The research hypotheses and theoretical framework are developed in Section 3. The research method (Section 4) consists of explanation of the research design, data collection and measurement approach, method of analysis and model development. The results are presented in Section 5 which contains reliability testing, regression analysis, moderation and mediation testing, and hypothesis testing. Section 6 explains the discussion of the results, implications and limitations of the research. Section 7 is the conclusion of the research with suggestions for further research.

LITERATURE REVIEW

From FDI Volume to FDI Quality

The evaluation of FDI policies is done through the measures of volume such as capital inflows, number of projects, and jobs created. However, developing countries are now adopting new measures for investments based on sustainability, innovations, and productivity in the long run. Recent studies show that a good FDI policy is all about value creation rather than investing more [1]. Measuring FDI quality as a transition from volume policy to value policy implies developing institutions that will stimulate MNEs to contribute to sustainable development and local economic upgrading [3]. In addition, there is some research showing that foreign ownership and MNE strategy affect responsible behavior and sustainability outcomes of firms in emerging countries [9]. Moreover, investment quality is related not to financial growth but to environmental responsibility and corporate value creation in the long term [6]. Thus, modern FDI policy should involve an approach that combines sustainability goals with economic goals.

ESG as a Condition of Investment Competitiveness

The consideration of environmental, social, and governance (ESG) issues has become a critical factor impacting the competitiveness of investment and corporate decision-making process. ESG issues enhance the organization's legitimacy, risk management, stakeholders' trust, and business performance in developing countries [2]. The growing regulatory pressure and the demand for sustainable development have led companies to implement ESG strategies into their operations and investment process [5]. Nevertheless, some issues in the field of ESG implementation, information transparency, and sustainability reporting still impact the credibility of investments [11]. Scientific studies show that proper implementation of ESG strategies along with the implementation of digital technologies and good governance principles could enhance the corporate competitiveness and resilience [7]. ESG issues are also connected to increased firm value and sustainable growth, which proves their significance in the process of investment assessment [13]. Still, the risks of greenwashing and misstatements of sustainability information need more attention in terms of monitoring and ESG assessment methods [18]. All these factors prove the increasing significance of ESG compliance as an obligatory condition for international investment participation [8].

Investment Promotion Agencies (IPA) and Policy Instruments

IPAs have a crucial role to play in determining investment climates in terms of attracting investments, making business operations possible, and applying policy tools. Modern-day investment approaches necessitate the shift of IPAs from capital attraction to sustainable investment promotion by means of appropriate screening, monitoring, and supporting mechanisms [4]. Investment policies that involve the combination of ESG factors, coordinated regulation, and sustainable incentives will be beneficial for improving the quality and efficiency of foreign investments [16]. The institutional capacity and governance architecture are important for ensuring the implementation of responsible investment policies in emerging markets [14]. Also, the use of digital transformation and innovative methods can contribute to enhancing the resilience of investments and their integration into global value chains [12]. Geopolitical environment, ownership arrangements, and non-market approaches are additional factors affecting foreign investment management in emerging economies [17]. Environmental regulations and sustainable policies affect investment decisions as well as facilitate the development of green businesses [20]. Nonetheless, there is a lack of academic research exploring the possibility of systematic integration of ESG compliance into investment promotion policies as a tool of achieving FDI value [19].

According to the literature review, the FDI policy is slowly but surely moving away from being volume-driven to adopting a value-driven approach towards FDI. ESG compliance has become one of the major factors for investment competitiveness, meaning that the policy has to include sustainability metrics, screening, and responsible investing practices. However, there is a lack of knowledge concerning an integrated approach based on ESG principles.

HYPOTHESIS DEVELOPMENT

Volume-Oriented Promotion and ESG Compliance Quality

Volume-oriented promotion refers to a policy logic in which success is measured mainly by project counts, registered capital, disbursement speed and approval efficiency. These indicators continue to matter to developing economies since FDI may be a source of productivity, export and industry upgrading where the environment in the host economy allows for linkage and learning. Yet, the body of FDI quality research reveals that the developmental relevance of FDI not only lies in the magnitude of the capital invested, but also the quality of employment it generates, its technological transfer, environmental impact, local linkages, and the company's social responsibility. Such an emphasis on volume may lead to a dilemma where policymakers may focus more on speed of decision making and commitment of capital and less on ESG due diligence, conditionalities of incentives, and monitoring after entry of the investors. The case of Vietnam is relevant here since the country continues to attract substantial FDI flows but at the same time pursues a new policy of selective, green, high-technology and quality FDI. This reasoning supports the expectation that a stronger volume orientation weakens ESG compliance quality.

H1. Volume-Oriented FDI Promotion is Negatively Associated with ESG Compliance Quality

ESG-Conditional Incentives and ESG Compliance Quality

Incentives can improve investment outcomes when they are linked to clear public objectives and measurable performance conditions. According to the OECD's FDI Qualities Policy Toolkit, investment incentives must be evaluated with respect to sustainable development objectives and managed in such a way that there will not be any cost for the state from a fiscal perspective without obtaining any development outcomes. In this regard, according to the IMF analysis of green FDI, credible policies in the climate area may play an important role in attracting investments in line with decarbonization targets. ESG-based investments are based on this principle as well. This approach is consistent with responsible business conduct standards that require firms to identify and address environmental and social risks in their operations and supply chains. It is also appropriate for Vietnam because the national foreign-investment strategy emphasizes targeted attraction of green, high-technology and value-added projects, while the green-growth strategy requires economic growth to be aligned with resource efficiency and environmental objectives. Therefore, incentives are expected to improve ESG compliance quality when they are not unconditional concessions but policy contracts tied to verifiable ESG obligations.

H2. ESG-Conditional Incentives are Positively Associated with ESG Compliance Quality

Screening Transparency and ESG Compliance Quality

Screening transparency is expected to strengthen ESG compliance because it reduces regulatory uncertainty and limits discretionary implementation. Transparent criteria allow investors to understand which environmental, labour, governance and disclosure requirements must be met before and after approval. It is critical as business ethics are based on clear expectations, risk-based due diligence and accountability for adverse effects. Reforms in international sustainability reporting will make comparability more valuable as both IFRS S1 and IFRS S2 mandate the disclosure of sustainability and climate risks having an effect on enterprise value, while the EU Corporate Sustainability Due Diligence Directive enhances due diligence requirements for firms and supply chains related to Europe. Further emphasizes transparent and digital investment facilitation as a way to improve the investment environment. In Vietnam, transparent screening is especially relevant because many FDI projects operate in export-oriented manufacturing and are exposed to buyer codes, sustainability reporting, and cross-border due diligence requirements. If ESG screening is clear and consistently applied, investors can adapt project design, prepare documentation and internalise compliance expectations earlier. For this reason, transparent screening should be positively associated with ESG compliance quality.

H3. Screening Transparency is Positively Associated with ESG Compliance Quality

ESG-Oriented Aftercare and ESG Compliance Quality

FDI policy does not end when a project is licensed. Aftercare is considered one of the primary functions of IPA, as it addresses the needs of current investors by helping them resolve operational issues, reinvest and strengthen connections in their local surroundings. For the ESG case, the aftercare service becomes an instrument that assists with compliance requirements. Most of the risks associated with ESG occur during construction, operations, expansions, sub-contracting and supplier development and not solely at the entry stage. The aftercare process can help companies adapt to new disclosure policies, optimize resource use, locate appropriate suppliers and find solutions to compliance-related issues. According to the guidebook by the World Economic Forum (2023), the climate FDI guidebook emphasizes the importance of practical facilitation, project preparations and ecosystem development in attracting and retaining climate-aligned investments. This aspect is significant for Vietnam due to foreign invested enterprises being integrated into industrial zones and networks of suppliers, in which ESG capabilities vary between different enterprises and provinces. A value-oriented investment-promotion agency should therefore act as both an investor-service provider and a compliance facilitator. This does not mean relaxing standards; rather, it means making compliance achievable through guidance, coordination and continuous engagement. Therefore, ESG-oriented investor aftercare is expected to improve ESG compliance quality.

H4. ESG-Oriented Investor Aftercare is Positively Associated with ESG Compliance Quality

Policy Coordination and ESG Compliance Quality

Policy coordination is expected to improve ESG compliance because investors usually interact with several agencies responsible for planning, investment licensing, environment, labour, tax, customs, land, industrial zones and local permits. When these agencies apply inconsistent standards or exchange limited information, compliance becomes fragmented and costly. It sees inter-agency coordination as a requirement for ensuring that investment policy aligns with sustainable development goals, while UNCTAD (2024) stresses digital governance and investment facilitation as means of addressing administrative fragmentation. In addition, studies on quality of governance indicate that the institutional environment determines whether FDI leads to sustainable development. Coordination becomes crucial in Vietnam because FDI projects tend to be realized via provincial government institutions, industrial zones, and sectoral regulators. The national strategies on green growth and foreign-investment cooperation both require policy coherence across economic upgrading, environmental protection, technology transfer and social objectives. Stronger coordination can align incentives with standards, reduce duplication, support data sharing and make post-entry monitoring more credible. Therefore, policy coordination should be positively associated with ESG compliance quality.

H5. Policy Coordination is Positively Associated with ESG Compliance Quality

ESG Compliance Quality and Value-Oriented FDI Outcomes

ESG compliance quality refers to the extent to which foreign-invested projects meet environmental, social and governance expectations during approval and operation. It should contribute to value-oriented FDI outcomes because compliant firms are more likely to maintain stable operations, satisfy global buyers, avoid regulatory disputes, strengthen local supplier relationships and support upgrading. Recent studies indicate that ESG and sustainability conditions matter for FDI attractiveness and investment behaviour. Demonstrate that environmental, social and governance (ESG) issues matter for FDI show that ESG issues impact FDI in Asian countries. Also relate sovereign ESG environment to FDI, and research at the firm level indicates that ESG issues influence investor sentiment and internationalization. Literature on green-FDI reveals that FDI is sustainable only if conditions exist which direct investment into clean technologies and productivity gains. In Vietnam, ESG compliance is connected to value because the country seeks not only more capital but also high-quality projects, technology upgrading,

local linkages and green growth. Therefore, stronger ESG compliance quality should be associated with value-oriented FDI outcomes.

H6. ESG Compliance Quality is Positively Associated with Value-Oriented FDI Outcomes

Regulatory Capacity as a Moderator

Regulatory capacity is expected to strengthen the relationship between ESG-oriented policy instruments and ESG compliance quality because policy instruments are credible only when agencies can assess, monitor and enforce them. ESG-conditional incentives require measurable indicators and the ability to verify performance. Transparency screening needs technical capability to assess the documents based on certain criteria. Aftercare needs officials who have knowledge about the needs of investors and at the same time, are capable of ensuring compliance. Coordination of policy-making needs information systems and coordination mechanisms within agencies. This argument is compatible with institutional theories of FDI that argue that certain conditions in host countries make sure that the FDI leads to positive development impact. This argument is also compatible with green-FDI policy literature in which it is suggested to put emphasis on credibility of the policies and in the meantime stresses implementation capabilities and monitoring. Governance quality literature shows that public sector capability makes sure that the impact of FDI is sustainable development. In Vietnam, regulatory capability plays an important role since ESG standards need to be applied across several regions, industrial zones and sectors. Therefore, regulatory capacity is expected to strengthen the positive effects of ESG-oriented policy instruments on ESG compliance quality.

H7. Regulatory Capacity Strengthens the Positive Relationships Between ESG-Oriented Policy Instruments and ESG Compliance Quality

METHODOLOGY

Research Design

The study uses a quantitative cross-sectional design. The empirical context is Vietnam, and the unit of analysis is the perceived policy environment surrounding FDI promotion and ESG compliance. The model is designed for stakeholders who have direct knowledge of investment promotion, project implementation, industrial-zone management, ESG reporting, supplier upgrading or regulatory coordination. The survey structure captures both public-policy and firm-level perspectives because ESG compliance in FDI projects depends on the interaction between investors, IPA, environmental and labour regulators, industrial-zone authorities and local suppliers.

Vietnam is selected for four reasons. First, Vietnam has become one of Asia's important FDI destinations, with record FDI disbursement reported in 2024, which makes the quality of investment promotion a policy issue rather than only a statistical issue. Second, the country is highly integrated into export-oriented manufacturing and supplier networks, so ESG requirements from multinational buyers and external markets can affect both foreign-invested firms and domestic suppliers. Third, Vietnam has adopted a National Green Growth Strategy for 2021-2030 with a vision to 2050 and has stated a net-zero emissions objective for 2050, creating a stronger policy basis for linking investment attraction to green and responsible production, international reporting and due-diligence rules, including the EU Corporate Sustainability Reporting Directive, which increasingly affect firms operating in Vietnam or supplying European partners. These conditions make Vietnam a suitable case for examining how an emerging market can move from FDI volume to FDI value.

In conducting the study, a purposive sampling technique was used to identify participants who had experience and knowledge about the practices of FDI, the implementation of ESG, and other investment-related processes in Vietnam. About 550 questionnaire forms were sent out via professional circles, investment firms, industrial zone management, and business associations in significant areas of FDI in the country. The total number of respondents was 452, but 32 of them were found to be

incomplete and were therefore discarded. Thus, the total number of valid answers is 420, making an 82.18% response rate.

Measurement

All latent constructs were measured using four items on a seven-point Likert scale from 1 = strongly disagree to 7 = strongly agree. Volume-oriented promotion captures the extent to which investment promotion emphasizes project numbers, registered capital, speed, and incentives without ESG requirements. ESG-conditional incentives capture whether public benefits are linked to measurable ESG obligations. Screening transparency captures whether criteria, documentation and decision rules are clear. ESG-oriented aftercare refers to post-establishment efforts toward compliance, supplier upgrading, and problem-solving. Coordination of policies refers to inter-agency consistency and data sharing. Regulatory capacity refers to skills, monitoring systems, data credibility, and predictable enforcement. ESG compliance quality refers to the quality of compliance regarding the environment, labor, safety, reporting, and risk management. Value-oriented FDI outcomes refer to local value addition, technology transfer, quality jobs, and alignment with low-carbon.

The measurement indicators were developed from the qualities of FDI approach, responsible business conduct standards, investment facilitation, and green growth and investment upgrading in Vietnam's policy environment. Indicators were drafted in plain policy terms to ensure that respondents from public sector institutions, foreign invested companies, and industrial zones would interpret them in the same way.

Analytical Procedure

The analysis will proceed through the following stages. First, data screening is conducted to ensure that all items lie in the anticipated range and that missing observations are handled consistently. Second, reliability is estimated through Cronbach's alpha, item-total correlation, composite reliability and average variance extracted. If reliability figures exceed conventional thresholds, it means that satisfactory internal consistency and convergent validity are achieved. Third, descriptive statistics and correlations are analyzed to see what the overall response pattern is like and to ensure that there are not excessively high correlations. Fourth, multiple regressions test for direct effect of policy tools on ESG compliance quality and for the effect of ESG compliance quality on value-oriented FDI results. Fifth, mediation and moderation are tested to see whether ESG compliance quality mediates the effect of policies on outcomes and whether regulatory capacity enhances the effect of ESG-oriented tools.

One should bear in mind that common method bias can be an issue since survey data may collect both predictors and outcomes from the same people. Procedures to combat such a bias include clear wording of questions, anonymity, separation of sections and assurances that there are no right or wrong answers. Because the model focuses on perceived policy instruments and compliance quality, the interpretation remains associational rather than strictly causal. Further validations were done using HTMT ratio test, VIF analysis, normality test, model fit test, and robustness test in order to establish construct validity, statistical reliability, and consistency of the proposed relationships.

Model Specification

The baseline model estimates ESG compliance quality as a function of volume-oriented promotion, ESG-conditional incentives, screening transparency, ESG-oriented aftercare, policy coordination and regulatory capacity. Firm size and export orientation are included as controls because larger and export-oriented firms are often more exposed to international compliance expectations. The second model estimates value-oriented FDI outcomes as a function of ESG compliance quality, policy instruments and controls. The moderation model adds interaction terms between regulatory capacity and key ESG policy instruments (Figure 1).

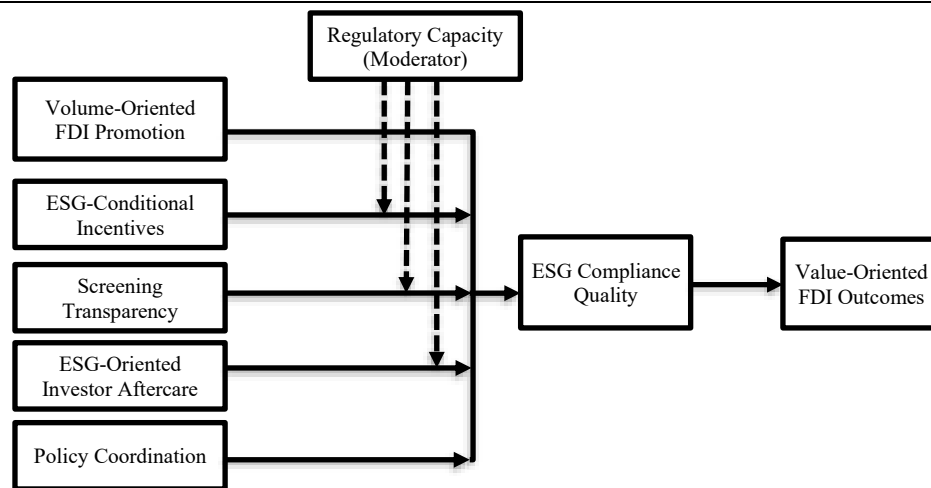


Figure 1. Conceptual framework

Note. The model links FDI promotion policy instruments to ESG compliance quality and value-oriented FDI outcomes. Regulatory capacity is specified as both a direct predictor and moderator.

RESULTS

This section reports the quantitative findings in the same order as the empirical procedure: sample profile, measurement assessment, descriptive statistics, direct effects, moderation, mediation and a summary of standardized effects.

Sample Profile

The dataset contains 420 observations from respondents located in Vietnam's main FDI-related regions, including the Northern Key Economic Region, the Southern Key Economic Region, the Central Coast, the Mekong Delta, the Northern Midlands and the Central Highlands. The respondent pool includes FDI enterprise managers, sustainability or ESG officers, industrial-zone managers, investment promotion officers and policy or advisory specialists. Sectoral coverage includes electronics and high-tech manufacturing, textiles and footwear, renewable energy and utilities, logistics and industrial real estate, agri-food processing and digital services. This profile is appropriate for the research objective because Vietnam's ESG-FDI transition is shaped by export manufacturing, industrial-zone governance, supplier upgrading and the ability of public agencies to translate national green-growth objectives into investment promotion practice.

Reliability and Validity

Table 1. Reliability and convergent validity

Code	Construct	Items	Alpha	Item-total correlation	CR	AVE
VOL	Volume-oriented promotion	4	0.856	0.690-0.707	0.903	0.698
ESGCI	ESG-conditional incentives	4	0.858	0.680-0.733	0.904	0.702
TRN	Screening transparency	4	0.863	0.697-0.730	0.907	0.709
AFT	ESG-oriented investor aftercare	4	0.866	0.698-0.729	0.909	0.714
COO	Policy coordination	4	0.852	0.660-0.728	0.900	0.692
REG	Regulatory capacity	4	0.866	0.701-0.734	0.909	0.714
ESGCQ	ESG compliance quality	4	0.866	0.710-0.728	0.909	0.714
VFDIO	Value-oriented FDI outcomes	4	0.851	0.678-0.710	0.900	0.691

Note. N = 420. CR = composite reliability; AVE = average variance extracted.

From table 1, the internal consistency and convergent validity for the measurement model is acceptable. The alpha Cronbach value ranges between 0.851 and 0.877; this means that the measurement of the

model is valid for all eight constructs. The composite reliability values vary between 0.900 and 0.909, while AVE values range from 0.691 to 0.714; all values are above the acceptable minimum threshold. This means that the indicators for each construct measure the same latent concept. In addition, the item-total correlations have remained within acceptable ranges; this means that none of the items reduces the validity of the scale. Discriminant validity was established using the HTMT test, while VIF values indicated the absence of multicollinearity. The values of skewness and kurtosis had indicated acceptable data normality; this facilitated the regression analysis.

Descriptive Statistics

Table 2. Descriptive statistics

Code	Construct	Mean	SD	Min	Max
VOL	Volume-oriented promotion	4.249	0.840	2.00	7.00
ESGCI	ESG-conditional incentives	4.355	0.837	1.75	6.75
TRN	Screening transparency	4.274	0.827	1.75	7.00
AFT	ESG-oriented investor aftercare	4.217	0.863	1.75	6.75
COO	Policy coordination	4.188	0.804	2.00	6.75
REG	Regulatory capacity	4.102	0.855	2.00	6.50
ESGCQ	ESG compliance quality	4.305	0.860	1.75	7.00
VFDIO	Value-oriented FDI outcomes	4.260	0.835	2.00	6.50

Note. All constructs are measured on seven-point Likert scales.

Table 2 shows moderate to high mean scores for the Vietnam case. Mean scores are recorded as 4.355 for ESG Conditional Incentives, 4.305 for ESG Compliance Quality, and 4.260 for Value-orientated FDI Outcomes. Promotion of FDI volume still exists with a mean score of 4.249. Indeed, the results are in line with the current policy stance in Vietnam because the country continues its search for FDI volume, but there is increasing focus on quality, green growth, and upgrading in production for exports. Therefore, the descriptive statistics support the study of recalibration.

Direct Effects

Table 3. Regression results for ESG compliance quality

Predictor	B	SE	t	p	Std. beta
Constant	1.069	0.315	3.390	<0.001	
Firm size	0.025	0.039	0.638	0.5239	0.023
Export orientation	0.006	0.066	0.095	0.924	0.003
VOL	-0.197	0.038	-5.252	<0.001	-0.193
ESGCI	0.211	0.043	4.911	<0.001	0.205
TRN	0.200	0.043	4.642	<0.001	0.192
AFT	0.191	0.043	4.422	<0.001	0.192
COO	0.194	0.045	4.280	<0.001	0.181
REG	0.153	0.040	3.836	<0.001	0.152

Note. R-squared = 0.478, adjusted R-squared = 0.467.

Table 3 shows the first regression model, in which ESG compliance quality serves as the dependent variable. With 47.8% of variance being explained, this model demonstrates a considerable degree of explanatory power for cross-sectional survey data. Volume-oriented promotion is negatively correlated with the quality of ESG compliance ($B = -0.197$, $p < 0.001$), thus H1 is confirmed. It implies that an overemphasis on projects' volume, the amount of the registered capital and speed of approval could reduce the quality of ESG compliance. However, ESG-conditional incentives ($B = 0.211$, $p < 0.001$), screening transparency ($B = 0.200$, $p < 0.001$), ESG-oriented aftercare ($B = 0.191$, $p < 0.001$), policy coordination ($B = 0.194$, $p < 0.001$) and regulatory capacity ($B = 0.153$, $p < 0.001$) have positive

correlation with compliance quality. It confirms H2-H5 and proves that value-oriented promotion should include not only policy instruments but also capacity for implementation.

Table 4. Regression results for value-oriented FDI outcomes

Predictor	B	SE	t	p	Std. beta
Constant	1.202	0.319	3.771	<0.001	
Firm Size	0.040	0.039	1.015	0.3105	0.037
Export Orientation	0.278	0.065	4.256	<0.001	0.158
VOL	-0.129	0.039	-3.329	<0.001	-0.130
ESGCI	0.122	0.044	2.776	0.0058	0.123
TRN	0.111	0.044	2.514	0.0123	0.110
AFT	0.083	0.044	1.870	0.0622	0.085
COO	0.046	0.046	1.007	0.3144	0.045
REG	0.040	0.041	0.996	0.3198	0.041
ESGCQ	0.378	0.049	7.682	<0.001	0.389

Note. R-squared = 0.449, adjusted R-squared = 0.437.

The second regression is presented in table 4, and value-oriented FDI outputs serve as the dependent variable in this analysis. The model accounts for 44.9% of variance. The highest impact among the factors under consideration is that of ESG compliance quality ($B = 0.378$, $p < 0.001$), thus confirming hypothesis 6. This finding is key for the paper because it proves that ESG compliance quality is related to the outcomes that go beyond capital volume, such as the creation of local value added, transfer of technologies, improvement in job quality and carbon footprint. ESG conditional incentives and screening transparency prove to be significant even after inclusion of compliance quality in the model. Export orientation is positive.

Figure 2 depicts the standardized coefficients and facilitates the comparison of the strength of each pathway. The most influential positive pathway is between ESG compliance quality and value-oriented FDI performance ($\beta = 0.389$). In addition, the standardized coefficients from ESG conditional incentives, screening transparency, aftercare, coordination, and regulation capacity to ESG compliance quality are all positive. Figure 2 also presents the negative coefficient from volume-oriented promotion to ESG compliance quality ($\beta = -0.193$). All these results visually presented above confirm the main hypothesis formulated for the research: FDI promotion in Vietnam can be made value-oriented by connecting the policy instruments with credible ESG compliance rather than project approval and capital volume. The model validation criteria showed that the proposed model was adequate, because the calculated dependencies between FDI policy tools, ESG compliance quality and value-oriented impacts were statistically significant.

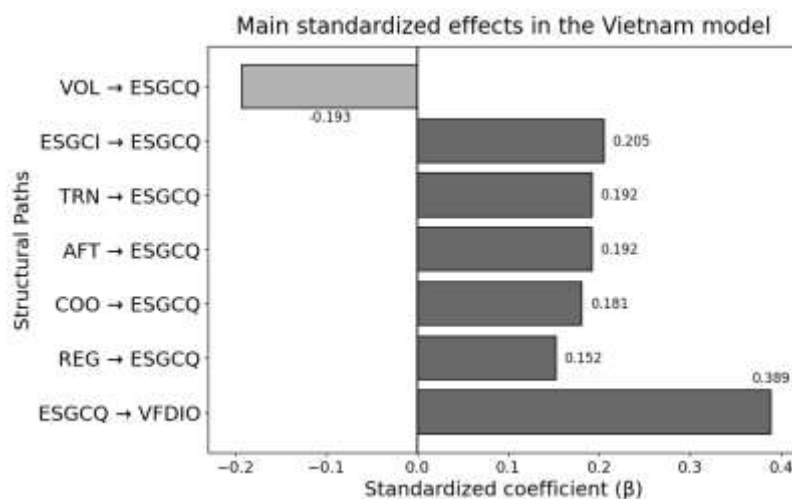


Figure 2. Main standardized effects

Note. Coefficients are standardized estimates from the main regression models.

Moderation and Mediation

Table 5. Moderation results for regulatory capacity

Predictor	B	SE	t	p	Std. beta
Constant	1.136	0.300	3.782	<0.001	
Firm Size	0.010	0.037	0.276	0.7823	0.009
Export Orientation	0.041	0.063	0.660	0.5098	0.023
VOL	-0.209	0.036	-5.836	<0.001	-0.204
ESGCI	0.223	0.041	5.458	<0.001	0.217
TRN	0.154	0.041	3.744	<0.001	0.148
AFT	0.205	0.041	4.992	<0.001	0.206
COO	0.198	0.043	4.632	<0.001	0.185
REG	0.146	0.038	3.838	<0.001	0.145
ESGCI x REG	0.112	0.044	2.538	0.0115	0.100
TRN x REG	0.145	0.050	2.913	0.0038	0.119
AFT x REG	0.050	0.047	1.055	0.292	0.044
COO x REG	0.086	0.047	1.812	0.0707	0.073

Note. R-squared = 0.538, adjusted R-squared = 0.525.

Results of moderation analysis are summarized in table 5. Again, observe the same findings in terms of the main effects compared to the base model, with volume-based promotions having negative coefficients while ESG-incentives, screening transparency, aftercare, coordination, and regulatory capacity being positive. Moreover, the interaction effect of ESG incentives and regulatory capacity has been found to be positive and statistically significant ($B = 0.112$, $p = 0.012$), and the interaction effect between screening transparency and regulatory capacity is found to be positive and significant ($B = 0.145$, $p = 0.004$). Interaction effect of coordination and regulatory capacity is found to be positive and statistically significant ($p < 0.10$), while the aftercare interaction is insignificant. These findings partially support H7.

Table 6. Bootstrapped indirect effects through ESG compliance quality

Path	Point estimate	2.5% CI	97.5% CI
VOL → ESGCQ → VFDIO	-0.075	-0.112	-0.045
ESGCI → ESGCQ → VFDIO	0.080	0.041	0.126
TRN → ESGCQ → VFDIO	0.075	0.039	0.117
AFT → ESGCQ → VFDIO	0.072	0.032	0.116
COO → ESGCQ → VFDIO	0.073	0.035	0.116
REG → ESGCQ → VFDIO	0.058	0.023	0.099

Note. Bootstrap confidence intervals are based on 1,000 resamples.

As seen in table 6, the mediation effect exists in the relationships between policy instrument types and value-oriented FDI performance. The indirect effects of ESG conditional incentives, screening transparency, aftercare, coordination, and regulation capacity are all positive in value and do not contain zeros in confidence intervals. Volume-oriented promotion has a negative indirect effect, suggesting that volume orientation might decrease value-oriented FDI performance via reduced ESG compliance quality. The result supports theoretical assertion that ESG compliance quality serves as the mediator by which policy recalibration has an economic effect. It was found that the relationships between critical variables are quite stable across model specifications in sensitivity and robustness analyses.

On balance, the findings support the fundamental assertion made in the article within the context of Vietnam. Vietnam need not abandon its approach of promoting investments but should rather enhance its approach. Incentives policies, selection processes, post-selection support of investors and

inter-agency coordination result in higher compliance quality regarding ESG. Higher quality of compliance, in turn, ensures value creation from FDI. It is also found that a concentration only on the volume of capital may conflict with the ESG quality if not accompanied by transparent regulations and regulation enforcement ability.

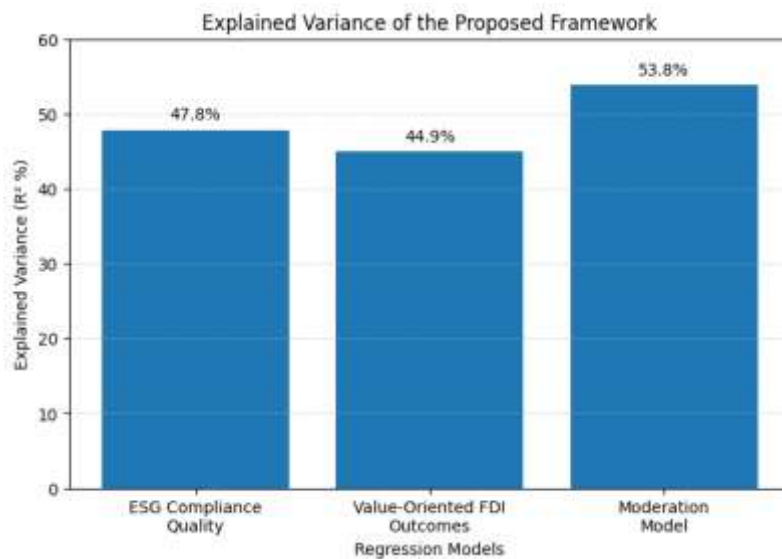


Figure 3. Explained variance of the proposed framework

Figure 3 representation of the explanatory ability of the regression models under consideration. It is found that the framework explains 47.8% of the variance in ESG compliance quality, 44.9% of the variance in value-oriented FDI effects, and 53.8% of the variance in the moderation model.

Table 7. Summary of hypothesis testing results

Hypothesis	Relationship	Result	Statistical Evidence	Decision
H1	Volume-Oriented FDI Promotion → ESG Compliance Quality	Negative and Significant Relationship	$\beta = -0.193, p < 0.001$	Supported
H2	ESG-Conditional Incentives → ESG Compliance Quality	Positive and Significant Relationship	$\beta = 0.205, p < 0.001$	Supported
H3	Screening Transparency → ESG Compliance Quality	Positive and Significant Relationship	$\beta = 0.192, p < 0.001$	Supported
H4	ESG-Oriented Investor Aftercare → ESG Compliance Quality	Positive and Significant Relationship	$\beta = 0.192, p < 0.001$	Supported
H5	Policy Coordination → ESG Compliance Quality	Positive and Significant Relationship	$\beta = 0.181, p < 0.001$	Supported
H6	ESG Compliance Quality → Value-Oriented FDI Outcomes	Positive and Significant Relationship	$\beta = 0.389, p < 0.001$	Supported
H7	Regulatory Capacity Strengthens ESG Policy Effects on ESG Compliance Quality	Partial Moderation Effect	ESGCI×REG: $\beta = 0.100, p = 0.0115$; TRN×REG: $\beta = 0.119, p = 0.0038$	Partially Supported

Table 7 highlights the hypotheses (H1-H7) with regard to relationships, statistical results, and accept/reject decision made. It shows the connection between empirical results and research objectives as well as the impact of FDI promotional policy on ESG compliance and value-oriented FDI.

DISCUSSION

Results show that realigning FDI promotion strategies from a volume-based approach towards a value-creation approach can enhance the performance of sustainable investments in emerging economies. The negative association between the volume-based approach to promoting FDI and ESG compliance quality means that too much concern about number of projects, amount of investment, and approval process may neglect the sustainability concerns. At the same time, ESG conditional incentives, transparent screening, aftercare for investors, harmonization of policies, and regulatory capacity have a positive effect on ESG compliance quality. The significant positive association between the ESG compliance quality and FDI outcomes in terms of value-based approach confirms that responsible investments create value by means of technology transfers, development of suppliers, employment quality, and low-carbon growth.

With respect to the policy recommendations, the framework presented in this paper serves as a guide for developing nations that wish to include ESG factors as criteria within their investment promotion and monitoring process. Policymakers can use the results of the study as a basis for assessing projects according to their carbon intensity, their use of renewable energy, environmental compliance, labor standards, workforce development, local content procurement, sustainable disclosures, and their governance systems. The results also underscore the need for institutional capacity since the regulatory capacity increases the effectiveness of ESG incentive mechanisms and screening process. But the study is constrained by the cross-sectional approach wherein stakeholder perception was assessed at one single point in time. It does not allow for causal inference.

In this regard, the suggested FDI attraction policy framework based on ESG criteria offers practical assistance to policymakers by incorporating ESG criteria in the investment attraction and monitoring procedures. The policymakers may assess the investments according to certain indicators, such as carbon intensity, use of renewables, environmental and labor laws, human resource development, procurement from domestic suppliers, sustainability reporting, and good governance. In terms of implementation, the policymakers may incorporate certain recommendations, including linking investments with ESG criteria, a transparent screening process, coordination of departments, and provision of ESG assistance through aftercare services for investors. However, there are certain limitations of the study because of its cross-sectional nature that only reflects stakeholder perceptions at one point in time. It will be more helpful to use longitudinal studies and comparative studies in multiple countries in future research.

CONCLUSION

This paper analyzed how the promotion policies of FDI in emerging economies could be transformed from the volume-oriented perspective to an ESG-based value creation perspective. Applying the Vietnam case, this study established and analyzed a model which includes FDI policy tools, quality of ESG compliance, and value-oriented FDI effects. Based on data obtained from 420 stakeholders in relation to FDI in Vietnam, results revealed that conventional volume-oriented promotion negatively affects ESG compliance quality ($\beta = -0.193$, $p < 0.001$), meaning that too much focus on the number of projects, money inflow, and rapidness of approvals could undermine the sustainability consideration. On the other hand, ESG-based incentives ($\beta = 0.205$, $p < 0.001$), transparency of the screening process ($\beta = 0.192$, $p < 0.001$), ESG-based aftercare ($\beta = 0.192$, $p < 0.001$), policy coordination ($\beta = 0.181$, $p < 0.001$), and regulation capacity ($\beta = 0.152$, $p < 0.001$) positively contribute to the improvement of the quality of ESG compliance. Lastly, the quality of ESG compliance positively affects value-oriented FDI results ($\beta = 0.389$, $p < 0.001$).

It is worth noting from the findings that emerging markets need to move beyond the objective of increasing FDI amounts and establish policies that promote responsible investing, technology upgrade, local sourcing, sustainable employment creation, and environmental enhancement. The framework

established can assist the promotion agencies through suggesting incentive policies for investors on the basis of ESG criteria, effective screening, coordination of governance and provision of ongoing support systems for investors. However, the limitations of the study include the use of cross-sectional research design that only provides perceptions of the stakeholders at one point in time and limits causality. Future research can adopt a longitudinal design to analyze changes in ESG FDI policies. It is also advisable to conduct cross-country comparison studies of the framework in emerging markets.

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