

# Private Investment, Governance and Sustainable Development in Vietnam's Ethnic Minority and Mountainous Areas

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## Abstract

This study examines the role of private investment in promoting sustainable socio-economic development in Vietnam's ethnic minority and mountainous areas, where investment distribution remains structurally uneven compared to lowland and metropolitan regions in Southeast Asia. The study employs a qualitative secondary research design that combines thematic synthesis and comparative policy analysis using reports from international development organizations, national policy documents and peer-reviewed literature published between 2015 and 2024. The analysis is guided by three complementary theoretical frameworks: Institutional Void Theory, Stakeholder Theory and Social Embeddedness Theory. The analysis suggests that although Vietnam has established a relatively comprehensive policy framework to encourage private investment in disadvantaged regions, policy implementation remains uneven across localities. Key barriers include inadequate infrastructure, weak administrative consistency, limited access to land and finance, environmental sustainability risks and insufficient mechanisms for community engagement and benefit sharing. The study further shows that governance coordination, infrastructure connectivity, transparent procedures and socially embedded investment approaches are more decisive for long-term investment sustainability than fiscal incentives alone. In addition, locally embedded enterprises often demonstrate stronger social legitimacy, while external investors possess greater financial and technological capacity but face higher perceived risks in remote mountainous regions. By integrating institutional, social and governance perspectives, this paper contributes to the literature on long-term development in Southeast Asian Mountain regions and proposes a coordinated governance framework for promoting inclusive and sustainable private investment in Vietnam's ethnic minority and mountainous areas.

**Keywords:** Ethnic Minority Regions, Governance, Long-term Development, Mountain Regions, Private Investment, Vietnam.

## Introduction

Private investment has increasingly been recognized as a critical driver of sustainable socio-economic development in developing economies, particularly in contexts characterized by regional disparities and uneven market integration (1-3). In Vietnam, the rapid expansion of the domestic private sector over the past decade has contributed substantially to economic growth, employment generation and structural transformation. Nevertheless, the spatial distribution of private investment remains highly uneven, with capital flows concentrated primarily in metropolitan areas, industrial corridors and coastal provinces. Ethnic minority and mountainous areas (EM and MN), despite

accounting for a substantial share of Vietnam's territory and population, continue to attract only a limited proportion of private investment. Similar patterns of uneven private-sector development have also been observed in mountainous and upland regions across Southeast Asia, including Laos, Northern Thailand and parts of Indonesia, where weak infrastructure, fragmented governance and geographical remoteness constrain long-term investment sustainability (2, 4, 5).

Mountainous economies possess distinctive structural and socio-spatial characteristics that differentiate them from lowland and urban regions. These areas are often characterized by rugged terrain, dispersed settlements, ecological

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fragility and high transportation and logistics costs. In addition, ethnic diversity, customary land tenure systems, fragmented administrative coordination and limited accessibility to markets and public services further complicate investment implementation and governance processes. In many EM and MN regions, weak infrastructure connectivity and limited institutional capacity increase transaction costs and investment uncertainty, discouraging large-scale and long-term private-sector participation (6-8). Environmental vulnerabilities, including biodiversity degradation, watershed instability and unsustainable land-use practices, also intensify the development challenges faced by mountainous regions, particularly in the context of climate change and resource-based economic activities.

Although the Vietnamese government has introduced various preferential policies and national target programs to promote socio-economic development in disadvantaged areas, evidence suggests that these measures have not yet translated into sustained and large-scale private investment in EM and MN regions. Private investment projects in these localities often remain small in scale, sectoral concentrated and vulnerable to external shocks. Existing investment patterns are primarily concentrated in agriculture, forestry, medicinal plants and community-based tourism, reflecting both the ecological characteristics of mountain regions and the structural limitations of local markets. Community-based ecotourism models may strengthen local empowerment and participation when supported by sustainable governance arrangements (9).

Beyond physical and economic barriers, institutional and social factors play an increasingly important role in shaping private investment decisions in mountainous areas. Variations in policy implementation across provinces and districts, procedural uncertainty and weak enforcement capacity significantly raise transaction costs and reduce investor confidence. At the same time, the social context of ethnic minority communities—characterized by trust-based relationships, collective land-use practices and culturally embedded economic interactions—affects the legitimacy and long-term viability of private investment projects. Without transparent consultation processes and effective benefit-sharing mechanisms, private investment may fail

to gain local acceptance, thereby undermining both economic sustainability and social cohesion (10-12).

Differences between domestic and external investors further illustrate the complexity of private investment dynamics in mountainous regions. Domestic private enterprises often demonstrate stronger social embeddedness, local trust networks and greater familiarity with local cultural contexts. In contrast, foreign or externally based investors generally possess stronger financial and technological capacity, as well as higher environmental and governance standards, but tend to perceive remote mountainous regions as high-risk investment environments. These differences suggest that sustainable private investment in EM and MN areas depends not only on capital availability, but also on governance quality, administrative consistency and socially legitimate development approaches.

Existing policy-oriented studies frequently emphasize fiscal incentives, infrastructure provision and administrative reforms as the principal mechanisms for attracting private capital to disadvantaged regions. While these factors remain important, international experience increasingly demonstrates that financial incentives alone are insufficient to ensure sustainable investment outcomes (1, 3, 13). Successful private investment in mountain regions often depends on the interaction between institutional quality, stakeholder legitimacy, governance coordination and environmental sustainability safeguards. However, much of the existing literature on Vietnam's EM and MN regions remains fragmented and descriptive, frequently focusing either on economic barriers or administrative measures without systematically integrating institutional, social and environmental dimensions.

Moreover, many empirical studies rely on isolated case analyses or descriptive statistics, offering limited comparative insight and weak theoretical integration. Few studies adopt a multi-level analytical perspective linking national policy frameworks, local governance arrangements and community-level social dynamics. Comparative experiences from mountainous regions in Nepal, Northern Thailand and upland Indonesia similarly indicate that fragmented governance and weak stakeholder coordination often undermine the

effectiveness of investment promotion strategies (4, 5, 14). As a result, there remains a significant gap in the literature regarding how institutional conditions, stakeholder relationships and social embeddedness jointly influence the sustainability of private investment in ethnic minority and mountainous regions.

Against this backdrop, this study seeks to address the following research questions:

- a) Which institutional and governance-related factors most strongly influence private investment in Vietnam's ethnic minority and mountainous areas?
- b) How social trust and community engagement shape the sustainability of private investment projects?
- c) What policy-relevant insights can be drawn to promote inclusive and sustainable private-sector participation in these regions?

To answer these questions, the study employs a qualitative secondary research design combining thematic synthesis and comparative policy analysis based on reports from international development organizations, national policy documents and peer-reviewed academic literature.

This study contributes to the literature in three important ways. First, it integrates institutional and social perspectives to explain the structural constraints affecting private investment in mountain regions. Second, it extends debates on long-term development and private investment to the context of Southeast Asian ethnic minority and mountainous regions. Third, it proposes a coordinated governance framework emphasizing administrative consistency, stakeholder engagement, environmental sustainability and socially embedded investment approaches as key conditions for inclusive and sustainable private-sector development in Vietnam's EM and MN areas.

## Methodology

### Research Design

This study employs a qualitative secondary research design combining thematic synthesis and comparative policy analysis to examine private investment and long-term development in Vietnam's EM and MN areas. The qualitative approach is appropriate because the study focuses on identifying structural patterns, institutional constraints, governance dynamics and socially

embedded mechanisms shaping investment behavior, rather than measuring firm-level causal relationships or conducting econometric estimation.

The research design adopts an integrative analytical perspective linking institutional conditions, governance arrangements, environmental sustainability and social legitimacy. Instead of treating these dimensions independently, the study examines how they interact to influence both the scale and sustainability of private investment in disadvantaged mountainous regions. This approach allows for a systematic interpretation of diverse evidence while reducing the limitations associated with fragmented case-based analysis.

The study also incorporates a comparative analytical lens by situating Vietnam's mountainous investment dynamics within broader experiences from Southeast Asian and developing mountain regions, including Laos, Nepal, Northern Thailand and upland Indonesia. This comparative perspective strengthens the external relevance of the findings and enables broader discussion on sustainable private investment in remote and ethnically diverse regions.

### Data Collection

The study relies exclusively on secondary data obtained from multiple authoritative and publicly accessible sources. The dataset includes national and regional policy documents, peer-reviewed journal articles, reports from international organizations including the World Bank, OECD, UNDP, ADB and IFC, as well as Vietnamese government and statistical reports, including materials from the General Statistics Office of Vietnam and the Committee for Ethnic Minority Affairs.

These documents provide complementary evidence on private-sector development, regional inequality, governance capacity, environmental sustainability and socio-economic conditions in ethnic minority and mountainous areas. Additional contextual sources, including books, institutional reports and international development publications, were also used to support the comparative and policy-oriented interpretation.

The 2015–2024 period was selected because it captures major institutional reforms related to decentralization, digital governance expansion, long-term development policy adjustments and the implementation of the National Target

Program for Ethnic Minority and Mountainous Development in Vietnam. This period also reflects increasing international attention to inclusive growth, ESG-oriented investment and sustainable governance frameworks in developing economies.

### Data Selection Criteria

To ensure analytical rigor and consistency, documents were selected based on four principal criteria:

- (a) Relevance to private investment and long-term development in mountainous or disadvantaged regions;
- (b) Institutional credibility and academic reliability;
- (c) Empirical or policy significance;
- (d) Publication within the 2015–2024 period.

Priority was given to peer-reviewed academic studies, official policy reports, international development publications and nationally recognized statistical documents. Sources lacking methodological clarity, institutional legitimacy, or direct relevance to the research questions were excluded from the analysis.

### Analytical Procedure

The analytical process followed a structured thematic synthesis approach combined with comparative policy interpretation. The thematic synthesis process follows established qualitative analytical approaches for identifying recurring patterns across multiple data sources (15).

- a) First, all selected materials were systematically reviewed to identify recurring themes related to private investment barriers, governance conditions, environmental sustainability, stakeholder relationships and institutional effectiveness.
- b) Second, the documents were coded and grouped into thematic categories reflecting four analytical dimensions: institutional and governance factors; economic and infrastructural conditions; environmental sustainability considerations; social legitimacy and community engagement.
- c) Third, the synthesized findings were interpreted through a comparative analytical lens to identify common patterns and divergences between Vietnam's ethnic minority and mountainous regions and similar mountain regions in Southeast Asia and other developing contexts.

Rather than cataloguing isolated policy measures, the analysis focuses on underlying mechanisms shaping investment sustainability, including administrative consistency, infrastructure connectivity, governance coordination, environmental safeguards and socially embedded investment practices. This approach facilitates the integration of diverse evidence into a coherent analytical framework and supports the development of policy-relevant conclusions.

The interpretation of findings is guided by three complementary theoretical perspectives:

- a) Institutional Void Theory, explaining governance gaps and implementation constraints;
- b) Stakeholder Theory, emphasizing legitimacy and multi-actor coordination;
- c) Social Embeddedness Theory, highlighting trust-based relationships and culturally grounded economic interactions.

### Reliability and Validity

To strengthen reliability and validity, the study applies data triangulation by cross-checking findings across independent academic, institutional and policy sources. Consistency among international reports, government documents and peer-reviewed literature enhances the credibility of the interpretations and reduces the risk of single-source bias.

The use of comparative evidence from multiple regional contexts also improves analytical robustness and external relevance. In addition, the thematic synthesis emphasizes convergence of evidence rather than isolated observations, ensuring that the conclusions are grounded in recurring and broadly supported patterns.

### Research Limitations

Several limitations should be acknowledged. First, the study relies exclusively on secondary data and therefore does not incorporate primary interviews, enterprise surveys, or field-based observations. As a result, the analysis may not fully capture micro-level behavioral dynamics and firm-specific investment decision-making processes. Qualitative comparative interpretation nevertheless remains valuable for understanding complex governance dynamics in context-specific environments (16).

Second, the study is constrained by the availability and comparability of secondary materials across regions and countries. Differences in statistical

systems, governance structures and reporting standards may affect the consistency of comparative interpretation.

Third, the analysis focuses primarily on structural and institutional patterns rather than longitudinal investment trajectories. Consequently, the study provides limited insight into the long-term evolution of investment outcomes over time.

Finally, although the use of diverse and authoritative sources mitigates risks associated with secondary-source dependency, some policy reports and institutional documents may contain normative or policy-oriented biases. The study therefore prioritizes triangulation and cross-source validation to enhance analytical balance and interpretive reliability.

## Results

### Private Investment Patterns and Regional Context in Ethnic Minority and Mountainous Areas

The synthesis of secondary evidence indicates that private investment in Vietnam has expanded considerably in terms of scale, sectoral diversity and contribution to national economic growth. However, this expansion remains spatially uneven. Investment flows continue to concentrate in urban centers, industrial zones and coastal regions, while EM and MN areas attract only a marginal share of private capital. Across reviewed sources, this uneven pattern is consistently associated with differences in infrastructure endowment, market accessibility, governance quality and local implementation capacity.

Similar investment concentration patterns have also been observed in upland Laos, Northern Thailand and mountainous regions of Indonesia, where infrastructure deficits, fragmented administrative coordination and weak market integration constrain long-term private-sector participation. Comparative evidence suggests that

mountain regions frequently experience structurally higher transaction costs and lower investment predictability than lowland regions, reducing their attractiveness for capital-intensive investment activities.

In Vietnam's EM and MN regions, private investment remains concentrated primarily in sectors aligned with local ecological and cultural conditions, including agriculture and forestry, medicinal plants and community-based tourism. These sectors generally require lower levels of heavy infrastructure investment and allow enterprises to leverage local natural and cultural assets. In contrast, capital-intensive activities such as deep processing industries, supporting industries and large-scale logistics operations remain limited, reflecting higher entry barriers and greater exposure to infrastructure-related risks.

At the national level, macroeconomic stability and improvements in the overall business environment have created favorable conditions for private-sector development. Nevertheless, evidence indicates that the benefits of these reforms have not been evenly transmitted to mountainous localities. Variations in transport connectivity, stable electricity access, digital infrastructure and proximity to input and output markets significantly shape investment feasibility. As a result, EM and MN areas are often perceived by investors as high-risk environments despite the presence of preferential policy frameworks. Similar constraints affecting Vietnam's broader private-sector investment climate have also been identified in previous IFC assessments (17).

Drawing on evidence from World Bank, OECD and CIEM reports, Table 1 summarizes the main characteristics of private investment patterns in Vietnam's ethnic minority and mountainous areas (1, 2, 6).

**Table 1:** Key Characteristics of Private Investment Patterns in Ethnic Minority and Mountainous Areas

Dimension	Observed Patterns in EM and MN Areas	Structural Constraints	Implications for Private Investment
Sectoral orientation	Investment is concentrated primarily in agriculture-forestry, medicinal plants and community-based tourism, where firms can leverage local ecological and cultural assets.	Limited diversification into capital-intensive and technology-intensive sectors due to weak infrastructure connectivity and restricted market access.	Private investment remains small-scale and sectorally concentrated, limiting productivity spillovers and value-chain upgrading.
Infrastructure conditions	Investment projects are more viable in localities with basic	Poor road connectivity, unstable electricity systems and	Infrastructure deficits significantly increase perceived

	transport access and relatively stable electricity supply.	insufficient cold-chain infrastructure increase operational and transaction costs.	investment risks and discourage long-term private-sector engagement.
Institutional environment	National policy frameworks provide formal incentives and preferential mechanisms for disadvantaged regions.	Inconsistent implementation across localities, procedural uncertainty, fragmented governance and weak enforcement capacity at the local level.	Policy incentives alone are insufficient; institutional predictability and governance coordination are critical determinants of investment decisions.
Access to land and resources	Investment activities frequently depend on fragmented landholdings and informal land-use arrangements in mountainous localities.	Incomplete cadastral systems, land accumulation difficulties and overlapping land-use claims create uncertainty for investors.	Unclear and insecure land access constrains project expansion and discourages investors requiring long-term land tenure security.
Enterprise capacity and labor	Investment participation is dominated by small and medium-sized enterprises with limited financial and managerial capacity.	Shortages of skilled labor, limited access to finance and weak business support services constrain enterprise upgrading.	Capacity-building mechanisms and shared support services are essential for improving productivity and long-term investment sustainability.
Social and community factors	Projects incorporating community participation and culturally sensitive approaches generally demonstrate stronger local acceptance.	Weak benefit-sharing mechanisms and limited trust between investors and local communities undermine cooperation.	Social legitimacy and trust-based relationships are essential conditions for sustainable and inclusive private investment outcomes.

Note: EM and MN refer to ethnic minority and mountainous areas.

The evidence presented in Table 1 indicates that private investment patterns in EM and MN areas remain highly concentrated in low-capital and resource-based sectors. Infrastructure limitations and weak institutional coordination continue to constrain industrial diversification and large-scale investment expansion. The findings also suggest that governance predictability and local implementation capacity are more influential for investment sustainability than formal incentives alone.

### Key Barriers and Enabling Conditions Shaping Private Investment

Across the reviewed sources, five interrelated barriers emerge as the most significant constraints on private investment in EM and MN areas. First, inadequate hard infrastructure—particularly roads, electricity systems, logistics facilities and digital connectivity—raises transaction costs and constrains project scalability. Poor transport connectivity increases input costs, reduces market accessibility and heightens the risk of post-harvest losses in agricultural value chains.

Second, weaknesses in soft infrastructure, including quality standards, testing systems, certification services and traceability mechanisms, limit firms' ability to integrate into higher-value domestic and international markets. Similar constraints have been documented in mountainous regions of Laos and Nepal, where

inadequate quality infrastructure reduces the competitiveness of locally embedded enterprises. Third, institutional and procedural barriers remain highly significant at the local level. Although Vietnam has established relatively comprehensive national policy frameworks and investment incentives for disadvantaged regions, implementation varies substantially across provinces and districts. Administrative fragmentation, procedural uncertainty, inconsistent enforcement and low predictability in land-related decisions continue to increase investment risks, particularly for projects requiring substantial upfront capital and long planning horizons.

Fourth, unresolved land-related constraints continue to hinder investment expansion. Fragmented landholdings, incomplete cadastral systems, overlapping land-use claims and customary land tenure arrangements create uncertainty for investors seeking secure long-term access to land and natural resources.

Finally, limitations in enterprise capacity and local labor quality constrain productivity upgrading and innovation adoption. Small and medium-sized enterprises dominate investment participation in mountainous regions but often face limited access to finance, weak managerial capacity and shortages of technically skilled labor.

Despite these barriers, the synthesis also identifies several enabling conditions capable of significantly

improving investment feasibility and sustainability. Targeted investments in transport infrastructure, stable electricity systems and digital governance platforms reduce baseline investment risks. The digitalization of administrative procedures increases transparency and lowers transaction costs. In addition, the development of shared quality infrastructure—including regional testing centers, traceability systems and certification platforms—helps

enterprises access higher-value markets without bearing prohibitive individual costs.

Drawing on evidence from World Bank, OECD, UNDP and CIEM reports, Table 2 consolidates the key barriers to private investment in Vietnam's ethnic minority and mountainous areas and identifies corresponding enabling conditions for improving investment feasibility, sustainability and governance effectiveness (1, 2, 6).

**Table 2:** Key Barriers to Private Investment and Corresponding Enabling Conditions in Ethnic Minority and Mountainous Areas

Key Barriers	Manifestations in EM and MN areas	Enabling Conditions	Policy-relevant Implications
Inadequate hard infrastructure	Poor road connectivity, unstable electricity supply, limited logistics systems and insufficient cold-chain facilities increase transaction costs and project risks.	Targeted investment in transport links, stable power supply, decentralized cold-chain systems and digital connectivity.	Coordinated infrastructure upgrading is essential for reducing baseline investment risks and improving project scalability in mountainous regions.
Weak soft infrastructure and quality services	Limited access to testing, certification, traceability systems, market information and technical advisory services restricts integration into higher-value markets.	Establishment of shared regional quality services, including testing centers, certification support, digital traceability platforms and business advisory mechanisms.	Shared support services lower entry barriers for small and medium-sized enterprises and enable value-chain upgrading.
Institutional and procedural uncertainty	Inconsistent implementation of national policies, lengthy administrative procedures, fragmented coordination and low predictability at the local level increase investor uncertainty.	Streamlined and digitalized administrative procedures, one-stop service mechanisms, clearer implementation guidelines and stronger inter-agency coordination.	Improving predictability, transparency and coordination is as important as providing formal investment incentives.
Constraints in land access and tenure security	Fragmented landholdings, incomplete cadastral data, overlapping land-use claims and customary land-use arrangements complicate investment planning.	Improved land-use planning, updated cadastral systems, transparent land information and mechanisms for land aggregation or long-term leasing.	Secure and transparent land access is essential for scaling up private investment while reducing land-related conflicts.
Limited enterprise capacity and labor skills	Small-scale firms dominate investment activities but face capital constraints, weak management capacity, limited technology adoption and shortages of skilled labor.	Business development support, access to finance, local workforce training, technology transfer and enterprise upgrading programs aligned with investment needs.	Enterprise upgrading and skills development are critical for improving productivity, competitiveness and long-term investment sustainability.
Environmental sustainability risks	Mountainous investment projects may generate risks related to forest degradation, biodiversity loss, watershed instability, unsustainable medicinal plant harvesting and excessive eco-tourism pressure.	Environmental safeguards, biodiversity protection mechanisms, watershed management, sustainable harvesting standards and carrying-capacity assessment for tourism projects.	Environmental governance must be integrated into investment promotion to prevent ecological degradation and ensure long-term sustainability.
Low social trust and weak community engagement	Absence of formal benefit-sharing arrangements, limited participation of ethnic minority communities and weak trust between firms and residents undermine cooperation.	Mechanisms for community consultation, transparent contracting, culturally appropriate engagement and benefit-sharing agreements.	Social legitimacy and trust-based relationships are critical for the long-term viability and inclusiveness of private investment.

Note: EM and MN refer to ethnic minority and mountainous areas.

Table 2 demonstrates that investment barriers in mountainous regions are multidimensional and interrelated. Hard infrastructure deficits interact with institutional uncertainty, land insecurity and weak community engagement to increase investment risks. The findings further imply that coordinated governance and shared support services are necessary to improve long-term investment feasibility and sustainability.

Regional PPP governance frameworks in Southeast Asia similarly emphasize coordinated institutional arrangements and risk-sharing mechanisms for sustainable infrastructure investment (18).

### Local versus Foreign Private

#### Investment Dynamics

The reviewed evidence indicates important differences between locally embedded enterprises and external or foreign-invested firms operating in mountainous regions. Domestic enterprises generally demonstrate stronger social embeddedness, greater familiarity with local cultural practices and higher flexibility in adapting to informal institutional environments. Trust-based relationships and community-level networks frequently allow local firms to negotiate land access, labor arrangements and community participation more effectively than external investors.

By contrast, foreign-invested or externally based enterprises typically possess stronger financial capacity, technological capability and greater experience with ESG-oriented production standards. These firms are often better positioned

to implement quality management systems, digital traceability mechanisms and environmentally sustainable production models. However, they also tend to perceive mountainous regions as high-risk investment environments due to infrastructure deficits, governance fragmentation and uncertainty surrounding land tenure arrangements. Comparative evidence from Northern Thailand and upland Indonesia similarly suggests that locally embedded enterprises are generally more resilient in socially sensitive environments, whereas external investors are more dependent on formal governance predictability and institutional stability. These findings indicate that sustainable private investment in mountain regions depends not only on financial incentives, but also on the interaction between institutional quality, social legitimacy and locally grounded governance arrangements.

### Sustainability Indicators and Pathways Toward Inclusive Investment

The reviewed evidence suggests that the sustainability of private investment in mountainous regions should be evaluated using multidimensional indicators extending beyond short-term economic performance. Sustainable investment outcomes depend simultaneously on economic viability, environmental protection, social legitimacy and governance quality.

Table 3 summarizes the principal sustainability indicators identified across the reviewed literature and policy sources.

**Table 3:** Sustainability Indicators for Evaluating Private Investment in Mountainous Regions

Dimension	Key indicators
Economic	Household income generation, local employment creation, SME participation, value-chain upgrading
Social	Ethnic minority participation, community engagement, trust-based cooperation, benefit-sharing mechanisms
Environmental	Biodiversity protection, watershed conservation, forest protection, sustainable medicinal plant harvesting
Governance	Transparency, procedural predictability, digital governance, inter-agency coordination

Note: The indicators are synthesized from comparative literature on sustainable investment, governance quality and mountainous regional development.

The sustainability indicators presented in Table 3 highlight that investment effectiveness in mountain regions should be evaluated beyond short-term economic growth. Social legitimacy, environmental protection and governance quality emerge as equally important dimensions shaping the sustainability of private investment outcomes.

Environmental sustainability emerges as a particularly critical dimension in mountain regions due to ecological fragility and climate vulnerability. Sustainable forest governance is increasingly considered essential for resilient and inclusive rural economies (19). Climate-related environmental risks are projected to intensify in

vulnerable mountainous regions of Vietnam (20). The reviewed evidence therefore highlights increasing concerns regarding biodiversity degradation, watershed instability, unsustainable land-use practices and forest degradation associated with poorly regulated investment activities. International sustainable mountain tourism frameworks also emphasize environmental carrying capacity and local participation mechanisms (21). Eco-tourism projects lacking carrying-capacity management mechanisms may generate environmental pressures and cultural commodification, thereby undermining long-term sustainability. Medicinal plant value chains represent a particularly promising area for sustainable and inclusive private investment. Their ecological suitability and cultural relevance create opportunities for community-based value creation. However, long-term sustainability depends heavily on traceability systems, biodiversity safeguards, sustainable harvesting practices and equitable benefit-sharing arrangements. Without these mechanisms, medicinal plant commercialization risks overexploitation and declining ecological resilience.

### **Business Models, Socio-economic Impacts and Pathways to Sustainability**

The reviewed evidence identifies three broad archetypes of private investment models currently operating or emerging in EM and MN regions.

The first model consists of capital-intensive and vertically integrated enterprises, particularly in agriculture and small-scale infrastructure development. These projects benefit from economies of scale and stronger quality control systems but remain viable primarily in localities with relatively secure land access and adequate infrastructure conditions. Without explicit community engagement and benefit-sharing arrangements, however, these models risk marginalizing smallholders and intensifying local inequality.

The second model involves medium-sized enterprises connected with cooperatives and

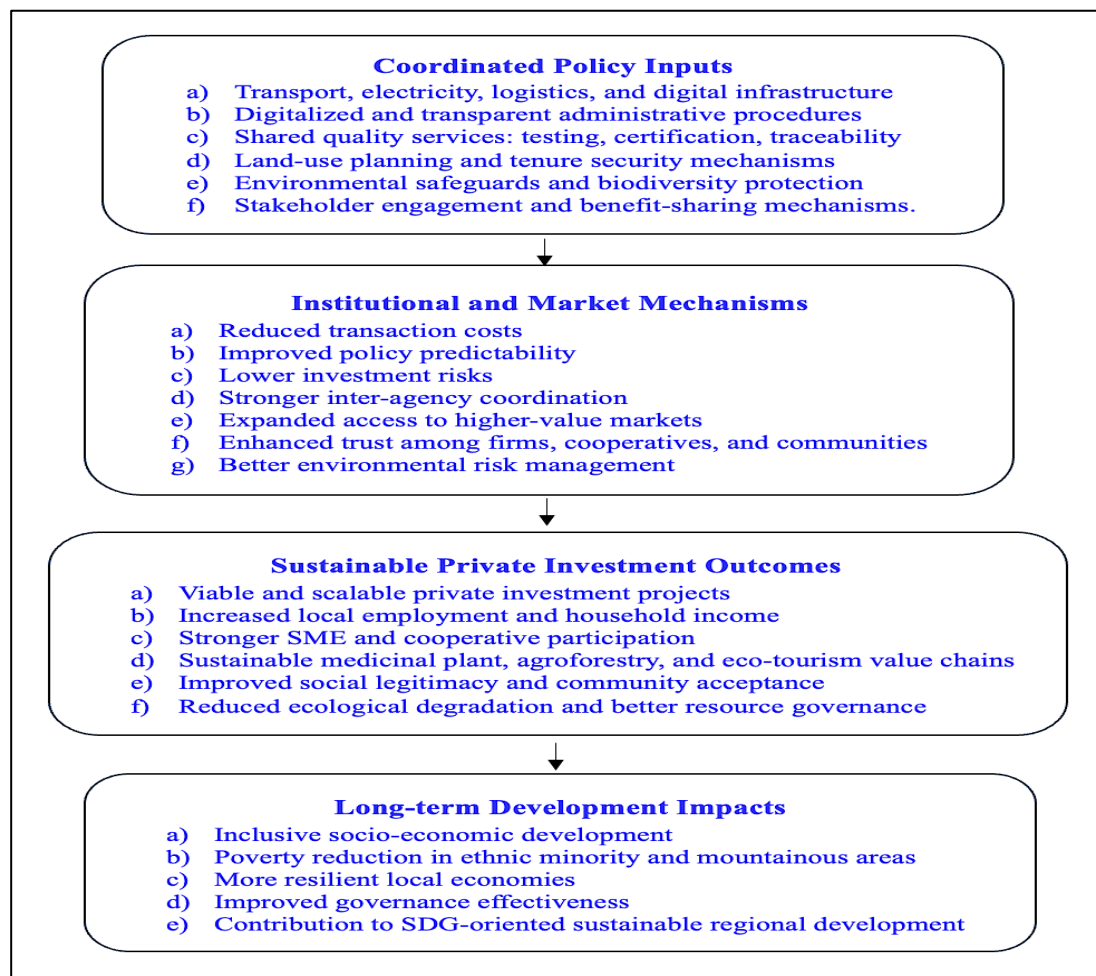
household producers through contractual production arrangements. Comparative evidence suggests that this model demonstrates greater adaptability to mountainous conditions and higher potential for inclusive participation. Nevertheless, its effectiveness depends strongly on stakeholder coordination, shared services and access to finance.

The third model includes niche enterprises and cooperatives built around indigenous assets such as medicinal plants, traditional agricultural products and community-based tourism. These initiatives exhibit stronger social embeddedness and local legitimacy but often face limitations in scale, market access and demand stability.

Across these models, socio-economic benefits are most evident when private investment generates stable non-agricultural employment, strengthens local value chains and facilitates skills upgrading. However, the evidence also indicates that these benefits remain uneven across localities, particularly where governance coordination, transparent contracting and social participation mechanisms remain weak.

The reviewed evidence further highlights the importance of policy coordination as a contextual factor shaping investment sustainability. National programs for ethnic minority and mountainous development increasingly emphasize integrated approaches linking infrastructure investment, livelihood diversification, environmental sustainability, digital transformation and inclusive governance mechanisms. Recent implementation reports of the National Target Program also highlight continuing challenges related to governance coordination, local implementation capacity and resource allocation in ethnic minority and mountainous areas (22).

Figure 1 synthesizes the findings into a revised theory-of-change framework illustrating how governance coordination, infrastructure connectivity, stakeholder engagement, environmental safeguards and digitalized administrative systems interact to generate sustainable private investment outcomes aligned with inclusive development and sustainability objectives.



**Figure 1:** Theory-of-Change Framework Linking Coordinated Interventions to Sustainable Private Investment Outcomes in Ethnic Minority and Mountainous Areas. The framework integrates governance coordination, environmental sustainability, stakeholder participation and SDG-oriented investment pathways synthesized from comparative policy and development literature

Figure 1 illustrates the interaction between governance coordination, infrastructure development, stakeholder participation and environmental safeguards in shaping sustainable private investment outcomes. The framework emphasizes that investment sustainability depends on integrated and multi-level governance mechanisms rather than isolated financial incentives.

## Discussion

### Institutional Voids, Governance Coordination and Implementation Gaps

The analysis suggests that private investment dynamics in Vietnam's EM and MN areas are shaped not only by economic incentives, but also by the interaction between institutional quality, governance coordination and socially embedded development conditions. Although Vietnam has

established a relatively comprehensive framework of preferential policies targeting disadvantaged regions, the results suggest that implementation gaps and institutional fragmentation continue to undermine investment effectiveness. This finding is broadly consistent with institutional perspectives emphasizing that formal policy incentives alone are insufficient when enforcement mechanisms, administrative coordination and local implementation capacity remain weak (23, 24).

The evidence presented in the Results section demonstrates that inadequate infrastructure, fragmented land governance, procedural uncertainty and uneven administrative implementation significantly increase transaction costs and reduce investment predictability. Comparative evidence further suggests that decentralization and territorial governance arrangements significantly influence regional

investment sustainability and development outcomes (25). In addition, studies on extractive governance and inclusive development show that institutional fragmentation can limit the developmental impact of private investment despite the existence of formal incentive systems (26, 27).

Importantly, the findings of this study diverge from approaches that primarily emphasize fiscal incentives as the principal mechanism for attracting private capital into disadvantaged regions. Unlike studies prioritizing tax exemptions or preferential credit schemes, the present analysis indicates that administrative consistency, governance coordination, infrastructure connectivity and transparent administrative systems are more decisive for sustainable investment outcomes than financial incentives alone. This finding reinforces broader debates in development governance literature arguing that investment sustainability depends fundamentally on the quality and coherence of institutional arrangements rather than isolated economic incentives. Development outcomes are often shaped more strongly by institutional quality and context-specific governance arrangements than by standardized policy models alone (28).

The findings also demonstrate that institutional voids in EM and MN regions extend beyond regulatory frameworks and include weaknesses in quality infrastructure, business support systems and inter-agency coordination mechanisms. The absence of testing centers, certification systems, digital traceability platforms and integrated support services constrains firms' ability to participate in higher-value markets and limits opportunities for enterprise upgrading. In this regard, the study supports arguments advanced by OECD and World Bank analyses emphasizing the importance of coordinated territorial development approaches in remote and disadvantaged regions (1-3).

### **Stakeholder Engagement, Social Embeddedness and Legitimacy**

Beyond institutional conditions, the results underscore the central importance of stakeholder engagement and social legitimacy in shaping the sustainability of private investment in mountainous regions. The prevalence of small-scale, cooperative-based and community-linked investment models reflects the importance of

trust-based relationships in contexts characterized by ethnic diversity, customary land-use practices and socially embedded economic interactions.

The findings are strongly consistent with Stakeholder Theory, which emphasizes that firms operating in socially sensitive environments must obtain legitimacy from affected communities to sustain long-term operations. In EM and MN areas, legitimacy depends heavily on transparent consultation processes, culturally appropriate engagement and equitable benefit-sharing arrangements. Projects that fail to integrate these dimensions risk being perceived as externally imposed or extractive, thereby undermining both social cohesion and long-term economic sustainability. Participatory development approaches are particularly important in socially and culturally diverse regions where local legitimacy strongly shapes development outcomes (29).

The evidence also aligns closely with Social Embeddedness Theory, particularly Granovetter's argument that economic activities are embedded within broader social networks and institutional relationships (10). Locally embedded enterprises often demonstrate greater flexibility, stronger trust-based coordination and higher adaptability to local socio-cultural conditions than external investors. Community-based medicinal plant value chains and cooperative-linked agricultural models illustrate how socially embedded investment arrangements can enhance local participation, reduce resistance and improve project resilience. However, the findings also suggest that social embeddedness alone is insufficient to ensure sustainable investment outcomes. Even socially legitimate projects may remain trapped at low productivity levels when not supported by infrastructure connectivity, stable markets, financial access and institutional coordination. In this sense, the study highlights the limitations of approaches that romanticize community-based development without addressing structural constraints affecting enterprise upgrading and market integration.

Importantly, the findings suggest that Institutional Void Theory, Stakeholder Theory and Social Embeddedness Theory should be understood as complementary rather than competing frameworks. Institutional perspectives explain implementation gaps and governance failures; stakeholder perspectives clarify legitimacy and

coordination dynamics; and social embeddedness perspectives illuminate the role of trust-based relationships in shaping investment behavior. Together, these frameworks provide a more comprehensive explanation of private investment sustainability in disadvantaged mountainous regions.

### **Environmental Governance and Sustainability Implications**

One of the most important findings emerging from this study concerns the growing significance of environmental governance in shaping sustainable private investment outcomes in mountain regions. Unlike lowland industrial regions, EM and MN areas are characterized by ecological fragility, biodiversity sensitivity, watershed dependence and high exposure to climate-related risks. As a result, investment sustainability cannot be evaluated solely through short-term economic indicators.

The results indicate that poorly regulated investment activities may contribute to forest degradation, biodiversity loss, watershed instability and unsustainable resource extraction. Similar environmental governance challenges have been documented in upland Indonesia, Northern Thailand and Himalayan regions of Nepal, where weak enforcement capacity and fragmented land management systems increase ecological vulnerability. Global environmental assessments increasingly emphasize the interconnected nature of climate, biodiversity and pollution crises in vulnerable ecological regions (30).

Co-tourism development provides a particularly illustrative example. Although community-based tourism can generate income diversification and local employment, projects lacking ecological carrying-capacity management mechanisms may produce environmental degradation and cultural commodification. Likewise, the rapid commercialization of medicinal plant value chains may increase risks of overharvesting and biodiversity depletion if sustainable harvesting standards and traceability systems are absent.

These findings reinforce broader international debates surrounding ESG-oriented investment and sustainable territorial governance. Similar green recovery frameworks in Asia also highlight the importance of integrating environmental safe-

guards with inclusive economic recovery strategies (31).

The analysis suggests that environmental safeguards, biodiversity protection mechanisms, watershed management systems and sustainable resource governance should not be treated as supplementary components of investment policy, but rather as central conditions for long-term investment sustainability in mountain regions.

The study therefore supports emerging policy approaches emphasizing integrated governance models linking infrastructure development, environmental protection, social participation and inclusive economic upgrading. Such approaches are increasingly reflected in SDG-oriented regional development strategies and international frameworks for sustainable mountain development. Responsible business governance and corporate sustainability practices are increasingly recognized as central components of long-term investment legitimacy (32).

**Comparative implications for Southeast Asian Mountain regions**

The patterns identified in Vietnam's EM and MN regions exhibit strong similarities with broader experiences across Southeast Asian and developing mountain regions. Comparative evidence from Laos, Northern Thailand, upland Indonesia and Nepal demonstrates that private investment sustainability in remote and ethnically diverse regions depends heavily on the interaction between infrastructure provision, governance coordination, environmental management and social legitimacy.

In Laos and Nepal, infrastructure deficits and weak institutional coordination similarly constrain enterprise upgrading and market integration. Studies from Northern Thailand indicate that socially embedded cooperative models often achieve stronger local acceptance than externally imposed investment schemes. In upland Indonesia, fragmented land governance and overlapping administrative authority have likewise generated uncertainty surrounding long-term private investment. International cooperation programs in Vietnam have similarly emphasized local governance capacity-building and ethnic minority development support mechanisms (33).

At the same time, the comparative evidence reveals important differences in governance trajectories. Some regional experiences

demonstrate greater success in integrating environmental governance and community participation into investment planning processes. For example, decentralized territorial governance arrangements in parts of Southeast Asia increasingly combine digital administrative systems, local participation mechanisms and environmental monitoring frameworks to improve investment transparency and reduce conflict (34). The findings of this study therefore suggest that Vietnam's future approach to private investment promotion in EM and MN areas should move beyond fragmented incentive-based policies toward integrated territorial governance strategies. Such strategies should combine infrastructure connectivity, administrative consistency, environmental safeguards, stakeholder participation and enterprise support systems within coordinated multi-level governance frameworks.

From a broader academic perspective, the study contributes to ongoing debates on long-term development in mountain regions by demonstrating that private investment sustainability is fundamentally a governance challenge rather than merely a capital mobilization issue. Sustainable investment outcomes depend not only on financial resources, but also on the ability of institutions, communities, enterprises and governance systems to coordinate development pathways that are economically viable, socially legitimate and environmentally sustainable.

## Conclusion

This study examined private investment in Vietnam's EM and MN areas through an integrated institutional, governance and social lens. The findings show that the limited scale and sectoral concentration of private investment in these regions are driven less by the absence of formal policy incentives than by persistent structural constraints, implementation gaps and weak administrative consistency. Inadequate infrastructure, fragmented land governance, limited shared services, environmental sustainability risks and insufficient community engagement continue to increase transaction costs and discourage long-term private-sector participation.

From an academic perspective, the study contributes to the literature on sustainable private

investment and regional development by integrating Institutional Void Theory, Stakeholder Theory and Social Embeddedness Theory within a unified analytical framework. It shows that private investment in mountain regions should not be treated solely as a capital mobilization issue, but as a governance process shaped by institutional quality, stakeholder legitimacy, environmental safeguards and trust-based social relations.

From a policy perspective, the findings suggest that investment promotion in EM and MN areas should move beyond isolated fiscal incentives toward coordinated intervention packages. These should include infrastructure upgrading, digitalized administrative procedures, transparent land-use planning, shared quality services, workforce development, environmental governance and formal benefit-sharing mechanisms with ethnic minority communities. Such measures can reduce baseline investment risks while strengthening the social legitimacy and sustainability of private-sector engagement.

Regionally, the study provides insights relevant to other Southeast Asian Mountain regions facing similar constraints, including weak connectivity, fragmented governance, ecological fragility and limited market access. Vietnam's experience suggests that sustainable private investment in disadvantaged mountainous regions requires multi-level coordination among the state, enterprises, cooperatives and local communities.

Inclusive human development remains a central requirement for sustainable regional transformation in disadvantaged areas. Future research should build on these findings by incorporating firm-level surveys, interviews with local authorities and ethnic minority communities and GIS-based spatial analysis of investment distribution. Comparative studies across ASEAN mountainous regions would further clarify the generalizability of the proposed framework. Longitudinal research tracking investment projects over time would also provide deeper insight into how governance reforms, environmental safeguards and stakeholder participation affect local livelihoods and regional development outcomes.

Sustainable private investment in mountain regions ultimately depends not only on capital availability, but also on the quality of institutions, governance coordination, environmental respon-

sibility and socially legitimate development pathways.

### Abbreviations

EM: Ethnic Minority, ESG: Environmental, Social and Governance, MN: Mountainous Areas, SME: Small and Medium-sized Enterprise.

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### Author Contributions

All authors contributed to the conceptualization, research design, analysis, writing and revision of the manuscript. All authors read and approved the final version of the manuscript.

### Conflict of Interest

The authors declare that they have no conflict of interest regarding the publication of this article.

### Data Availability

All data used in this study were obtained from publicly available reports, policy documents and academic publications cited in the manuscript. No new datasets were generated or analyzed during the current study. However, the compiled data are available from the corresponding author on a reasonable request.

### Declaration of Artificial Intelligence

#### (AI) Assistance Process

The authors declare that generative artificial intelligence (AI) tools were used solely for language editing and stylistic refinement of the manuscript. These tools did not contribute to the research design, data collection, data analysis, interpretation of findings, or generation of scientific content. The authors take full responsibility for the accuracy, originality and integrity of the manuscript.

### Ethics Approval

This study is based exclusively on secondary data obtained from publicly available sources. It did not involve human participants, personal data, or animal subjects. Therefore, ethical approval was not required.

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