Reforming Public Administration In Vietnam

Current Situation and Recommendations

(Reference book)
REFORMING PUBLIC ADMINISTRATION IN VIET NAM:
CURRENT SITUATION AND RECOMMENDATIONS

(REFERENCE BOOK)

Edited by
JAIRO ACUÑA-ALFARO
FORWARD

Public administration reform in Viet Nam, which was embarked on from the 1990s, has aimed to improve the country’s public administration system to make it respond better to the needs for more effective governance when Viet Nam is building its socialist-oriented market economy. The ultimate objective of the reform process is to build a public administration system that is democratic, clean, strong, professional, modernized, effective and efficient; a socialist rule-by-law state of the people, by the people and for the people; a force of civil servants capable and qualified to fulfill assigned tasks, contribute to develop a healthy and well-oriented society, proactively serve the people in their daily life, and promote the lifestyle of obeying the law in work and life. In order to achieve the reform goals and objectives, public administration reform has been put in place as an objective requirement with a view to creating preconditions for and promote economic reform. The Communist Party of Viet Nam and the State have paid special attention to public administration reform. The 8th Plenum of the Central Party Committee (Congress VII) insisted that public administration reform be a strategic political task to be fulfilled by the public administration system in Viet Nam.

Public administration reform is relative comprehensive as it covers key pillars, including institutional reform, governmental structure reform, human resource development for the civil service, and public finance management.

Public administration reform over the past years have resulted in significant improvements in the public administration and step-by-step change in the organisation and operation of the public administration apparatus, which have promoted reform and renovation in every walk of life and significantly contributed to socio-economic development of Viet Nam. However, the reform process has been slow and resulted in limited impact if compared with requirements of the cause of Doi moi (renovation). There remain shortcomings and weaknesses, such as unsystematic and inconsistent
institutions, unclear mandates and tasks for in public administration at the macro level, backward operation styles and manners, in the public administration system which is embedded with legacy of the central planning period and which fails to keep pace with the requirements of the new era.

With a view to providing interested readers with insight into different perspectives of the public administration system, the National Political Publishing House publishes the book entitled *Reforming Public Administration in Viet Nam: Current Situation and Recommendations* (Reference book).

In addition to preface, introduction of contributors, and overview sections, this book is structured into six chapters: Public Administration and Economic Development in Viet Nam: Remaking the Public Administration for the 21st Century; Public Financial Management: How to deliver better value for money in Viet Nam’s Public Administration System; The Reform of the Civil Service System as Viet Nam moves into the Middle -Income Country Category; Government Organization Structure and Excellent Public Services: The case of Viet Nam and some recommendations for change; Institutional Reform for Public Administration in Contemporary Viet Nam; Corruption, Public Administration Reform and Development: Challenges and Opportunities as Viet Nam moves towards Middle-Income Status. The book shows systematic analysis of public administration reform in Viet Nam. Each chapter presents achievements and shortcomings, causes and effects of the process of public administration reform in Viet Nam, as well as international experience and recommendations for promoting public administration reform in the country in the upcoming years.

However, public administration reform in Viet Nam is a complex process and remains fresh. Thus, there are different viewpoints in analysis, comments and recommendations. Some are of significant value for immediate reference while some need further discussion and research. But, to ensure the logic of the matters under discussion and to encourage public discussions, the viewpoints of authors in this book are maintained. It should be noted that the viewpoints, analysis and recommendations presented this book are not necessarily those of the Publisher. The Publisher would like to present this book to the readers and welcome readers’ comments.

*November 2009*

The NATIONAL POLITICAL PUBLISHING HOUSE
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Preface</td>
<td>9</td>
</tr>
<tr>
<td>- Contributors</td>
<td>13</td>
</tr>
<tr>
<td>OVERVIEW: Addressing Governance and Public Administration Reforms Effectively in Viet Nam</td>
<td>21</td>
</tr>
<tr>
<td>JAIRO ACUÑA-ALFARO</td>
<td></td>
</tr>
<tr>
<td>CHAPTER 1. Public Administration and Economic Development in Viet Nam: Reforming the Public Administration for the 21st Century</td>
<td>41</td>
</tr>
<tr>
<td>THAVEEPORN VASAVAKUL, LE VIET THAI AND LE THI PHI VAN</td>
<td></td>
</tr>
<tr>
<td>CHAPTER 2. Public Financial Management: How to deliver better value for money in Viet Nam’s Public Administration System?</td>
<td>132</td>
</tr>
<tr>
<td>CLAY G. WESCOTT, NGUYEN HUU HIEU AND VU QUYNH HUONG</td>
<td></td>
</tr>
<tr>
<td>CHAPTER 3. The Reform of the Civil Service System as Viet Nam moves into the Middle -Income Country Category</td>
<td>197</td>
</tr>
<tr>
<td>YEOW POON, NGUYEN KHAC HUNG AND DO XUAN TRUONG</td>
<td></td>
</tr>
</tbody>
</table>
CHAPTER 4. Government Organization Structure and Excellent Public Services: The case of Viet Nam and some recommendations for change
DAVID KOH, DANG DUC DAM
AND NGUYEN THI KIM CHUNG

CHAPTER 5. Institutional Reform for Public Administration in Contemporary Viet Nam
MARTIN PAINTER, HA HOANG HOP
AND CHU QUANG KHOI

CHAPTER 6. Corruption, Public Administration Reform and Development: Challenges and Opportunities as Viet Nam moves towards Middle-Income Status
MARTIN GAINSBOROUGH, DANG NGOC DINH
AND TRAN THANH PHUONG
The Prime Minister of Viet Nam on 17 September 2001 signed Decision No. 136/2001/QD-TTg approving the *Master Programme (MP) on Public Administration Reform (PAR) for the period 2001-2010*. This is the first comprehensive, long-term government agenda on public administration reforms that aims to develop a democratic, strong, clean, professional, modernized, effective and efficient public administration system in Viet Nam. The MP focuses on four pillars: (i) institutional reform; (ii) government organizational structures; (iii) human resource development; and (iv) public finance management.

After over eight years of implementation, the PAR MP has resulted in key achievements. Nevertheless, it should be noted that PAR remains slow and has not yet responded to the national socio-economic development needs and proactive global integration requirements of Viet Nam, considering that the country is moving towards middle-income status.

Within this context, in late 2008, the United Nations Development Programme (UNDP) commissioned a series of policy discussion papers entitled “*Addressing Governance and State Management Effectively: Towards Evidence-based Public Administration Reform in Viet Nam*” with a view to contributing to speeding up PAR in Viet Nam. The work involved a group of experienced international and national experts and led to a series of six research papers on key PAR-related themes: (i) Public Administration and Economic Development: Remaking the Public Administration for the 21st Century; (ii) Public Finance
Management: How to Deliver Better Value-for-money in Viet Nam’s Public Administration System; (iii) The Reform of the Civil Service System as Viet Nam Moves into the Middle-Income Country Category; (iv) Government Organizational Structures and Excellent Public Services: The Case of Viet Nam and Some Recommendations for Change; (v) Institutional Reform for Public Administration in Contemporary Viet Nam; and (vi) Corruption, PAR and Development: Challenges and Opportunities as Viet Nam Moves Towards Middle-Income Status.

Within the framework of cooperation in scientific research, with technical and financial support from UNDP, the Department for Democracy and Law under the Central Committee of the Viet Nam Fatherland Front (VFF) and the Centre for Community Support Development Studies (CECODES) under the Viet Nam Union of Science and Technology (VUSTA) jointly organized four consultation seminars on the six policy discussion papers. These seminars included a national level seminar in Ha Noi, and three regional ones in Ho Chi Minh City, Da Nang and Thai Binh in the second quarter of 2009. The objectives of the seminars were to discuss the six papers, review the current situation of PAR, and introduce recommendations to improve the performance of the public administration system.

With the encouragement of participants from various seminars and the proactive cooperation of the National Politics Publishing House, we, the seminar organizers, would like to introduce to the wider circle of readers the book “Reforming Public Administration in Viet Nam: Current Situation and Recommendations (Reference book)”. The book is based on the UNDP-commissioned policy discussion papers, which were finalised after multiple consultations, including the seminars described above. We would like to convey our sincere gratitude to the contributors of this book and to those who participated in the seminars. We believe this book will make a valuable contribution to the review of the 10 years of implementation of the Master Programme on Public Administration Reform for the period 2001-2010, and to the preparation of the next phase of reforms for the period 2011-2020. Ultimately, we hope this book
preface

contributes to a public administration system that meets Viet Nam’s requirements and fosters development as the country transitions to a middle-income country.

Department for Democracy and Law
Central Committee of the Fatherland Front

United Nations Development Programme
in Viet Nam (UNDP Viet Nam)

Centre for Community Support Development Studies
Vietnam Union of Science and Technology Associations

TRAN NGOC NHAN
Department Head 2001-2009

SETSUKO YAMAZAKI
Country Director

DANG NGOC DINH
Director
CONTRIBUTORS

Jairo Acuña-Alfaro (editor). Mr. Jairo Acuña is the Policy Advisor on Public Administration Reform and Anti-Corruption at the United Nations Development Programme (UNDP) - Viet Nam since October 2007. Before that, he worked as governance consultant at the World Bank Institute (WBI) in Washington, D.C. focusing on distance learning capacity building in Latin America, Africa and Asia, and earlier was governance specialist at UNDP in Costa Rica working on Latin American democratic governance issues. His research interests are public administration reform and anti-corruption and has worked as international consultant / researcher in Latin America, North America, Europe, Africa and Asia. Mr. Acuña has completed PhD studies in political economy and development at the University of Oxford, England, has an MA in Political Economy from the University of Essex, England and an MSc in International Economic Relations from the Universidad Nacional, Costa Rica.

Chapter 1

Thaveeporn Vasavakul. Dr. Thaveeporn Vasavakul currently works as a governance consultant in Ha Noi, Viet Nam. She received her Ph.D from the Department of Government at Cornell University in 1994, was a post-doctoral researcher at the Department of Political and Social Change, Research School of Pacific and Asian Studies, Australian National

1. The editor, and on behalf of the six research teams of this book, would like to acknowledge and praise an excellent research, logistical and editorial assistance and support from Ms. Do Thi Thanh Huyen, Local Policy Support Office and UNDP Viet Nam.
University, between 1994 and 1997, and worked as Resident Director of the US- based Council on International Educational Exchanges’ Viet Nam Program at the Viet Nam National University, Ha Noi, from 1998 to 2002 and as the Council’s Southeast Asia Regional Director from 2000-2002. In the 1990s and 2000s, Dr. Vasavakul was also a visiting professor in Southeast Asian politics and government at the University of Michigan, Australian National University, University of California at Los Angeles, Yale University, and University of California at Berkeley. Dr. Vasavakul’s research and publications have focused on issues related to state formation, transition from socialism, institutional building, identity formation, and nationalism with emphasis going to the region of Southeast Asia. She is now carrying out research projects on institutional building in post-central planning Viet Nam.

**Le Viet Thai.** Mr. Le Viet Thai is Director of the Department of Economic Institution, Central Institute for Economic Management in Ha Noi, where he has been working since 1983. Trained in economics in Freberg, Germany, and St.Gallen, Switzerland, Mr. Thai’s research and writing projects have focused on planning reform, decentralization, public administration reform, and competition policy. Mr. Thai currently serves as the Team Leader of the Planning Reform and Decentralization Working Group and the Coordinator of Viet Nam’s Ministry of Planning and Investment-GTZ Program entitled “Support the Macro-Economic Reform in Viet Nam”. Mr. Thai also works as a consultant for GTZ (Germany), BTC (Belgium), and DANIDA (Denmark) projects.

**Le Thi Phi Van.** Ms. Le Thi Phi Van is a researcher at the Institute of Policy and Strategy for Agriculture & Rural Development (IPSARD) in Ha Noi. She received her M.A in Rural and Regional Development Planning from the School of Environment, Resources and Development at the Asian Institute of Technology, Thailand. Her research and writings have focused on community and rural institutions development. Ms. Van has also served as a consultant for projects related to agriculture sector development, agricultural competitiveness, and contract farming.
Chapter 2

Clay G. Wescott. Dr. Clay G. Wescott is Visiting Lecturer at the Woodrow Wilson School, Princeton University, Director of the Asia-Pacific Governance Institute, and a consultant to the World Bank, UNDP, Belgian Technical Cooperation, and other international agencies and governments. He has held senior positions with the Asian Development Bank, UNDP, Development Alternatives, Inc., Price Waterhouse and the Harvard Institute for International Development. Dr. Wescott has degrees in Government from Harvard College (A.B., 1968, Magna cum Laude), and Boston University (Ph.D., 1980). He is an Editorial Board Member of the International Public Management Journal, International Public Management Review, International Review of Administrative Science, and Comparative Technology Transfer and Society, Book Review Editor of Governance, an Individual Member of Transparency International, and Vice President of the International Public Management Network. He has co-edited three books, and frequently publishes articles and chapters in professional journals and books.

Nguyen Huu Hieu. Mr. Nguyen Huu Hieu is an experienced consultant with over 13 years of experience in the field of governance, performance improvement, corporate governance, risk management, information systems and development projects in Viet Nam and England. Mr. Hieu is Managing Director of Nexus Consulting Ltd., Starting his own consulting business in late 2008, his client portfolio includes ADB, AusAid, DFID, SDC, SNV, UNDP, World Bank Viet Nam and Washington. His partners include Capacitate a/s, Castalia (USA), Crown Agents, Nathan Associates, Emerging Markets Economics (UK), Mekong Economics, Mokoro (UK) and Saana Consulting (UK). He is also Chief Operating Officer at StoxPlus - a financial media corporation, the owner of www.stox.vn where he manages all operational and technological aspect of the company. Previously, Mr. Hieu was a Governance Adviser at UK’s DFID. He advised the government and large Vietnamese corporations on governance matters, process improvement and financial system
implementation. Prior to DFID, he was a manager of the Management Consulting Services at PricewaterhouseCoopers.

Vu Quynh Huong. Mrs. Vu Quynh Huong is Deputy Chief, Public Finance Research Division, Institute of Financial Science, Ministry of Finance. Her major research output includes studies on local fiscal equalization, taxation of commercial banks, an analysis of budget allocation norms for local budgets, an analysis of impacts of taxes on labour market development, and the background for introducing environmental taxes in Viet Nam. She received her Bachelor of Economics in 1995 from Ha Noi Foreign Trade University, and her Master of Public Policy from Hitotsubashi University, Tokyo, Japan, in 2003.

Chapter 3

Yeow Poon. Dr. Yeow Poon has worked in Viet Nam since 1997 on a wide range of public administration reform and capacity building projects, covering institution strengthening, human resource development, training, change management and performance management, as well as programme/project design, management and evaluation. Clients include the Ministry of Home Affairs, the Ministry of Education, the Ministry of Natural Resources and Environment, the Office of the National Assembly and provinces in the north, central and south of Viet Nam. Most of the projects involve policy analysis, improving public service delivery, strengthening civil servant management and development, decentralisation and enhancing management systems. Recently completed projects include developing a monitoring and evaluation framework for the training of civil servants, introducing performance management in Ho Chi Minh City and running leadership development seminars. He is currently the part-time international advisor to the public administration reform programmes in 5 provinces and developing competences for staff in the Office of the National Assembly. Dr. Poon received his PhD from the University of Leeds in the United Kingdom. Besides Viet Nam, he has worked on assignments in China, Lao PDR, Cambodia, Thailand, Myanmar, Bangladesh, South Africa and Greece.
Nguyen Khac Hung. Dr. Nguyen Khac Hung was born in 1962. He has several BA degrees in Ha Noi in 1983, 1992 and 1993. Then he got his MA and Ph.D. in Development Administration and Management at the Institute for Development Policy and Management, University of Manchester, UK in 1996 and 2002 respectively. He also has a Graduate Diploma on Adult Training Methodology from the Melbourne University, Australia in 1999. Dr. Hung’s wealth of experience has been centered on working for government ministries (for example - Ministry of Home Affairs, Ministry of Labour, Invalid and Social Affairs, Ministry of Agriculture and Rural Development, Committee of Ethnic Minorities and the Office of the National Assembly), local authorities (such as Ho Chi Minh City, Quang Binh, Ninh Binh, Lai Chau, Dien Bien, Dak Lak, Dak Nong etc) and a wide range of donors in the fields of public management and administration. Since commencing his career in the National Academy of Public Administration Dr. Hung has progressed through a variety of management positions to firmly establish himself as an influential and highly respected, multi-skilled consultant, researcher and mentor.

Do Xuan Truong. Dr. Do Xuan Truong has 15 years of experience working as a trainer, researcher and consultant in the area of Human Resource Management. He has been teaching at the National Economics University, Ha Noi National University and currently a certified lecturer of Troy University (USA). Before joining Management Consulting and Development Ltd. - a local consulting company - in 2003, Dr. Truong had provided consultancy service to a number of businesses of various types such as state-owned companies, joint ventures and private enterprises. Since 2003, Dr. Truong has been focusing on Human Resource Management in the public sector. He has worked as a national consultant for several donor’s programs, most notably the Asian Development Bank (ADB), Japan International Cooperation Agency (JICA) and Swedish International Development Agency (Sida), that support the Government to reform civil service management and develop human resource. Dr. Trương received his Graduate Diploma in Human Resource Development from Flinders University (Australia) and his PhD in International Business from the Asian Institute of Technology (Thailand).
Chapter 4

David Koh Wee Hock. Dr. David Koh Wee Hock holds a Ph.D. in Political Science from the Australian National University and is currently Senior Fellow at Singapore’s Institute of Southeast Asian Studies (ISEAS). With more than thirteen years of intensive and extensive research and study, his core research expertise is on Viet Nam’s politics and society, and ISEAS’ Viet Nam area studies come under his purview. In addition, Dr. Koh is Country Editor (Viet Nam) of the Biographical Dictionary of Famous Southeast Asian Personalities of Chinese Descent, Chinese Heritage Centre in Singapore. He is the author of “Wards of Hanoi”, published by ISEAS in April 2006. Dr. Koh edited a book entitled “Legacies of World War II in South and East Asia” published also by ISEAS in 2007. Another recent publication of his is “Leadership changes at the 10th Congress of the Vietnamese Communist Party”, Asian Survey Vol. 48 Issue 4, 2008. He is currently also working on Vietnamese foreign policy issues.


Nguyen Thi Kim Chung. Ms. Nguyen Thi Kim Chung is a permanent lecturer at the National Academy of Public Administration in Ha Noi, where she teaches university students and practicing government officials Constitutional Law, as well as in-service training programs on the same topic. She graduated from Ha Noi Law University in 1999 and holds a Master of Law Degree from Ha Noi National University, Faculty of Law in 2005.
Chapter 5

Martin Painter. Professor Martin Painter holds the Chair of Public Administration at City University of Hong Kong. He taught at the University of Sydney from 1974 to 2001. He is a National Fellow of the Australian Institute of Public Administration. Professor Painter has been engaged as a consultant on a number of governance and public administration reform projects in Viet Nam and was the lead resource person for the United Nations World Public Sector Report in 2005: *Unlocking the Human Potential for Public Sector Performance*. He has authored four books, edited four others and written over 80 scholarly articles and book chapters on a wide range of topics in public administration, including central government reorganization in the UK, local government, federalism and intergovernmental relations in Australia and, most recently, governance and administrative reforms in East and South East Asia, especially Viet Nam, Thailand and China.

Ha Hoang Hop. Dr. Ha Hoang Hop is leading the governance section at Viet Nam Centre for Development and Integration, a Vietnamese NGO based in Ha Noi. He has been working as a senior researcher for Hungarian Academy of Sciences and Corvinus University of Hungary. He was senior official to Hungarian Ministry of Finance. He is also author of more than forty papers on economic development, governance, anti-corruption, and rule of law reform. He is author of five books on anti-corruption, e-Governance and finance. Dr. Hop has been visiting professor to universities in Hungary, EU and the USA. Dr. Hop is currently co-ordinator and policy adviser to a joint applied study project on institutional reform between Norwegian Faso and CPV Central Commission on Organisation and Personnel. He is also Head of International Relations at Viet Nam Journalists Association.

Chu Quang Khoi. Mr. Chu Quang Khoi graduated from the NEU-ISS Program with the master degree in development economics. He worked as a lecturer for a university for two years before working as the project officer of DANIDA-NAPA Project, supporting to the 15 teams of core trainers, to develop competency based training curriculums for public
servants. He engaged as the consultant in the project: Sources of Viet Nam’s Economic Growth 1986 - 2004, under AIPO in 2005. Mr. Khoi has written some articles on Human Resource Management for a number of journals during the period of 2005-2008.

Chapter 6

**Martin Gainsborough.** Dr. Gainsborough is Reader in Development Politics in the Department of Politics at the University of Bristol. He is also director of the Bristol-Mekong Project. He teaches on theories of development, Vietnamese and Asian politics with a special interest in the state. He is author of *Changing Political Economy of Vietnam: The Case of Ho Chi Minh City* (Routledge, 2003) and editor of *On the Borders of State Power: Frontiers in the Greater Mekong Sub-region* (Routledge, 2009). He is currently working on a book on the Politics of Modern Viet Nam.

**Dang Ngoc Dinh.** Dr. Dang Ngoc Dinh, Assoc. Prof., Director, Centre for Community Support Development Studies (CECODES). Engineer Degree from Ha Noi University of Technology (1959); Master Degree on Power System in Moscow University of Energy (1963); Ph.D. Degree on “Reliability of Complex System”, Prague University of Technology-CVUT (1974); Post-Doc research study, Grenoble National Institute-INPG, France, “Control of Complex Systems” (1983). Visiting lecturer, Management School, Ha Noi University of Social Sciences (2002- up to now). Project team leader “Corruption Prevention and Anti-Corruption (CPAC)-Situation Assessment and Capacity building on CPAC for Civil Society Organizations (CSOs) and rural communities” funded by the Embassy of Finland Ha Noi (2008-2010).

**Tran Thanh Phuong.** Ms. Tran Thanh Phuong is currently a researcher of Viet Nam Institute of Economics, Viet Nam Academy of Social Sciences. She graduated from the Ha Noi National University, Faculty of Economics in 2000. She holds Master of Sciences Degree in International Development by Department of Politics at the University of Bristol, United Kingdom (2007-2008).
A country’s transition from low-income to middle-income category is a positive indication of both economic growth and overall development. It reflects a high level of consensus in terms of development directions and priorities. During the transition process, the public sector undoubtedly plays a key role in terms of setting up realistic targets and enabling an environment conducive to achieving them, while improving living conditions and the capacities of citizens to thrive and prosper. Therefore, considering the upcoming transition of Viet Nam to a middle-income country, two key policy questions are relevant: (i) what type of public administration does Viet Nam need to sustain and improve new income levels; and (ii) how can Viet Nam move from a public administration reform (PAR) discourse of the past decades to a modernization of the public sector approach.

When discussing the important role of public administration in economic development, sources of inspiration for Viet Nam usually come from regional neighbours. For instance, Japan, South Korea, Taiwan and Singapore indisputably represent success stories. Yet, a second generation of late developers in the Southeast Asia region such as Thailand, Malaysia, Indonesia, and the Philippines represent mixed experiences of both success and failures. It is undisputable that
every country’s transition is unique, and that every country’s public administrative system operates within different political, economic and societal frameworks. It is relevant, therefore, to analyze to what extent, at the national level of analysis, Viet Nam’s public administration system has been reforming from a centrally planned one to a “democratic, clean, strong, professionalized, modernized, effective and efficient public administration system which operates in line with the principle of the socialist State ruled-of-law under the leadership of the Party; public cadres and civil servants will have appropriate capacities and ethical qualities able to respond to the requirements of the cause of national building and development”.

In fact, Viet Nam has been implementing a wide-ranging PAR agenda for more than a decade. As in many other countries, public sector reform in Viet Nam is a complex process aimed at improving the public administration system and provision of public services. The objective is to fundamentally reform the public administration system to be able to satisfy the requirements of a managed socialist-oriented market economy as the country graduates to middle-income status. Together with the changes brought about with the renovation reform process (Doi moi), PAR has undoubtedly contributed to making Viet Nam a different country compared to only 10 or 15 years ago.

In practice, this reform process is more manifold than is often assumed as it encompasses a comprehensive and inclusive process of

---

1. The general objective of the PAR Master Programme as stipulated in Decision No. 136/2001/QD-TTg dated 17 September 2001 Overall Program on State Administrative Reform in the 2001-2010 period. However, despite some achievements progress on this overly ambitious objective is lagging as recognized by the PAR Steering Committee’s Report No. 01/2006/BC-BCCCHC from April 2006 on the review of the implementation of the first phase (2001-2005) of the PAR Master Programme (2001-2010). This report noted that despite achievements, PAR progress has been slow and PAR has been implemented less effectively than scheduled and has been inconsistent. The report highlighted the fact that PAR effects have not met the target of successfully building a democratic, strong, clean, professionalized and modernized administration by 2010.
change across a broad range of areas. The PAR program in Viet Nam has made advances, and undoubtedly Viet Nam’s public sector today has been reformed. But important shortcomings remain within the public administration system, which despite efforts to date, create frustrations and anxiety among policy makers, public officials, citizens and the donor community in Viet Nam.

In brief, public administration refers to (i): the aggregate machinery (policies, rules, procedures, systems, organizational structures, personnel, etc.) funded by the state budget and under the management and direction of the executive branch of government¹; and (ii) the management and implementation of the whole set of government activities related to the implementation of laws, regulations and decisions of the government, as well as the management of the provision of public services.² Public administration is also very comprehensive and includes process changes in areas such as the structure of organisations, decentralisation, personnel management, public finances, results-based management, regulatory reforms, etc. It can also refer to targeted reforms such as the revision of the civil service statute and transparency in the public sector.

PAR in Viet Nam has had mixed results thus far, and proven to be a tension-ridden process in the country. It has proven to be an ambitious programme of government reform, a political strategy by the Party and State officials and an unavoidable high-risk (though key) area of donor support.³ Over the past couple of years, there has been a discussion in Viet Nam around different options for moving the PAR agenda forward.⁴ One option is to continue supporting the final stages of the Government’s comprehensive PAR Master Programme (2001-2010), with a view to

---

1. Includes also the interaction with other stakeholders in the state, society and external environment.
ensure a methodical evaluation of lessons learnt and open discussions about future directions. A second option may revolve around the need to choose between service reform and performance management as priorities. This option basically implies the “socialization” of certain key public services and the provision of a coherent and consistent regulatory framework to monitor and oversee the fair and equitable provision of services. A third option may be a compromise, aiming at consolidating ongoing reforms with development of new initiatives. Yet a fourth option would be to apply lessons learnt from the implementation of specific PAR activities at the provincial level.

PAR is a gradual process of incremental changes, and its goals remain subject to revisions and adjustments over time. The source of frustration and anxiety on the direction of the PAR process may be due to the lack and/or weak analysis and evaluation of how institutional arrangements are working at certain points. An analysis of implementing PAR in Viet Nam sheds light on the need to initiate a second set of institutional reforms.

In that sense, the ultimate objective of public administration reform is to provide and deliver better quality public services to the citizens, especially the poor. Therefore, there is an urgent need for feedback and transmission mechanisms from citizens on the quality of public services and their impact on their own needs. Public administration reform plays a key role in reducing poverty as it encourages transparency and accountability from civil servants and State institutions (at both central and local levels), and it is also perceived to be one of the most effective measures to curb corruption.
Considering these points, it can be argued that in the case of Vietnam the changes brought about by the renovation process started in the mid-1980s and the subsequent PAR MP in the late 1990s seems to have slowed down due to natural administrative friction. It can be said that PAR is losing momentum and political traction due to the economic situation and the growing economic disparities (i.e. unequal distribution of resources, and deterioration of public services). For example, even though “general public administration” has remained among the top three expenditures areas in terms of social and economic services (see Figure bold line), this area has experienced constant fluctuation and important reductions from 2000 to 2002, remained stagnant from 2004 to 2005, and was further reduced in 2006 to a further increase in 2007, but yet below the 2000 levels. This roller-coaster type of expenditure might be considered an indication that PAR, while remained a top discourse priority, in terms of budget allocation signals hesitations that may influence continuity and stability of the reform process. For instance, in actual expenditure terms, it experienced a reduction of more than 35 billion VN dongs in 2006 compared to 2005 (the first and major reduction since 2002).

1. This is what I refer to as the hypothesis of the “dumb phase of PAR”.
2. According to GSO, the budget item of “general public administration” covers bodies/units/agencies (local to central) engaged in “government service, national security-defence, and compulsory social security”. This includes: (i) government services on administrative and socio-economic policies, (ii) government activities serving the whole nation, (iii) operation of compulsory social security, and (iv) operation of national security-defense. (Source: Chapter XVIII, Handbook on Sources and Methods of the VSNA, 2005). It is worth nothing that this definition might not be consistent with the four pillars identified in the PAR MP and suggests GSO may clarify and refine it to ensure its consistency with government policies.
Recent scholarly work has focused on “which” institutions are good for development and “how” institutional change can be achieved. Less work has been done on the timing and sequencing (if any) of institutional reform. Institutions are permanently evolving and should be viewed as long-term, open-ended processes. Thus, there is no right or wrong institutional design. What is required is an evaluation of how institutional arrangements work at a certain point in time, or as products of natural human interaction and evolution being implemented to deliver public goods. An analysis of institutional design changes in Viet Nam sheds light on the need to initiate a second set or generation of public administration reforms geared toward addressing governance and state management effectively via modernization of the public sector.

The last two years have been unexpected in terms of the PAR process moving forward, mainly due to the economic/financial turbulences which has topped the list of Government priorities. However, looking forward to the next five years represents a golden opportunity towards building a modern, meritocratic and efficient public administration that
will be produce motivated, skilled, and capable staff capable of managing the economic, social and environmental challenges facing Viet Nam as it graduates to a middle-income country.

As Viet Nam progresses, and discussion emerges on the upcoming government review of the PAR MP 2001-2010, it is relevant to narrow down the focus of public administration to the provision of better quality of public services to citizens, especially to the poor. In order to accomplish that, PAR should be seen as part of the overall effort of public administrators and civil servants to enhance planning processes, performance management, capacities and citizen participation.

In that sense, a fundamental stepping stone required to have a deeper understanding of PAR in Viet Nam is the need to revise the existing normative framework of public administration, systematize clear analytic documentation of lessons learnt from recent achievements and shortcomings - including a deeper understanding of what has been reformed and what is still in need of reform (i.e. “why” and “how”) - and propose alternative scenarios for the way forward in order to improve public administration.

In particular, a systematic review is needed in each of the key priority areas upon which Viet Nam’s PAR MP was originally designed and initially implemented and the setting up of a long overdue monitoring and evaluation system. This publication is an effort to contribute to that review process. It does so by analyzing Viet Nam’s trends regarding implementation processes and options in specific public administration reform areas. Each chapter includes policy recommendations aimed at speeding up specific public administration reform areas, including institutional reform, governmental organizational structures, human resources development (i.e. the civil service), public finance management, and the role of public administration in economic development and anti-corruption.

This book is therefore structured around key dimensions within Viet Nam’s PAR MP, but also deals with the task of transforming the public sector in order to effectively address the challenges of an emerging market-economy with a socialist orientation and reducing corruption. In
addition, the book aims to contribute to filling in existing information gaps and to provide substantive inputs for the upcoming governmental review of 10 years of implementation of the PAR MP, the upcoming Socio-Economic Development Strategy (SEDS) for 2010-2020, and the implementation of the recently approved anti-corruption strategy towards 2020.

Therefore, each chapter aims to analyze trends in Viet Nam regarding the implementation processes and options in specific public administration reform areas. In order to confront the social, economic, political and environmental challenges facing Viet Nam, policy makers need to be informed by evidence. This book aims to contribute to the current policy debate by providing discussion inputs on policy reforms, thereby helping to improve Viet Nam’s development efforts. Three principles guided the production of each chapter: (i) evidence-based research; (ii) academic rigour and independent analysis; and (iii) a participatory process involving a wide range of stakeholders and experts. This involved substantive research combined with a rigorous and systematic identification of policy options on key public administration reform and anti-corruption issues.

The research process was based on a participatory framework including in-depth interviews with more than a hundred individuals interviewed by six research teams, based on individual or institutional affiliation. A wide range of individuals were included, from senior civil servants and public officials to academics, researchers and ordinary citizens. In addition, a series of consultation workshops were held at different stages of the research process. This included a consultation workshop at the Ministry of Home Affairs (MOHA),¹ five workshops at

---

¹ On 4 November 2008 to discuss and exchange viewpoints on the draft chapter on public finance management (Chapter 2). Participants included representatives from the Ministry of Home Affairs, the Ministry of Finance and the National Assembly. Unfortunately, in spite of a previous agreement with MoHA’s Vice-Minister, these consultation workshops could not be continued for the other chapters. Fortunately, discussions continued with several interested parties and stakeholders as per the following endnotes.
the National Academy of Public Administration (NAPA)\(^1\) and one consultation meeting with the Office of the Steering Committee on Anti-Corruption (OSCAC) and the Government Inspectorate (GI)\(^2\). In addition, several discussions where held with experts from international development agencies at the United Nations Development Programme (UNDP) office.

On March 12, 2009, under the leadership of the Department of Democracy and Law of the Vietnam Fatherland Front (VFF) and the Centre for Community Support and Development Studies (CECODES), a national seminar was organized in Ha Noi to discuss the final drafts of each chapter. The seminar served as an opportunity for UNDP to interact closely for the first time with the VFF on public administration issues, but also to peer-review\(^3\) the chapters and exchange viewpoints and experiences with a group of policy-makers, researchers and academics regarding recent developments in PAR, preliminary research findings and policy options for Viet Nam\(^4\).

\(^1\) 06 October (on “Human Resources Management”, Chapter 3); 22 October (on “Institutional Reforms for Public Administration”, Chapter 5); 16 December (on “Public Administration and Economic Development”, Chapter 1); 23 December (on “Public Administration and Anti-corruption”, Chapter 6); and 24 December (on Government Organisational Structures for Public Administration”, Chapter 4). Participants included the leadership and faculty staff at NAPA.

\(^2\) On 16 December 2008 at Tay Ho Hotel to discuss Chapter 6 on “Public Administration and Anti-Corruption”.

\(^3\) Senior Vietnamese policy-makers and academics peer-reviewed each paper and discussed with the authors areas for improvement that were latter addressed in the finalization of each chapter.

\(^4\) This national seminar involved the participation of about 70 participants ranging from senior policy makers – including two vice-ministers, one former MoHA Vice-Minister, one former Minister of Justice, and director generals of different departments of MOHA – to members of the National Assembly, the Viet Nam Fatherland Front (VFF) and senior staff of the Office of the Steering Committee on Anti-Corruption, the National Academy of Public Administration (NAPA), civil society and the media.
In addition, the partnership established with VFF facilitated the organization of regional consultations to discuss the draft chapters and capture the experiences of provinces in the field of PAR. Workshops were organized in Ho Chi Minh city, Thai Binh and Da Nang during April and May 2009, involving open discussions with more than eighteen provinces and addressing key issues raised in the chapters as well as in the national consultation to advance public administration reform in Viet Nam. In sum, the discussions highlighted the complexity of PAR in the changing Vietnamese context, and provincial leaders shared the same perspective that strong political will and support from the Communist Party and the State play key roles in the success of PAR, as does the commitment to good performance by cadres and civil servants in the public administrative system. The seminars also highlighted the fact that while PAR is a complex process of change, there have been some positive experiences (i.e. in Da Nang with civil service reform and Binh Duong with financial management reform) and provinces indicated that they shared the same level of difficulties when implementing reforms.

Structure of the book

This book has six chapters excluding this overview. Each chapter, as mentioned earlier, is the result of a collaborative approach in which teams of international and national experts worked together to combine international subject matter expertise with localized knowledge and information networks. Chapters can be read as stand-alone pieces, but together they combine a richness of information that exemplifies the complexity of this reform process.

Chapter 1 is about the relationship between public administration and economic development. This discussion becomes important and relevant as Viet Nam transits towards a middle-income country and attempts to avoid the so called “middle-income trap”. The chapter analyzes how

1. Refers to the inability of countries to improve income levels after becoming middle-income category.
Viet Nam’s public administration system is contributing to economic growth and improvements in living conditions. It discusses how Viet Nam’s public administration system contributes to both economic growth and poverty reduction by analyzing what type of public administration Viet Nam requires to sustain middle-income status and how PAR facilitates or hinders provision of better public services, especially for the poor. This chapter also proposes measures aimed at enhancing Viet Nam’s public sector contribution towards improving the quality of Viet Nam’s economic growth.

In Chapter 1, Vasavakul and colleagues examine and assess the role played by the current public administration system in economic development by focusing on two things: (i) the simplification of administrative procedures aimed at redefining the relationship between government agencies and citizens; and (ii) organizational reform aimed at redefining the relationships between sectors and levels within the public sector. In addition to international experiences, the chapter analyses internal dynamics within Viet Nam itself, as provinces seem to be developing at different speeds and levels. For example, Binh Duong, Thua Thien - Hue and Vinh Phuc have become, or are in the process of becoming, middle-income provinces (at the USD 1,000 threshold). In doing so, the chapter emphasizes that systematic reflection on local experiences is an indispensable input for any discussion on how the public administration may expedite the process to reach the country aspiration to become a middle-income country, and sustain that status.

At a macro level, the chapter emphasizes the need for Vietnamese reformers to formulate a strategic approach that systematically links reform outcomes with: the public administration’s effectiveness and efficiency in promoting economic development; the inter-connectedness of institutional, organizational and civil service reform measures; and the partnership between state management agencies and those affected by PAR clients outside the State sector. In terms of recommendations, Vasavakul and colleagues put forth specific recommendations related to the simplification of administrative procedures and organizational reform for Vietnamese reformers’ consideration. The cross-cutting
themes of these recommendations are innovation, pro-activeness, and differentiation within the public administration system.

How to deliver better value for money or public finance management (PFM) is the subject of Chapter 2. This chapter analyzes the financial/economic costs of the public administration system. It identifies taxation levels and analyzes how PAR is facilitating or hindering financing modalities; describes the obstacles for administrative agencies in implementing their budgets for assigned tasks; analyzes implementation of the State Budget Law in relation to PAR costs; and proposes public finance management measures.

In this chapter, Wescott and colleagues emphasize that one of the goals for Viet Nam as it becomes a middle-income country is to ensure that the public sector is affordable and cost effective, and they place importance on improving coordination capacities. This chapter’s findings suggest that considerable progress has been made in PFM and related components of the PAR MP. However, the authors also warn about complacency and indicate that there is still room for improvement in terms of administrative agencies’ planning capacities, increasing fiscal flexibility for administrative and service delivery agencies, streamlining tax administration, enhancing monitoring and evaluation of PFM reforms, and determining an appropriate size for the PAS (civil service) with competitive salaries.

On the other hand, Chapter 3 deals with one of the core issues related to the appropriate size of the public sector as Viet Nam moves forward towards an efficient, effective and modernized public sector: human resources development (i.e. civil service reform). In this chapter Poon and colleagues identify options for the reform of the civil service system as Viet Nam moves into the middle-income country category and prepares for implementation in 2010 of the new Law on Public Officials and Civil Servants. This chapter analyzes the positive and negative effects of civil service reform processes; identifies weaknesses and strengths of career-based and position-based systems; and proposes measures to implement civil service procedures based on merit, professionalism and competencies.
Chapter 3 also recognizes that although the reform efforts of the PARMP have produced some improvements, the current contingent of civil servants is still generally perceived as lacking the necessary competence, work ethic and motivation to meet the requirements of the country’s development. For instance, a government report\(^1\) in 2006 recognized that the public administration system of Viet Nam has not kept pace with advances in modern public administration. The report identified “authoritarianism, red tape and corruption” as major obstacles to further reform.

The suggested reform actions in this chapter stem from an aspiration within the Vietnamese society to promote merit and performance-based principles as overarching principles for the public sector. Chapter 3 is a reminder that, at the end of the day, any public administration system can only be as good as the people who run it.

Chapter 4 on government organizational structures and State management analyzes how the government’s organizational structure has been reformed and how it is contributing to the provision of better public services. This chapter pays particular attention to the identification of information related to the functioning of, and linkages between, different government organizations; identifies and analyses the roles, functions, responsibilities and structures of government agencies; and proposes measures to facilitate interaction and coordination among state organizations.

In this chapter Koh and colleagues argue that in the modern era the mark of a good government has always been how well it procures public welfare for its people. The chapter calls for giving greater attention to the provision of public services, as a signpost of good government because public services have an impact on people’s daily lives. This chapter also analyses Viet Nam’s efforts to create a government structure that is more functional and adaptive in providing public services. For example, in seeking to better understand recent results in a selected number of areas, the authors provide examples of changes in the Vietnamese Government

---

1. PAR Steering Committee’s Report No. 01/2006/BC-BCCCHC of April 2006.
over the last few decades. The chapter goes further to propose recommendations for “excellent” public services with concomitant changes in government structure and organization.

In terms of reforms to government structures for delivery of better public services, the authors also recommend that regulatory authorities be established strongly in different areas of public service provision. These authorities would be accountable to the ministries but given strong and autonomous powers for enforcement and implementation of policies in order to maintain standards. It is argued that the regulatory authorities would develop the capacity to provide feedback, adjust, and influence/transform policies on public service provision wherever necessary. In particular, the authors recommend instilling a culture of seeking excellence in public service provision, and perhaps establishing a new agency to be the catalyst in this goal.

Chapter 5 is entitled “Institutional Reform for Public Administration in Contemporary Viet Nam”. Its objective is to analyze how Viet Nam’s administrative institutional system is been transformed and renewed, and how it is contributing to the development of market institutions. In doing so, the authors of this chapter review the development of the normative public administration framework; identify institutional changes in Viet Nam and propose measures towards a better institutional alignment and improved coordination; identify gaps, overlaps and bottlenecks that obstruct PAR in general, and propose measure to address them; and suggest measures to make public administration more responsive and suitable to the requirements of State management and the delivery of public services.

The underlying argument in this chapter, as highlighted by Painter and colleagues, is that the PAR institutional reform program embodies elements that are inherent in the dominant paradigm of the “socialist rule-of-law” state. The result may be a set of self-imposed limits to reform objectives and outcomes. As a consequence, the development of effective institutions that would facilitate the operation of market mechanisms in furthering development and growth may be inhibited.

The chapter draws on a logical analysis of the normative framework
itself, including a review of the institutional arrangements associated with successful development in other countries, including in East Asia. In addition, detailed empirical analysis of achievements and shortcomings via two case studies drawn from the PAR institutional reform agenda (on one-stop-shops and administrative procedures reform) support the findings in this chapter. The conclusion focuses on change strategies, drawing on a discussion of how institutional change may be conceptualized, and suggesting a “dual-track” approach of bottom-up initiatives consistent with a long-term vision of a rule-of-law state based public administration. Local PAR institutional reform projects which make explicit the links with this wider agenda of institutional reform have the potential to build momentum towards the desired objective of a “rule of law” state.

Chapter 6 is about the inter-linkages between public administration reform and anti-corruption efforts. The chapter analyzes the relationship between corruption, public administration reform and economic development. The ambitious public administration reform programme set out in Viet Nam aims to develop a modernized, efficient and effective public administration system, yet little attention has been given to the ethical dimensions of government and bureaucratic accountability in low and middle-income countries. As such, the authors examine types of corruption in developing countries and compare them with trends in Viet Nam, and also propose types of public administration reforms required to accelerate economic development while tackling corruption.

In this final chapter, Gainsborough and colleagues ask why it is that public administration reform and anti-corruption interventions have generally failed to have the desired effect - i.e. why the problems which the reforms are designed to tackle persist. The authors answer this question by arguing that corruption - and associated weaknesses in administrative procedures - should be understood as systemic problems.

1. This analysis is supported by field visits from the research team to Ninh Binh Province, including the PAR Provincial Project Office, the District of Gia Vien and the Commune of Cuc Phuong on October 2008.
The strong connections in people’s minds between public office, making money, and other forms of personal advancement lie at the heart of this.

Recognising the problem as systemic, the authors then ask what kind of interventions would be likely - over time - to change the incentive structure governing the system. They argue that an integrated approach to tackling corruption and weaknesses in public administration is likely to focus on increasing transparency and improving enforcement, with the key objective over time to make the system more accountable and increase the costs of corruption. The authors also argue that strengthening the role of civil society and the media in the fight against corruption and poor public administration is critical in achieving these goals.

While the chapters in this book present rich information, analysis of the situation and recommendations regarding public administration, the reader must recognize that given the complexity of the issues addressed, the strategic topics selected for discussion are not exhaustive. The analysis recognizes that there may be additional topics for consideration, and that the ones included here are the only ones relevant for Viet Nam. However, the analysis reflects the nature and complexity of the challenges ahead and reinforces the interdependence and interconnections between reform strategies. The sequence in which they are presented does not imply any order of importance or prevalence, but may be seen as possible entry points for the next stage of reforms, especially in the context of Viet Nam’s transition process.

In sum, the book argues for concentrating reform efforts in strategic sectors. The next transition in PAR is related to modernization of the public sector. This implies the realization that PAR needs to be seen as the engine of economic development and poverty reduction in Viet Nam’s transition to middle-income status. Viet Nam’s social and economic development goals of building a prosperous, democratic society and a thriving market economy will require a public administration that can address the challenges and deliver the promise of a higher standard of living and greater prosperity for all citizens. In
fact, Viet Nam is on schedule to achieve the Millennium Development Goals (MDGs) set by the United Nations in 2000. However, it is increasingly difficult for the country to fulfil all of the MDGs by 2015 in the context of economic difficulties amid the global turmoil.

Therefore, modernization of the public sector in Viet Nam means that greater efforts need to be undertaken in human resource management and in mainstreaming the principles of a meritocratic and efficient public administration system with staff that are motivated, skilled, and capable of managing the economic, social and environmental challenges facing Viet Nam as it graduates to a middle-income country.

In this context, public administration reform implies developing the capacity of the public sector to fulfil its mandate but also enabling the conditions to provide better quality public services. Civil service reform is thus at the heart of public sector reform, though it is not only about controlling public officials, civil servants and public employees. It is primarily about guarantees to enable an accountable civil service and the provision of efficient public services. One question is how to move from intention to implementation. The main lesson from institutional reform experiences is that the civil service in any country is the backbone of its government.¹

Realistic expectations are the key and reform changes need to be communicated efficiently. For example, is it realistic to think about a civil service of excellence if there is no an environment that fosters it? Expectations must be balanced between what a government could do for citizens and the relationship of that possibility to their actual lives since, unfortunately, many conclusions about government and the people that work for government are based on negative experiences with particular government agencies (for example, some negative personal experience in dealing with the police, a land certificate, or some agency at the local or state level). That is, the bureaucracies should also be more responsive to

¹. See for instance, Suk-Kim, Pan (2008): A Brief Comparative Study on Civil Service Laws in Four Asian Countries: China, Japan, Korea, and Viet Nam, Policy Note on Public Administration Reform and Anti-Corruption, UNDP Viet Nam, Ha Noi, September.
the public; and, therefore, there is a need to foster a culture of provision of public services in Viet Nam.

In addition, when referring to the Vietnamese context some remarks can be made in terms of the capacities of the current civil service system. A study by the Institute of State and Law (Viet Nam Academy of Social Sciences, VASS) estimated that 60 to 70 percent of civil servants have not been trained on state management issues; 50 percent of staff in key positions at the communal level have only finished primary or secondary school; and 79.2 percent of staff in key positions in communes have not received professional training in state management.1 Also, it has been said that among the top students in Viet Nam’s national universities, less than 10 percent opt for a career in the public sector. In addition, according MOHA, between 2003-2007 over 16,000 public and civil servants resigned from the public sector (0.8% of the total number of public and civil servants). Most of the “drain” was from central-level agencies including the Ministry of Finance (MoF) where more than 1,000 people quit their jobs. But this is also occurring at the provincial level where Ho Chi Minh City ranks first amongst provinces with approximately 6,500 people having left their positions.2 This departure of capable people should be a central concern for the public sector (not in terms of quantity of staff, but rather quality).

This creates a greater challenge for Viet Nam in terms of retaining highly qualified civil servants. Therefore, the discussion must be placed in the overall development context. As Viet Nam increasingly transits to higher development levels and adapts to market-oriented reforms, citizens have options to contribute to development processes. It is understandable that talented public officials are seeking to make a difference wherever


they can, and as Viet Nam grows economically, new jobs are created in the non-profit and private sectors. While this shift creates new opportunities for public officials, it also forces the government to be more competitive in attracting its share of talent from a much more mobile and far less loyal labour market. The public sector, therefore, needs to compete with the private sector to attract talented people.

And here an inevitable question arises about what policies and mechanisms governments can put in place to retain the best and the brightest in the civil service system. There is no magic wand, or one-size-fits-all solution, but a key element is the reduction of uncertainties, leading to reduction in anxieties among civil servants. Fair and transparent processes for (i) recruitment, (ii) performance evaluation, (iii) promotion, and (iv) dismissal are important here, in addition to human relationships based on a sense of fairness. To compete for talent, governments must make the case that public sector positions are very good jobs that pay adequately, and governments must also ensure that people are given opportunities in these jobs to have/gain experience and make them excited about what they do.

Last, but not least, is the importance of international experiences from countries that have made the transition to middle-income status. These experiences confirm a shift in the relationship between government agencies, the private sector and citizens in terms of the way they interact with each other. The better citizens are fed and educated, the more they demand better and more efficient administrative services from government agencies. As countries mature in their development, citizens increasingly demand public administration systems free of bureaucratic and administrative corruption, patronage, nepotism, and diversion or theft of public funds. They demand public administration systems that

1. In this regard, low salaries usually are considered a key constraint. However, the issue is much more complicated and while this is undoubtedly a key challenge, it is not yet the only determining factor. Working environments and human relationships also play important roles, as do social recognition schemes (see Chapter 6 of this book).
promote development and equity, as well as more participation of citizens in the decision-making processes of public policies and in the implementation and monitoring of policies.

In sum, the challenge for the next stage of public administration reforms in Viet Nam is to move towards modernizing the public sector by strengthening the public sector’s responsibilities in implementation of policies and ensuring a more active monitoring role for non-State actors in the evaluation of public administration performance.
CHAPTER 1
PUBLIC ADMINISTRATION AND ECONOMIC DEVELOPMENT IN VIET NAM: REFORMING THE PUBLIC ADMINISTRATION FOR THE 21ST CENTURY
THAVEEPORN VASAVAKUL, LE VIET THAI AND LE THI PHI VAN

Summary
During the post-central planning period, the development of Viet Nam’s public administration has taken place under the framework of the Master Programme on Public Administration Reform (PAR MP) for the Period 2001-2010. This has undoubtedly transformed the public sector inherited from the central planning period as the reform agenda has endorsed the need for the development of the public administration as an active element. It has also created a framework for the development of a uniform national public administration. Nevertheless, there remain challenges that limit the effectiveness and efficiency of the public administration system.

To further consolidate the reform process, initiatives and innovation in the areas of problem identification, analysis of different alternative strategic directions and solutions as well as methods of implementation are necessary. At a macro level, it is advised to formulate a strategic approach that explicitly links reform of the public administration with its effectiveness and efficiency in promoting economic development as defined by relevant stakeholders, the inter-connectedness of different
public administration reform measures, and partnership between state management agencies and stakeholders outside the state sector.

In addition to consulting international good practices, systematic reflection of local experiences within the country is indispensable in order for Viet Nam to achieve and sustain middle-income status. A key question is: How has Viet Nam’s public administration system contributed towards economic growth and poverty reduction? Furthermore, how has PAR facilitated or hindered the provision of better public services, especially to the poor? What type of public administration does Viet Nam require to sustain a middle-income status? What are the measures aimed at enhancing Viet Nam’s public sector contribution towards improving the quality of Viet Nam’s economic growth?

Despite comprehensive coverage, the PAR MP and its implementation documents are not designed to link explicitly and systematically with government economic development programmes at the goal/impact or the objective/outcome level. The PAR MP’s goal focuses mainly on the improvement of the public administration, that is, to “build a public administration that is democratic, with integrity, professional, modern, effective, and efficient, based on the principle of the socialist state rule by law under the leadership of the Party, and to build a corps of civil servants that has the ethics and competency to respond to the country’s development.”

At the impact level, although the PAR MP requires that by 2010 the public administration system will be fundamentally reformed to suit the needs of the management of a market economy with socialist orientation, it does not provide a clear indicator system that links the improvement of the public administration and economic development performance. At the objective and outcome level, of the nine specific objectives to be achieved, only two have outcomes directly related to economic development: (1) to perfect the system of public administration suitable for the era of industrialization and modernization, by for instance emphasizing economic institutions and the organization and activities of the public administration; and (2) to eliminate administrative procedures
that are bureaucratic, cumbersome and cause inconvenience for enterprises and citizens; and to perfect administrative procedures following the principles of transparency, simplification and facilitation.

The linkage between public administration and economic development can only be discerned at the output level through some sub-tasks mentioned in Resolution No. 53/2007/NQ-CP of 7 November 2007 on accelerating administrative reform and raising management effectiveness and efficiency of the State apparatus. However, from the implementation point of view, there is neither a strategy paper nor an action plan to guide how the PAR measures outlined may be linked across different sectors to promote and support national and local economic development processes. The PAR implementation process is somewhat decentralized to individual administrative sectors, units, and levels.

To promote the linkage between public administration and economic development, reformers may need to further clarify policies and public management factors aimed at promoting economic development at both the national and local level. From the implementation point of view, there is a need for a cross-sectors and cross-level PAR approaches defined by policy areas. In addition, systematic PAR implementation and coordination at both the national and local levels will also help reduce duplication and expedite the replication of good practices.

Viet Nam is currently preparing to review the achievements and shortcomings from implementing ten years of public administration reform. In that exercise “PAR providers and clients”, both civil servants and socio-economic stakeholders, should participate more in the PAR evaluation process. Self-assessment by public officials, as well as the involvement of the Viet Nam Fatherland Front (VFF), mass organizations, and civil society organizations in monitoring the role of the public administration in economic development, is desirable.

In addition, as Viet Nam becomes a middle-income country, some adjustments are needed at the next stage of PAR. The new income category requires a more client-oriented public administration system that is amenable to economic development. In that regard, some starting points to guide the discussion include:
1. Creating sub-programmes that link public administration reform and economic development more explicitly. This can be done through clarifying the relationship between the public administration and economic development by:
   • Making a clear distinction between what falls under the jurisdiction of the public administration, and what is outside it;
   • Improvement of the functions considered to fall under the jurisdiction of the public administration; and
   • Assignment of non-public administration functions to appropriate agencies, with the government performing the regulatory role.
2. Integrating “service” into the public administration’s organizational mission.
3. Developing an indicator system to assess the impact of PAR measures on the public administration, and the impact of this improvement on economic-related services.
4. Setting-up policy-based task forces to coordinate plan formulation and plan implementation among sectors, with emphasis going to the sequencing of tasks.
5. Promoting “PAR action research” (that is, regularly carrying out focused research with participation from relevant stakeholders) as a measure to fine-tune the PAR implementation process.
6. Conducting regular public surveys on various aspects of the role of the public administration and economic development, involving public officials, the Viet Nam Fatherland Front and mass organizations as well as civil society organizations and elected deputies in the process.

Introduction

Viet Nam’s success in promoting economic growth and poverty reduction is well documented. According to the 2008 World Bank report
to the Viet Nam Consultative Group Meeting, when the period 2001-2007 as a whole is considered, Viet Nam ranks 24th among 139 countries in terms of the growth of its GDP per person measured at constant prices (the ranking excludes countries and territories with a GDP of less than 2 billion dollars in 2007). Measured in current dollar terms, Viet Nam rose from a per person GDP of US$413 in 2001 to US$836 in 2007, and will mostly likely surpass the $1000 milestone a couple of years, ahead of the target set by the Socio-Economic Development Plan of 2006-2010. The same report postulates that if Viet Nam keeps growing at its current pace, the prospect of catching up with its Asian neighbours in one generation would not be unrealistic.

When asking “How many years to catch up?” a World Bank report, calculated on the basis of per person income growth rates measured in US dollars, estimated that the time needed for Viet Nam to catch up with Indonesia is 15 years, with Thailand 22 years, and with Singapore 63 years. Will Viet Nam’s public administration help or hinder this catching-up process? Owing to deterioration in the global economic environment in 2008 and 2009, Viet Nam’s economic growth rate reportedly slowed to 3.1% during the first quarter of 2009. The Vietnamese government planned a stimulus package to respond to the crisis. How sustainable Viet Nam and the current generation of “late developers” will grow economically depends, to a large extent, on how effective the public administration is in reconciling global economic

---

3. Nevertheless, if based on the growth rates of income per person (measured at constant prices), the picture is less positive. It will take a longer time for Viet Nam to catch up: 51 years with Indonesia, 95 years with Thailand and 158 years with Singapore. See Capital Matters, p. 23. 
4. Asian Development Bank and the International Monetary Fund forecast a five percent growth rate for 2009; the Economic Intelligence Unit and Deutsche Bank give estimates of 4.3% and 4.1% respectively. See Viet Nam Financial Review, 1 (January-February, 2009), p. 19.
pressures with domestic development objectives.

Is the public administration relevant? How Viet Nam’s public administration has contributed to growth and poverty reduction? What type of public administration Viet Nam needs in order to reach and sustain middle-income status? These appear to be key questions for a country on the brink of becoming a middle-income one. However, while openly discussed at different academic and government fora, the possible answers and scenarios appear to not have been systematically documented.

This chapter aims at examining how the public administration system developed under the rubric of the Public Administration Reform Master Program (PAR MP) has contributed to economic development, what type of public administration Viet Nam requires in order to sustain a middle-income status, and what measures are needed to enhance Viet Nam’s public sector contribution towards improving the quality of Viet Nam’s economic growth. This chapter employs the term “public administration”, often translated in Vietnamese as “hành chính công”, to refer to a set of organizations executing public duties. This chapter acknowledges that in Viet Nam the alternative term commonly used to refer to public administration is “state management agencies”, or “co quan quan ly nha nuoc”. This chapter conceptualizes economic development not only to refer to growth and poverty reduction but also to the provision of services, the conditions for equitable access to growth, and the sustainable nature of growth itself:

1. Existing academic writings on development employ the term “the state” or “nha nuoc” to refer to a set of organizations including the public administration.

2. The Team Leader thanks Le Viet Thai and Le Thi Phi Van for their valuable inputs. The Team’s appreciation goes to officials at the Ministries of Planning and Investment, Finance, Agriculture and Rural Development, Labor, War Invalids and Social Affairs, Home Affairs, and the People’s Committees as well as the specialized agencies of Binh Duong, Thua Thien-Hue and Vinh Phuc for their allocation of time to meet with the Team in October, November, and December 2008. Thanks also goes to the Academy of Public Administration and development partners who attended the NAPA-organized seminars
This chapter makes use of the existing literature on Viet Nam, central and local government reports, information gathered from face-to-face interviews with central and local government agencies, and field studies in Binh Duong, Thua Thien-Hue, and Vinh Phuc. These three provinces were selected as field study sites to investigate the role of local public administration systems in local economic development. From the perspective of state formation and development, the three provinces belong to two different generations of developers. Binh Duong applied various measures on PAR and economic development after its split from Song Be in 1997 at the time of a regional financial crisis. It later attained the status of a “middle-income province” around 2006. Thua Thien - Hue and Vinh Phuc began their PAR process and economic development in the 2000s within the rubric of the PAR MP. The three provinces represent varying degrees of economic development success and varying sets of local problems.

This chapter consists of four sections. The first reviews approaches to the study of public administration and economic development in Viet Nam. The second explores key structural features of public administration...
that have evolved as a result of the implementation of the PAR MP, and the limitations of Viet Nam’s public administration in contributing to economic development. The third section, based on the discussion of limitations in the second section, analyzes strategic directions and sets of possible solutions to serve as inputs for evaluating the implementation of PAR MP and discussion of further reform strategies. The fourth concludes the discussion, situating the Viet Nam experience in a comparative perspective.

In brief, it is argued that Viet Nam’s public administration reform program has transformed the public sector inherited from the central planning period. The reform agenda has highlighted the need for the development of the public administration as an active element, and in the process, has also created a framework for the development of a uniform national public administration. Nevertheless, pro-activeness, innovation and diversity in the public administration system are needed for Viet Nam’s public administration to be a relevant force for sustainable development. This chapter argues for a further simplified, organizationally diversified, and schematically decentralized public administration capable of effectively implementing policy measures while accommodating an expanding economic development.

Recommendations related to the overall reform strategy and detailed short and medium-term reform measures are put forth by this chapter. It also emphasizes the need for Vietnamese reformers to formulate a strategic approach that systematically links reform outcome with the public administration’s effectiveness and efficiency in promoting economic development, the inter-connectedness of institutional, organizational and civil service reform measures, and partnership between state management agencies and “PAR-clients” outside the state sector. At the operational level, this chapter puts forth specific recommendations related to the simplification of administrative procedures and organizational reform for Vietnamese reformers’ consideration.
1. Approaches to the Study of Public Administration and Economic Development

There has always been a question as to the role a state should have in economic development. Broadly defined, the state refers to a set of organizations involved in administering governance. Scholars working in public finance, development economics, and the political economy have highlighted five arguments for government intervention in a developing economy: a concern about market failure; concern for the prevention and reduction of poverty and the improvement of income distribution; the right to certain facilities including education, health care, and housing; the importance of paternalism, which relates to such issues as pensions and drugs; and the rights of future generations, which relate to concerns about the environment. When discussing specific economic areas where the state may intervene, existing writings highlight a number of activities to be carried out, including subsidizing traditional inputs such as capital, land, and labour; lowering the political costs of doing business, including tax abatements and incentives; limitations on the regulatory environment; promoting entrepreneurial market development activities (export promotion, research and dissemination); providing business services (policy planning, research and development support); and developing attractive social amenities (arts, environment).\footnote{1} The state’s involvement in economic development has in turn often precipitated an interest in necessary changes and improvements in public management practices. The existing literature on economic development and public management has pointed out that successful state intervention requires economic development planning, organizational re-arrangement, operational improvement, economic development financing, and leadership support.

Viet Nam watchers often refer to the East Asian “miracle” when discussing the course of economic reform in Viet Nam. As such, a review

---

of Asian experiences serves as an appropriate starting point for the study of Viet Nam.

1.1. **Asian Experiences and the Viet Nam Context**

Analyzing Japan, South Korea, and Taiwan, whose economic achievements are irrefutable, East Asian scholars draw a link between the “soft authoritarianism” of the monopolised governing system and capitalist development. They identify four factors considered key driving forces in these countries’ successes: an autonomous or semi-autonomous professional government bureaucracy that is sheltered from direct political pressure; reliance on financial means to guide and direct private economic activities; a working partnership between government bureaucracy, businesses and foreign capital; and the strict management of labour relations. In the 1990s, the World Bank recognized the development approach of East Asian countries, calling them the “miracle economies.” The “state autonomy” element was sometimes called “technocratic insulation” which referred to the ability of economic technocrats to formulate and implement policies in keeping with politically formulated national goals, with a minimum of lobbying for special favours from politicians and interest groups.

While the four factors mentioned are commonly considered crucial

1. For the most recent writing extensively comparing Viet Nam with Southeast Asia and East Asia, see Asia Program, “Choosing Success: The Lessons of East and Southeast Asia and Vietnam’s Future,” January, 2008.

2. In 1950, measured in 1974 USA dollars, South Korea had a per capita income of US$146; equivalent figures were US$150 for Nigeria, US$129 for Kenya, and US$203 for Egypt. Taiwan was ahead of Korea at US$224 but lagged behind Brazil at US$373, Mexico at US$562, or Argentina at US$907. Thirty years later, the per capita GNP of South Korea had risen to US$1553; Nigeria’s was US$670, Kenya’s US$380 and Egypt’s US$480. In 1980 the per capita income of Taiwan was US$2720, Brazil US$1780, Mexico US$1640, and Argentina US$2230. See Chalmers Johnson, “Political Institutions and Economic Performance: the Government-Business Relationship in Japan, South Korea, and Taiwan,” in Frederick Deyo, ed., *The Political Economy of the New Asian Industrialism*. Ithaca, New York: Cornell University, 1987, p. 136.
for the economic development of East Asian countries, social scientists have pointed out that even among the “first generation of late developers”, there was no monolithic model for economic development. In addition, there are differences between East Asia and the second “generation” of developers emerging in the Southeast Asia region in the 1980s. Southeast Asian specialists argue that with the exception of Singapore, countries in the region follow different formulas in their relationships between government and industry. Bureaucracies in countries such as Thailand, Malaysia, Indonesia, and the Philippines were not insulated from political pressures. Most Southeast Asian governments have a good reputation with businesses seeking government protection. All four Southeast Asian countries were opened up to foreign direct investment. In terms of state intervention, in

1. Johnson summarizes their differences as follows: First, among the government economic agencies in the three countries, Japan’s Ministry of Trade and Industry had the widest range of powers while Taiwan’s Council for Economic Planning and Development lacked such status. Second, all three countries employed different forms of financial controls: bank-based financing in Japan, the allocation of credit in South Korea, and reliance on monetary rather than fiscal policies in Taiwan, i.e., tax breaks and high depreciation allowances rather than outright loans to encourage investment in particular sectors. Third, in Japan the government worked with integrated industrial groups or conglomerates with their own trading companies and their own banks. In Taiwan, the state intervened through direct investment and the establishment of a network of state-owned enterprises. South Korean planning officials worked with private corporations to direct them to invest in priority industries, granting incentives through credit on very good terms, reduction of the pressures from local and international competition, and infrastructure support, while being stern about disciplining firms that were not performing well. East Asian have different approaches to foreign capital. Japan was concerned with its domestic market, while Taiwan and Korea’s domestic market is small. Finally, all three East Asia economies limited the political influence of trade unions, although Japan was considered more creative and less authoritarian. All three nations compensated labor through policies of comparatively equitable distribution and automatic wage increases dependent upon increases in productivity. See Johnson, Ibid.
Southeast Asia the move to export-oriented growth came with less state intervention. Of the four Southeast Asian countries, Indonesia had the most extensive record of state interventionism, while Thailand had the least. These differences between the first and the second generation of developers resulted from the different domestic and international settings at the time when they were integrated into the world capitalist economy.1

Although scholars and policy makers often refer to East and Southeast Asia when discussing Viet Nam’s economic development, Viet Nam differs from the early developers in several ways—the differences that may affect the strategy to rebuild the public administration for economic development purposes. Firstly, Viet Nam underwent a transition from central planning to a market economy. With the exception of southern Viet Nam, when Doi moi was officially endorsed in 1986, the concept of a market economy was relatively new—a concept that still continues to the present. The economic reform necessarily involved two key processes. The first focused on the redefinition of the relationship between the state and the economy by limiting the state’s role and replacing the former interfering mode with a rule-based approach. This process comprised the privatization of state-owned enterprises (often called corporatization in Viet Nam), the abolition of central planning, liberalization of economic activities, and trimming of state expenditures. The second process involved the building of market institutions, i.e., the formulation of regulations for property, contracts, companies, competition, and bankruptcy. Despite the fact that it has been over two decades since Doi moi was officially endorsed, these two processes of redefining the state’s role in the economy and the building up of market institutions have continued to unfold and serve to redefine the character of Viet Nam’s post-centrally-planned state and the functions of its public administration.

Secondly, although familiar to most developed countries and also to

South Viet Nam prior to 1975, the concept of “public administration” did not officially exist, distinct from the concept of the state, during the central planning period. The state itself was often referred to as the “bureaucratic subsidizing apparatus”. Under central planning, the structural organization of the government corresponded with the development of economic production sectors. Each government agency was responsible for formulating economic-sector policies, directly managing sector and state-owned enterprises, overseeing production activities, and guaranteeing distribution. Under Doi moi, Viet Nam’s public administrators are confronted with both traditional and new approaches toward public management. Key terms include: rule by law, bureaucracy, new public management, public services, service delivery, multi-sector ministries, output-budgeting, public finance, medium term expenditure framework, result-based management, performance management, and meritocracy, to cite just a few. These terms have been translated into Vietnamese with varying degrees of local flavour. In practice, however, there remain problems related to their definition, content, and application.

The third difference between Viet Nam and East Asia deals with the role of local models in the national socio-economic development policy. In Viet Nam, local initiatives and experiments play an important role in shaping the Party-State’s development strategies. Throughout the 1960s to 1980s in northern Viet Nam, local initiatives reshaped the central government’s thinking about socialist models of development. After reunification of North and South Viet Nam in 1975, the southern initiatives contributed greatly to the central government’s thinking about reform measures. In this respect, Viet Nam is more similar to countries such as, Thailand, Indonesia, or the Philippines in their lack of socio-economic, geographical, and ethnic homogeneity. Any discussion of

public administration and economic development thus has to necessarily take into consideration the role of both the central and local public administrations.

The fourth key difference between Viet Nam and other East and Southeast Asian countries is the international context. East and Southeast Asia benefited politically and economically from the Cold War context: the so-called “Viet Nam war”, and the Indochina War. East Asia and Southeast Asia’s military alliances with the United States helped buttress domestic political stability and economic resources as well as the market. The environment in which Viet Nam embarks on industrialization in the late 1990s and 2000s is different.

These basic domestic and international differences highlight the uniqueness of Viet Nam’s starting point. For Viet Nam, there is a close connection between administrative procedural reform and the redefinition of the functions of post-central-planning public administration. In general, the simplification of administrative procedure serves to deregulate cumbersome government requirements imposed on businesses, citizens, and even the state management agencies themselves. It must be noted however, that there is a major difference between “socialist deregulation” in the case of Viet Nam and “capitalist deregulation” found in developing and developed countries without a central planning tradition. In Viet Nam, the simplification of administrative procedures has mainly served to deregulate the many complicated regulations inherited from the central planning period or fostered by central planning legacies. Vietnamese reformers’ struggle with the various versions of laws on enterprise and investment in the 1990s and 2000s to facilitate business entry and a level playing field among various business sectors manifests this very process of “socialist deregulation.” The process signifies a switch in the public administration’s relationship with citizens from “command and control” to “facilitation”, thus creating a more favourable economic development environment. In this way, the simplification of administrative procedures directly contributes to the reform of functions, as well as jurisdictions, of post-central-planning state management agencies.
Owing to central planning legacies, the process of rebuilding public administration in Viet Nam involves a multi-path strategy. The Party-State has been correctly advocating three key policy directions. First is to separate state-owned enterprises (SOEs) from the jurisdiction of state management agencies, or the abolition of the concept of “chủ quản”, or “owning units”, at different levels. This commitment is reflected in Clause 168 of the Law on Enterprises (2005) on the exercise of owner’s rights of state owned capital in enterprises1. The second policy direction is to separate public service units from state management agencies. The third is to strengthen the overall capacity of state management. Although early developers in interventionist states were confronted with these same problems, the scope and the scale of state interventionism in Viet Nam are more extensive in comparison. So is the scope of the reform measures.

1. Clause 168 of the Law on Enterprises has the following stipulations: (1) The State shall exercise owner’s rights over State-owned capital in enterprises on the following principles: (a) Exercising owner’s rights in the capacity of a capital investor; (b) Maintaining and developing State-owned capital; (c) Separating the function of exercise of owners’ rights from the function of State administrative management; (d) Separating the exercise of owner’s rights from enterprises’ rights to business autonomy, and respecting the business rights of enterprises; (e) Exercising, uniformly and centrally, owners’ rights and obligations with respect to capital; (2) Functions, duties and powers of the representative organization of the State owner; the regime of exercise of owners’ rights of State-owned capital; methods and criteria for the evaluation of efficiency and the actual status of maintenance and development of State-owned capital; the regime of co-ordination, inspection and assessment with respect to the representative organization of the State owner; guidelines and measures to arrange, restructure, reform and enhance the efficiency of operation of enterprises with State-owned capital shall be implemented in accordance with the law; (3) The Government shall submit general reports on the current status of business with State-owned capital, on the maintenance and development of the value of investment capital and assets under State ownership in enterprises on an annual basis.
TABLE 1.1: Socio-Economic Profiles of Selected East and Southeast Asian Countries, 2008*

<table>
<thead>
<tr>
<th></th>
<th>Viet Nam</th>
<th>Indonesia</th>
<th>Singapore</th>
<th>Thailand</th>
<th>Malaysia</th>
<th>South Korea</th>
<th>The Philippines</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population (M)</td>
<td>86,116</td>
<td>237,512</td>
<td>4,608,1</td>
<td>65,493</td>
<td>25,274</td>
<td>48,379</td>
<td>96,061.6</td>
</tr>
<tr>
<td>Birth rate (per 1000 population)</td>
<td>16.47</td>
<td>19.24</td>
<td>8.99</td>
<td>13.57</td>
<td>22.44</td>
<td>9.09</td>
<td>26.42</td>
</tr>
<tr>
<td>Death rate (per 1000 population)</td>
<td>6.18</td>
<td>6.24</td>
<td>4.53</td>
<td>7.17</td>
<td>5.02</td>
<td>5.73</td>
<td>5.15</td>
</tr>
<tr>
<td>Literacy (age 15 to over can read and write)</td>
<td>90.3</td>
<td>90.4</td>
<td>92.5</td>
<td>92.6</td>
<td>88.7</td>
<td>97.9</td>
<td>92.6</td>
</tr>
<tr>
<td>GDP (Real growth rate)</td>
<td>6.3</td>
<td>5.9</td>
<td>3</td>
<td>4.8</td>
<td>5.5</td>
<td>4.3</td>
<td>4.5</td>
</tr>
<tr>
<td>GDP per capita (purchasing power parity) (US$)</td>
<td>2,900</td>
<td>3,900</td>
<td>52,900</td>
<td>8,700</td>
<td>15,700</td>
<td>27,100</td>
<td>3,400</td>
</tr>
<tr>
<td>GDP composition by sector</td>
<td>19%</td>
<td>13.5</td>
<td>0</td>
<td>11.4</td>
<td>9.7</td>
<td>2.9</td>
<td>13.8</td>
</tr>
<tr>
<td>Agriculture</td>
<td>42.7</td>
<td>45.6</td>
<td>33.8</td>
<td>44.5</td>
<td>44.6</td>
<td>39.4</td>
<td>31.9</td>
</tr>
<tr>
<td>Industry</td>
<td>38.4</td>
<td>40.8</td>
<td>66.2</td>
<td>44.1</td>
<td>45.7</td>
<td>57.7</td>
<td>54.3</td>
</tr>
<tr>
<td>Services</td>
<td>38.4</td>
<td>40.8</td>
<td>66.2</td>
<td>44.1</td>
<td>45.7</td>
<td>57.7</td>
<td>54.3</td>
</tr>
<tr>
<td>Unemployment rate</td>
<td>4.9</td>
<td>8.2</td>
<td>2.3</td>
<td>1.4</td>
<td>3.7</td>
<td>3.2</td>
<td>7.4</td>
</tr>
<tr>
<td>Population below poverty line</td>
<td>14.8</td>
<td>17.8</td>
<td>N.A</td>
<td>10</td>
<td>5.1</td>
<td>15</td>
<td>30 (2004 est.)</td>
</tr>
<tr>
<td>Investment (Gross fixed - % of GDP)</td>
<td>44.5</td>
<td>25.2</td>
<td>27</td>
<td>29.4</td>
<td>20.7</td>
<td>27.7</td>
<td>16.2</td>
</tr>
</tbody>
</table>
For the earlier generations of late developers, the expansion of capitalist economic development in the context of the Cold War gave rise to a centralized government structure under either civilian or military rule. This is the case in almost all East Asia, such as Taiwan, South Korea, Singapore, and Hong Kong (prior to 1997). This rise of a centralized government, to some extent, is also the case for certain development periods of Southeast Asian countries such as Indonesia, Malaysia, the Philippines and Thailand, although the forms and degree of centralization varied from country to country. In these countries, the process of various forms of decentralization did not fully unfold until the 1980s and 1990s. In Viet Nam, the relationship between the central and the local public administration structures was reversed. Despite central planning in northern Viet Nam, wartime conditions to some extent decentralized power to the locality and fragmented authority relations within the public administration. In the 1990s, this situation could be detected in both the traditional saying “phęp vua thua le lang” (the emperor’s edict stops at the village gate) and the newly-coined phrase “phęp vua thua le tỉnh” (the emperor’s edict stops at the provincial gate). The rebuilding of the public administration necessarily involves the redefinition of central and local authority relations within the public administration system.

Finally, the globalized context, in which Viet Nam finds itself, places more restrictions on late developers, while also presenting opportunities. A successful state is one that can reconcile global pressures and domestic development objectives. A close look at Asian countries’ responses to the 1997 regional financial crisis shows that countries with good policies and
good implementation were more successful in reacting to the crisis.

Viet Nam’s starting point determines the trajectory on which Viet Nam’s public administration and its role in economic development are to be developed.

1.2. Viet Nam’s Public Administration Reform Master Programme and Economic Development Implications

During the post-central planning period, the development of Viet Nam’s public administration has taken place under the rubric of the public administration reform program first endorsed by the Eighth Plenum of the Central Committee of the Vietnamese Communist Party (Congress VII) in January 1995. In 2001, the Prime Minister approved the framework for the Master Program on Public Administration Reform for the Period 2001-2010. The PAR MP targets four important reform areas: institutional reform; organizational reform; improvement of the contingent of cadres and civil servants; and public finance reform. It specifies nine objectives to be achieved between 2001 and 2010, with emphasis going to simplification of the administrative apparatus, professionalization, accountability, transparency, coordination, reduction of compartmentalization in the preparation of legal documents in general and in policy implementation in particular, and reduction of corruption. The implementation of the PAR MP is to be carried out through seven national action programs in two stages, from 2001 to 2005 and from 2006 to 2010. To reinforce the implementation of the reform from 2006 to 2010, Resolution No. 17- NQ/TW dated August 1, 2007 of the Fifth Plenum of the Central Committee (Congress X) confirms the need for public


2. Ibid.

administration reform to increase the effectiveness of state management. Resolution No. 53/2007/NQ-CP dated 7 November 2007, based on Resolution No. 17- NQ/TW, outlines ten specific tasks for the period from 2007 to 2010, and also includes a list of sub-tasks, prime responsible agencies and coordinating agencies, end products, and completion times1.

Despite comprehensive coverage, the PAR MP and its implementation documents are not designed to explicitly and systematically link with government economic development programs at the goal/impact or the objective/outcome level. The PAR MP’s goal focuses mainly on the improvement of the public administration, that is, to build a public administration that is democratic, with integrity, professional, modern, effective, and efficient, based on the principle of the socialist state rule by law under the leadership of the Party, and to build a corps of civil servants that has the ethics and competency to respond to the country’s development. At the impact level, although the PAR requires that by the year 2010, the public administration system will fundamentally be reformed to suit the needs of the management of a market economy with socialist orientation, it does not provide a clear indicator system that links the improvement of the public administration with economic development performance. At the objective and outcome level, of the nine specific objectives to be achieved, only two have outcomes directly related to economic development. The two objectives are: (1) to improve the system of public administration suitable for the era of industrialization and modernization; (2) to eliminate administrative procedures that are bureaucratic, cumbersome and cause inconvenience for enterprises and citizens; to perfect administrative procedures following the principles of transparency, simplification, and facilitation.

1. See Resolution No. 17-NQ/TW dated 1 August 2007 from the Fifth Plenum of the Central Committee (Congress Xth) on the acceleration of the public administration in order to increase the efficiency and effectiveness of the state apparatus; Resolution No. 53/2007/NQ-CP of November 2007, promulgating the government’s program of action for implementation of the Resolution of the Fifth Plenum of the Party Central Committee (Congress Xth), on accelerating administrative reform and raising management effectiveness and the efficiency of the state apparatus.
The linkage between the public administration and economic development can only be clearly discerned at the output level through the sub-tasks mentioned in Resolution No. 53/2007/NQ-CP. Task 4 on the reform of administrative procedures, for example, calls for the “review and renovation of administrative procedures to create the most favourable environment for enterprises, production and business, and to satisfy the people’s legitimate demands.” The procedural areas listed include the setting up, dissolution and bankruptcy of enterprises; business registration and investment certification; investment in the construction of works and houses; land use rights and property ownership rights; import and export; tax payments; civil status and household registration, people’s identity card, passport and visa authentication; and inspection and supervision of enterprises. Task 5 lists 16 sub-tasks related to organizational reform. It is fair to conclude that a number of sub-tasks listed are relevant to the reform of state management agencies for economic development purposes, especially the sub-tasks related to structural reform, redefinition of functions and responsibilities along the lines of state management decentralization, and the reform of work processes. Task 6 contains details of approaches to the reform of public duty and civil servant regimes, the reform of the training and retraining of cadres across all public administration sectors and levels, having implications for economic development-related tasks.

From the implementation point of view, there is neither a strategy paper nor an action plan to guide how the PAR measures outlined may be linked across-sectors to promote the national and local economic development process. The PAR implementation process is somewhat decentralized to individual administrative sectors, units, and levels. This makes an overall assessment of the role of the public administration in national and local public administration difficult, if not impossible.

2. Reform Measures and Economic Development: Implementation, Results and Limitations

The Vietnamese government has gradually fine-tuned its approach towards the building of the institutional/legal framework for economic development,
moving away from creating an institutional/legal framework that focuses on
government granting permission, to recognition of the rights of citizens to
engage in business activities. The 2005 Law on Enterprises and the Law
on Investment, effective from 1 July 2006, have basically changed the
regulatory framework for business operation in Viet Nam, advocating
equality among different economic sectors. The two laws guarantee an
equal business opportunity structure for all businesses and investors
compared with previous laws. The two Laws have expedited the
simplification of administrative procedures related to business
registration, investment, a change in the appraisal system for registration
licenses, and a review of investment proposals\(^1\). These changes indicated
the Party-State’s changing attitudes toward entrepreneurship in general
and the private sector in particular. They were further buttressed by the
Government Action Plan to implement the Resolution of the Sixth Plenum
of the Central Committee (Congress X\(^{th}\)) on continuing improvement of
market economic institutions with a socialist orientation (2008)\(^2\).

This section focuses on two aspects of Viet Nam’s public administration;
administrative procedural reform and organizational reform to ascertain
the link between public administration and economic development. The
section begins with an outline of the development of the current system,
largely as a product of the PAR MP, before moving on to discuss results
and limitations.

**2.1. Administrative Procedural Reform for Economic Development**

Within the newly-designed institutional/legal framework for economic
development, the Vietnamese government has continuously emphasized

\(^1\) For a good summary of the key content of the laws, see “Summary of the
Report Assessing the Two-Year Implementation of the Law on Enterprises and the
Law on Investment”, December 2008.)

\(^2\) See “Resolution No. 22/2008/NQ-CP of the Government promulgating the
Government Action Program to Implement the Resolution of the Sixth Plenum of the
Central Committee, Congress X\(^{th}\), on further improvement of market economy
institutions with a socialist orientation”.
the simplification of administrative procedures with the aim of deregulating procedures inherited from the central planning period, and the building-up of a procedural framework suitable for a market-oriented economy. Resolution 53 labels the process “a breakthrough for public administration reform.” In the 1990s and 2000s, attempts to simplify the procedures were mainly reflected in the concept known as “mot cua”, literally translated into English as “one door”. The process to concretize the concept has been reflected in both the move to organize the unit responsible for key administrative procedures at various administrative levels and to organize the key intermediary to handle administrative procedures requiring deliberations from various government sectors and levels known as the “inter-sector/inter-level one door”. International Viet Nam watchers have used the term “one stop shop (OSS)” to refer to the concept “one door”.

**OSS and Inter-sector/Inter-level OSS**

The Vietnamese government issued a number of key legal documents to regulating government-society/government-business procedural relations along the one-door/one-stop (OSS) concept. Decision no. 366/HDBT dated November 7, 1991 was issued to guide the Management Boards of Industrial and Export Processing Zones in their approval of foreign direct investment projects. In the mid-1990s, Resolution 38/CP called for the simplification of administrative procedures in the handling of citizens’ and organizations’ matters. Decision 181/2003/QD-TTg dated September 4, 2003, institutionalized the administrative procedural relationship between government and society through the use of the one-door mechanism. At the province level, four departments were compelled to expedite the setting up of the OSS office: the Department of

---

1. Also see the analysis in the UNDP research report on institutional reform conducted by Martin Painter, Ha Hoang Hop, and Chu Quang Khoi.

Planning and Investment, Department of Labour, War Invalids and Social Affairs, the Department of Natural Resources and Environment, and the Department of Construction. OSS offices were also to be set up at the district and commune levels. Some procedural areas addressed were the issuing of business registrations, certificates recognizing the right of ownership of houses and land, construction permits, investment decisions, household registration, and permits related to social policies¹. At the central level, Resolution No. 01/2004/NQ-CP required that ministries and ministry-level agencies review and abolish inappropriate administrative procedures when handling issues involving citizens². Finally, Decision No. 93/2007/QD-TTg dated June 22, 2007, further reformed the OSS mechanism, extending the coverage of the OSS concept to governmental agencies with a vertical management structure such as the Taxation Department, the State Treasury and the Police. It also outlined the concept of an inter-sector, inter-level OSS (mot cua lien thong) to coordinate horizontal procedures among agencies at the same level, or vertical procedures among administrative levels.³ In 2008, Prime Minister Decision No. 889/QD-TTg dated 11 July 2008 removed the concept mot dau, or one stamp, from all pilot models at the district-level administration while continuing to emphasize the role of the unit responsible for receiving and returning administrative procedures’ files and the strengthening of the mot cua lien thong concept.

The simplification of procedures through the OSS mechanism was supplemented by Prime Minister’s Decision in 2005 to set up the Inter-Sector Task Force (known as Task Force 23) to handle recommendations on administrative procedures from businesses. Most recently, it was

¹. A detailed discussion of the central-level OSS mechanism can be found in “Report to the Prime Minister and the Review of Pilots on the OSS at Central Ministries” of Ministry of Home Affairs, 19 December 2007.”

². See “Prime Minister’s Decision No. 93/2007/QD-TTg dated 22 June 2007 on the Implementation of one-stop shops and the inter-level, inter-sector one-stop shops).

³. Interview with officials at the Department of Public Administration, Ministry of Home Affairs, October 2008.
supplemented by Decision No. 30/QD-TTg of the Prime Minister dated January 10, 2007, which focused on simplification of administrative procedures in each state management area; simplification of business conditions; simplification of application forms and administrative declarations; and simplification of the mechanisms to receive and handle the reactions and recommendations of individuals, organizations, and businesses about inappropriate procedures.

The OSS mechanism assumes two major functions. Firstly, it serves as a touchstone for the handling of administrative procedures within an administrative agency. The unit is obliged to post detailed information on procedural requirements, including the type of documents the applicant has to submit, the processing duration, and service fees. It is generally expected that this mechanism will help enhance transparency, reduce the abuse of power, and increase the sense of responsibility among public officials. Secondly, the concept of inter-sector, inter-level OSS (mot cua lien thong) is designed to simplify those administrative procedures which require the deliberation of several administrative levels and/or sectors. The need for mot cua lien thong stems from the fact that previous administrative procedures were handled on the basis of the jurisdiction of a particular administrative level or a sector. As a result, citizens had to visit several government agencies in situations when their petitions fell under the jurisdiction of several levels or sectors.

Although only officially endorsed by the central government in 2003 and later in 2007, the concept of OSS had, in fact, been piloted in many localities as early as the mid-1990s as a means of expediting the handling of administrative procedures. Ho Chi Minh City, an early developer, for example, piloted the operation of the “one-door, one-stamp” at the district level, i.e. in Quarter 1, Quarter 5 and Cu Chi District. In 2003, the City also began to experiment with a “Public Administration Professional Unit” in four quarters as a means to separate public service

functions from state management. Binh Duong Province applied OSS to procedures related to investment. The Management Boards of Industrial Zones served as the sole “intermediary” between investors and relevant provincial departments. Quảng Trị promoted an inter-sector OSS that linked the Natural Resources and Environment sector, the local Taxation Department, and the local State Treasury Office in handling procedures for land allocation and the issuing of land-use rights titles.

In 2007-2008, late developing administrative units began to institutionalize the OSS mechanism. In 2008, a group of “late developers” at the central level, including the Ministry of Planning and Investment, the Ministry of Finance, and the Ministry of Public Security, institutionalized inter-sector and inter-level OSS in the areas of business registration, seal registration, and the application for a tax number. The 2000 Enterprise Law had required that business registrations be processed within 15 days. The later 2005 Law reduced that processing time to 10 days. Inter-ministerial Circular No. 05/2008/TTLB-BKH-BTC-BCA dated July 29, 2008, jointly drafted by the three government agencies, further reduced the processing time for a partly-merged permit to five days. The reduction of processing time mainly resulted from a reduction in the total number of permits required. This reduction was achieved through the merger of permits and standardization of the required application documents. Circular 05 abolishes the permit for seal making and the issuing of a tax number—the latter being replaced by the business registration permit number. Circular 05, from an organizational perspective, represents a

1. Interview with the Department for Small and Medium Enterprises, Ministry of Planning and Investment, October 2008.

2. The Viet Nam Provincial Competitive Index (VPCI) focuses on the relationship between good economic governance practices and investment and growth. The annual survey demonstrates the association between business-friendly economic governance practices and business responses to those practices. Nevertheless, “Friendly economic governance practices” have much to do with the reform of the general legal and institutional framework endorsed by the central government.
breakthrough for the OSS; it addresses reform of the work process of the relevant government agencies themselves as a precondition for the provision of better service.

The inter-sector, inter-level OSS principle has also been adopted by many cities under the management of the province. In Vinh Phuc, for example, Vinh Yen City has formulated a proposal on the “modern OSS” (not cua hien dai) to be implemented in 2009. A close look at the OSS mechanism in Vinh Yen City sheds some light onto how administrative procedural reform is being carried out. Placed under the management of the City Office of the People’s Committee and People’s Council, it has a total of 13 staff members, eight of whom come from specialized offices (the People’s Committee and People’s Council Office), two newly recruited for office work and three staff members nominated by the City Police, the Taxation Office, and the State Treasury Office. The modern OSS in Vinh Yen City covers business registration, land management, construction, finance, household registration, social services and cultural affairs (see Table 1.2.).

**TABLE 1.2: Areas covered by the modern OSS, Vinh Yen City**

<table>
<thead>
<tr>
<th>Areas</th>
<th>Inter-sector/Inter-level coordination</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business registration for households</td>
<td>Coordination with the Commune-Level People’s Committee and the City police in the case of business operation with conditions; independent operation in the case of business operation without conditions.</td>
</tr>
<tr>
<td>Issuing of land use rights certificates</td>
<td>Coordination with the Commune-Level People’s Committee</td>
</tr>
<tr>
<td>Issuing of construction permits</td>
<td>Coordination with the Commune-Level People’s Committee on the issuing of permits under the jurisdiction of the District-Level People’s Committee</td>
</tr>
<tr>
<td>Certification and household registration</td>
<td>Full-time staff operating independently from the rest of the OSS office</td>
</tr>
<tr>
<td>Issuing of registration permits for cultural services</td>
<td>Coordination with the Commune-Level People’s Committee and the City Police</td>
</tr>
<tr>
<td>Procedures related to labour, war invalids, and</td>
<td>Coordination with the Commune People’s Committee</td>
</tr>
</tbody>
</table>
Areas Inter-sector/Inter-level coordination

<table>
<thead>
<tr>
<th>Areas</th>
<th>Inter-sector/Inter-level coordination</th>
</tr>
</thead>
<tbody>
<tr>
<td>social affairs</td>
<td></td>
</tr>
<tr>
<td>Other household registration procedures</td>
<td>Coordination with the commune and heads of relevant agencies</td>
</tr>
<tr>
<td>Procedures related to taxation</td>
<td>Coordination with the Commune People’s Committee to collect land-use rights transfer taxes and other land-related fees</td>
</tr>
<tr>
<td>Procedures related to the State Treasury</td>
<td>Carried out independently with a full-time staff member to fulfill the requirements of transferring collections to the State Treasury</td>
</tr>
</tbody>
</table>

Source: Proposal for the implementation of the modern OSS under the Office of the People’s Council and the People’s Committee of the City of Vinh Yen, Vinh Yen People’s Committee, 12 June, 2008.

The OSS applies mot cua lien thong between the ward/common level administration and the City (equivalent to the district level administration). The proposal also specifies the expected reduction in processing times (see Table 1.3). The working procedures of the modern OSS involve the commune level receiving files and verifying their accuracy and adequacy; internal handling of files among commune-level civil servants; internal processes at the commune level to handle issues under its jurisdiction; transfer of files to the city; handling of files at the city level; and following-up on fee collection in cases where the City has authorized the commune to collect fees.

**TABLE 1.3.: Process Reengineering for Selected Administrative Procedures, Vinh Yen City, Vinh Phuc Province**

<table>
<thead>
<tr>
<th>Administrative procedural items</th>
<th>Total number of days</th>
<th>Duration at Commune/Ward Level</th>
<th>Duration at the City Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issuing of land use rights certificates for old residential land</td>
<td>55 days (excluding the time to announce the list of applications and the time spent by the applicant to fulfil financial obligations)</td>
<td>40 days</td>
<td>15 days (including the work period between the City and the Taxation Department to determine financial obligation of the applicants)</td>
</tr>
</tbody>
</table>
Issuing of land use rights certificates for newly allocated land  |  15 days (excluding the time required by the Taxation Agency to determine the financial obligations of the applicant)  |  7 days  |  8 days

Issuing of land use rights certificates to those winning the land use rights bid  |  10 days  |  5 days  |  5 days

Reissuing or changing the land use rights certificates (not including the reissuing of lost land use rights certificates, a process that takes longer)  |  28 days  |  20 days  |  8 days

Transfers of land use rights  |  10 days  |  5 days  |  5 days

*Source:* Proposal to implement the inter-sector, inter-level OSS in the land management area at the commune-level administration in the City of Vinh Yen, Vinh Yen People’s Committee, September 2007.

The development of the OSS handling an administrative unit’s procedures and for coordinating deliberations between various sectors and administrative levels reflects a move towards the PAR MP’s objectives of creating a public administration with accountability, transparency, and coordination. Recognized as good governance feature, OSS not only fosters a better relationship between government and society but also provides a favourable environment for socio-economic development. There is thus no doubt that if operated effectively, the OSS will serve as a key facilitating force for Viet Nam’s economic development.

**Results and Limitations**

Administrative simplification is a worldwide movement aimed at reducing centrally planned regulatory complexity, as well as unnecessary burdens created by bureaucracy. “Burdens” are defined as the regulatory costs involved with the asking for permits, filling out
forms, and the reporting and notification requirements for the government. A review of government agencies’ reports of the implementation of the Laws on Enterprises and Investment and business-related procedures, interviews with the Ha Noi Association of Businesses, and statistics from the Viet Nam Provincial Competitive Index (VPCI) provide information on the positive results and limitations of procedural reform and economic development.¹

**Improvement of the Administrative Procedural System**

The most successful area of administrative procedural reform has been in enterprise entry registration. According to statistics provided by the Federation of Trade and Industry Associations of Ha Noi, the number of registered enterprises nationwide increased from 53,244 in 2000 to 349,300 by June 2008. In Ha Noi, the number of registered enterprises rose from 6,559 to 64,000. Small and medium size enterprises form 93.95% of the total number of enterprises and employ 50.13% of labour (Tables 1.4. and 1.5.). Most central and local government reports consider the OSS as the spearhead for public administration reform and economic development. Vinh Phuc authorities contributed the rise in investment to the reform procedures. In 2008, Vinh Phuc had 2,354 enterprises registered under the Enterprise Law with total capital of 10,285.5 billion VND. This is an increase of around 15 times the number of enterprises and around 35 times the volume of registered capital

¹ The Viet Nam Provincial Competitive Index (VPCI) focuses on the relationship between good economic governance practices and investment and growth. The annual survey demonstrates the association between business-friendly economic governance practices and business responses to those practices. Nevertheless, “Friendly economic governance practices” have much to do with the reform of the general legal and institutional framework endorsed by the central government.
compared with 1999. There were 95 foreign investment projects with total capital of around US$1,700 million\(^1\). Statistics collected by the Viet Nam Provincial Competitive Index for the year 2007 also showed improvement in the area of entry registration. Overall, survey respondents felt that the entry cost had been reduced. The time it took to register and acquire land, to receive the necessary licenses, the number of licenses required to operate a business, and the perceived degree of difficulty in obtaining all licenses/permits, were comparatively less than in previous years\(^2\).

**TABLE 1.4: Number of Registered Small- and Medium-Size Enterprises and Small- and Medium-Size Enterprises in Operation in Ha Noi and Nationwide, 2000 - June 2008**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of registered enterprises</td>
<td>6,559</td>
<td>10,040</td>
<td>14,320</td>
<td>20,209</td>
<td>28,082</td>
<td>37,121</td>
<td>46,721</td>
<td>56,000</td>
<td>64,000</td>
</tr>
<tr>
<td>Number of enterprises in operation</td>
<td>5,060</td>
<td>76,806</td>
<td>10,955</td>
<td>14,752</td>
<td>20,499</td>
<td>26,541</td>
<td>31,904</td>
<td>34,680</td>
<td>44,500</td>
</tr>
<tr>
<td>Percentage</td>
<td>76%</td>
<td>76.5%</td>
<td>76.6%</td>
<td>74%</td>
<td>73%</td>
<td>71.5%</td>
<td>69%</td>
<td>69.5%</td>
<td>70.6%</td>
</tr>
</tbody>
</table>

**Viet Nam Number of registered enterprises**

<table>
<thead>
<tr>
<th>Viet Nam</th>
<th>53,244</th>
<th>73,071</th>
<th>94,540</th>
<th>122,291</th>
<th>159,515</th>
<th>199,466</th>
<th>246,122</th>
<th>303,000</th>
<th>349,300</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of enterprises</td>
<td>37,526</td>
<td>46,023</td>
<td>56,496</td>
<td>67,827</td>
<td>83,256</td>
<td>103,320</td>
<td>123,799</td>
<td>156,354</td>
<td>227,045</td>
</tr>
</tbody>
</table>

---

1. Interview with DPI officials, Vinh Phuc Province.
Despite improvements in terms of registered numbers, the statistical picture also reflects the limitations of the reform of administrative procedures in fostering simplification of the administrative apparatus, accountability, transparency, and coordination as well as in reducing corruption. Overall, the number of required administrative procedures remains large. Ha Noi’s Department of Planning and Investment, for example, reports 20 key procedures and 64 detailed procedures governing business operations under its jurisdiction. Some studies suggest that cutting 40% of administrative procedures can reduce business costs by 13-30 billion VND, a significant amount for small and medium size enterprises.

### TABLE 1.5: Position of Small and Medium-Size Enterprises within Viet Nam’s Overall Business Scene

<table>
<thead>
<tr>
<th></th>
<th>In Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proportion of the total number of enterprises (%)</td>
<td>93.95</td>
</tr>
<tr>
<td>Use of labour in relation to total use of labour (%)</td>
<td>50.13³</td>
</tr>
<tr>
<td>Capital in relation to the total amount of capital (%)</td>
<td>28.92</td>
</tr>
<tr>
<td>Revenue in relation to overall revenue (%)</td>
<td>22.07</td>
</tr>
<tr>
<td>Profits in relation to overall profits (%)</td>
<td>11.78</td>
</tr>
<tr>
<td>Contribution to the State Budget in relation to overall contributions (%)</td>
<td>17.64</td>
</tr>
</tbody>
</table>

---


3. According to Task Force for the Implementation of the Law on Enterprises and the Law on Investment, over 70% of the labor force in the business sector is working with private and foreign businesses. See “Summary of the Assessment Report”. 
The report on the two-year implementation of the Law on Enterprise and Investment points to a number of key procedures. For example, administrative procedures for construction investment, especially for projects requiring the use of land outside industrial zones, remain cumbersome and costly. A study carried out by Nguyen Dinh Cung at the Central Institute for Economic Management on administrative procedures involved in construction, calculates that the application process requires the applicant make 38 visits to state management agency offices, submit 67 documents, and wait around 451 days in total. The procedures for Vietnamese to invest overseas, and the build-operate-transfer (BOT) and build-own-operate (BOO) investment procedures, are even more complicated. Furthermore, administrative procedures for registration and appraisal for investment permits have shortcomings. Problems centre on the lack of a uniform set of templates and the lack of necessary details in those templates, as well as difficulties in the recall of permits and the merger of business permits with investment permits. Finally, the number of regulations with conditions for business operation remains high and is likely to increase. This is considered a key obstacle for entry registration.

Despite the OSS’s emphasis on transparency in the application process, duration, and fees, there are indications that citizens still resort to “informal transaction fees” to expedite services. According to a survey of 911 enterprises in Ha Noi in June 2008, 26-32 percent of the enterprises reportedly spent up to 2 percent of their revenue in “unnamed fees for lubrication.” Another 22-36 percent spent 2-10%; 2-9 percent spent 12-13%; and 3.46% of the surveyed enterprises even spent 12-25% of their revenue on this “lubrication.” According to the VPCI’s nationwide survey for 2008, 22.71% of respondents admitted that they had to pay
bribes to get procedures processed more quickly. From an international, comparative perspective, Viet Nam is ranked 92 out of 181 economies for Ease of Doing Business (Singapore holds the top position), while it is only ranked at 108 out of 181 economies for Starting a Business (a category where New Zealand is top ranked).

**Analysis of Problems**

The current strategy to support economic development through the simplification of procedures is confronted by two set of barriers; technical and strategic. Technical barriers concentrate on limitations at the operational and technical levels, while strategic barriers focus mainly on policy direction and the cultural environment. The former includes the organizational design and scope of OSS, while the latter deals with the link between procedural and the organizational reform and the lack of cross-sector institutional reform.

**Organizational Design of the OSS**

There are signs that the policy of setting up the OSS in all administrative units may not be cost-effective. This is because need for OSS is uneven across sectors, administrative levels, and in rural and urban contexts. At the central level, the need for the OSS to provide administrative services for businesses varies from ministry to ministry. As the pilot period showed that some ministries have more contact with citizens than others.

The OSS was not useful for agencies engaged in policy-making and macro management, such as the Ministry of Finance and the Ministry of Home Affairs. It was useful for government agencies that regularly deal with providing services to citizens such as taxation units, the State Treasury, customs units and specialized agencies such as the Ministry of Natural Resources and Environment, the Ministry of Education, and the

---

Ministry of Agriculture and Rural Development. In addition, because of
decentralization, the number of procedures to be solved by the upper
echelon has been reduced. Within the context of the delegation of
responsibilities, the OSS at the commune-level administration has
become busier, while the number of commune officials remained
unchanged.\footnote{Vinh Phuc brought up this problem in its report. The commune OSS served as 
the key contact point for land-related matters. As there was only one commune land
officer, there was a delay in the return of files to applicants.} The need for an OSS also varies from province to province,
and even among different localities within the province. Provinces with a
booming or potentially booming economy require an effective OSS
network, as it has proven to be a driving force for further growth. A
report from Binh Duong mentions that its OSS was so crowded that there
were “queuing intermediaries” who offered to help the “customers” get
served quickly in exchange for a fee.\footnote{An article in \textit{Nhan Dan} Newspaper (\textit{The People}) published on 3 November 2005. See
http://www.caicachhanhchinh.gov.vn/English/CommentsPress/683200511030923000/}
For some remote districts or provinces where capital transactions are limited, the OSS reportedly
operates less regularly.\footnote{Interviews with Cao Bằng authorities, June 2008.}

\begin{table}
\centering
\begin{tabular}{|c|c|}
\hline
\textbf{BOX 1.1: OSS in a Rural District: The Case of Cai Lay District,} & \\
\textbf{Tien Giang Province} & \\
\hline
A study on the development of the OSS at Cai Lay District, Tien Giang Province sheds light on the challenges to a model implemented by the central government. The study observed that the OSS model made official by Decision 181 in 2003 to be applied to the district and the commune level was in fact based on experiences from Ho Chi Minh City, which, between 1995 and 1997, carried out and expanded pilots of the OSS at the district level as well as at key City departments. After a period of implementation, it became clear that the model was far from appropriate for a rural district. Limitations could be seen in both the services provided and the impact of the changing work processes at the district level. Cai Lãy District was not capable of covering all service areas listed in Decision No. 181/2003/QD-TTg dated 4 September 2003 of the Prime Minister. Its services & \\
\hline
\end{tabular}
\end{table}
focused on land registration, business registration, certification, and the issuing of housing certificates, while Decision No. 181/2003/QD-TTg called for the provision of services in the issuing of business permits for households, the issuing of construction permits, the issuing of housing and land use certificates, household registration, certification, and social policy. Furthermore, the workload of the District OSS was gradually reduced owing to the re-division of responsibilities and decentralization. From the beginning, the District Office of Finance and Planning was responsible for business registration. In 2005, a number of work areas such as the public notary and the certification of land use contracts were transferred to the public notary office and the commune-level OSS. In 2005, the District set up the Office of Land Use Rights Registration following the inter-ministerial instruction from the Ministry of Natural Resources and Environment and the Ministry of Home Affairs. Land management has always been one of the most complicated and time-consuming public service areas in a rural district such as Cai Lay. After transferring this work to the newly set-up Office, the OSS was left with only services related to housing. Two years after its inception, the district OSS lost its service functions. The taxation personnel assigned to be stationed at the OSS later returned to the Taxation unit. At the end of 2005, the district OSS was closed.

When the Prime Minister issued Decision No. 93/2007/QD-TTg dated 22 June 2007 on the inter-level, inter-sector OSS as well as on other OSS requirements, Cai Lay District's OSS was reopened. Attached to the Office of the People's Council and the People's Committee, it was mainly responsible for land registration and the issuing of housing permits. It consisted of five staff members but was not formed into a separate staff; the personnel were from different district offices.

The District OSS has problems with how to organize mot cua lien thong. At a more strategic level, the question is how the district can define its role in providing administrative services and what the appropriate model for administrative service delivery is. Should a bottom-up approach be used? If so, how?

Scope of Mot cua lien thong and Cross-Sector Procedural Coordination

The concept of mot cua lien thong as defined in Decision No. 93/2007/QD-TTg refers to two types of internal administrative relationships, one between units at the same level and the other among different administrative levels. In practice, setting up a mot cua lien thong is diverse in terms of (1) the administrative procedural areas to be covered; (2) the number of public administration units involved; and (3) the scope of the level and sector involved. At the moment, the key legal document governing mot cua lien thong is the Prime Minister's Decision No. 93/2007/QD-TTg, which has yet to be translated into detailed
implementation documents by ministries and provinces. Although the Ministries of Planning and Investment, Finance, and Public Security issued Inter-ministerial Circular No. 05/2008/TTLT-BKH-BTC-BCA to coordinate the issuing of a business licenses, there exist a large number of business-related procedures that require guiding circulars, if not decrees, to govern the operation of relevant public administration units.

The mot cua lien thong development is conditional upon the leadership’s commitment to its promotion, institutionalization of the inter-sector, inter-level coordination mechanisms, and modification of the internal working processes of relevant public administration units. Information gathered from interviews on the development of the mot cua lien thong mechanism for business registration, indicates that the key problem in creating the mot cua lien thong system for business registration is, first and foremost, commitment from the relevant public administration agencies to follow the processing time stipulated and the need for a unified set of application templates containing the requirements for information acceptable by all relevant public administration units. Furthermore, the use of information technology to reduce the time to handle files, and the competency of officials to accurately handle each stage of the procedural work to minimize the risks of repetition, is also crucial.

A Strategic Link between Procedural Reform and Organizational Reform

There is no strategic link between procedural reform and the organizational reform of relevant public administration units. The administrative procedural reform policy’s prime focus is on output: the results of administrative services as seen by the number of permits issued on time, the reduced amounts of time needed by government agencies to process the files, and a certain degree of transparency in the collection of administrative fees. Reform through the OSS mechanism does not require relevant government agencies to fundamentally redefine their functions or work procedures. Redefining functions and restructuring the work process within the government system are, in the short run, the foundations for the simplification of service delivery procedures for citizens as “clients”, as well as for promoting the attitude of the government as the enabler for development. In the long run, the linkage
between procedural reform and organizational reform helps clarify the role of the state and its public administration.

Linkage between Procedural Reform and Institutional Reform

It is generally acknowledged that Viet Nam’s current legal framework has a number of crucial limitations, ranging from operational impracticality and lack of clarity, to overlapping procedures - symptoms that generate administrative procedural bottlenecks. In the area of business development, at the national level, the report on the two-year implementation of the Law on Enterprises and Investment points out that there remain overlapping, divergent, and contradictory areas in the content of the Law on Investment, the Law on Construction, the Land Law, the Law on Environment, and the Law on Real Estate Business. The legal incoherence focuses on the concept and form of investment projects; documentary requirements; agencies responsible for handling procedures and for state management; and the criteria for approval. In addition, a number of stipulations in the Law on Enterprises and the Law on Investment, as well as implementing documents, remain unclear. At the local level, the report observes that provincial-level people’s committees promulgated separate regulations on various laws leading to differences in the required processes and procedures, especially in the area of construction investment¹.

There are also objective local variations among provinces in different regions. In the land management area, in provinces in the Red River Delta, for example, families own a large number of separate fragments of land as divided up after decollectivisation. Local authorities are confronted with the question whether families should be granted a certificate for each segment of land, whether they should be able to register all segments of land in one certificate, or whether they should be able to choose the number of segments per certificate. In addition, there are problems related to compensation for land

¹. See “Summary of Assessment Report”.
clearance owing to the price framework for agricultural land. In rural provinces, the price of agricultural land increases only when local governments allow a change in its use purposes. The question is whether when compensating, in addition to the agricultural prices allowed, the local government should also cover the difference shown when the land-use rights are changed to non-agricultural purposes to make it easier for farmers to accept the transfer of agricultural land for industrial development purposes. These detailed practical questions all need answering for the handling of land-related administrative procedures to be effective.1

In practice, it is unfortunate that the reform of administrative procedures and the institutional reform process seem to have been carried out separately. The lack of connectedness between the two reform elements limits the effectiveness of procedural simplification carried out through the OSS mechanism.

2.2. Organizational Reform and Economic Development Implications

Under central planning, the structural organization of the government corresponded with the development of economic production sectors. Each government agency was responsible for formulating sector economic policies, directly managing sector and state-owned enterprises and production units, overseeing production activities, and guaranteeing distribution. This comprehensive role was buttressed by the concept “owning unit’s rights”, or chu quan. The Doi moi reform called for a

1. These thoughts are expressed in a report from Vinh Phuc’s Department of Natural Resources and Environment. Nevertheless, they can be considered representative of many Red River Delta provinces. In Vinh Phuc, there are families who reportedly have 54 segments of land; the average number of land segments is 10. See “Report on the Three-Year Implementation (2006-2008) of the PAR for the Period 2006-2010”. Department of Natural Resources and Environment of Vinh Phuc, 28 November 2008.
change in the traditional role of the state, separating economic management and public service delivery from state management functions while strengthening the management capacity of the public administration sector.

The assessment report on the two-year implementation of the Law on Enterprises and the Law on Investment points out that the exercise of state ownership rights based on the concept of chu quan, inherited from the central planning period, has changed slowly. Despite the stipulations in Clause 168 of the Law on Enterprises, the new mechanism to exercise state ownership has not been applied (see Box 1.2). In the areas of the separation of public services from state management, in the 2000s, there have been moves to apply varying financial mechanisms to state-run public service delivery units. Decree No. 43/ND-CP on decentralization granted public service delivery units autonomy in deciding their own functions, the salary for their staff members, staff sizes and organization. The Law on Cadres and Civil Servants passed by the National Assembly in 2008 separates public service delivery professionals from civil servants. Those excluded from the category of “civil servants” include professionals working in education, health care, research, information technology, culture and the arts, and sports. Those working in public service units are considered civil servants if they are recruited and appointed to leadership positions. Finally, the Vietnamese government has also promoted the socialization of services, allowing the private and the civil society sectors to take part in the provision of services.

**BOX 1.2: Separation of Economic Management from State Management: Reform Directions, Practice, and Impact on Economic Development**

The separation of economic management from state management requires the reconfiguration of the concept and practice of “chu quan” itself involving the process of determining how to use state capital efficiently and the reform of state enterprises through privatization and corporation. The Law on Enterprises of 2005 stipulates that
the state will exercise ownership rights over capital only in its capacity as investor. In 2005, the State Corporation for Investment Capital (SCIC) was set up to function as the representative of state capital in state-owned enterprises (SOEs). At the end of 2008, the SCIC reportedly managed only 832 SOEs with total registered capital of 7,546 billion VND; a relatively small figure in comparison with the total size of state capital. Major state corporations have not been placed under the management authority of SCIC. Many ministries, including the Ministries of Construction, Transportation, Trade and Industry and Agriculture and Rural Development, still manage a large number of state enterprises. Why has this reform process been so slow? On the strategic side, the Party-State has not clarified its goals in investing state capital in SOEs as well its priority investment areas. There is an argument that state capital should have been used to improve public services and infrastructure and to tackle the rising income differentiation among regions, instead of to promote the production of steel and cement, or ship building as is currently the case. On the management side, owning ministries, sectors, and localities have not changed their method of managing SOEs. Although many SOEs have changed their status into limited or shared holding companies, “owning units” exercise their authority through the appointment of the SOE director.

The slow reform process has had a crucial impact on economic development. Public administration units are still heavily involved in economic management. Ministries, sectors, and localities formulate development master plans that are presented to the Prime Minister. But SOE involvement in the process has unavoidably created a national economic policy in favour of the state sector. A close relationship between owning units and SOEs has fostered discriminatory practices against both the private sector and other SOE sectors. Owning units’ intervention in the management of SOEs has had a negative impact on the reform of the SOEs themselves. To solve this problem, there is a need to clarify the role of the state in economic development, especially the areas where state investment may concentrate. There is also a need to clarify the role of the state economic sector in the process of redefining the relationship between SOEs and owning units. Increasing the SCIC’s authority in handling general corporations and conglomerates, as well as placing it under the government, will help buttress the reform process. Finally, there is also a need to eliminate administrative intervention in SOEs’ economic production activities.

In 2007, issues related to police and military involvement in business activities were discussed in public. Commentators considered these sectors’ business activities...
involvement inappropriate as business involvement may compromises the police and the military’s integrity. The Resolution of the Fourth Plenum of the Central Committee that met in 2007 (Congress Xth) prohibited the security and military forces from getting involved in businesses.

Attempts to separate economic management from state management can be seen in the legal documents on the duties of civil servants and the need to avoid conflicts of interest. The separation of economic management functions from state management functions will provide a fertile ground for reform of the public administration.

Parallel with the separation of economic management and public service delivery from state management functions, the PAR MP buttresses the state management capacity through its organizational reform measures. The reform’s emphasis, as elaborated in Resolution 53, consists of four areas: organizational restructuring; redefinition of tasks and responsibilities; development of mechanisms for delegation (uy quyền); and improvement of the work process and job descriptions. The two key policies that have been carried out are re-structuring of the central ministries and their specialized units along multi-sector and multi-functional lines, in addition to state management decentralization.

2.2.1. Overview of Organizational Restructuring

Multi-Sector and Multi-Functional Models for Ministries

The PAR MP advocates the concept of multi-sector and multi-functional models for ministries. Yet, this concept is not altogether new; the process of forming multi-sector, multi-functional ministries began at the dawn of Doi moi in 1986. The model is aimed at reducing the number of “intermediaries” (dau moi), that is, the number of administrative units as well as the number of civil servants in leadership positions, to re-divide labour within the unit, and to concentrate the work place. Government researchers argue that the concept will serve to qualitatively transform ministerial organization, personnel structure, the division of responsibilities
and operational methods\textsuperscript{1}.

In the 1990s and 2000s, Viet Nam’s ministries were merged, the total number of ministries and ministerial-level agencies being reduced from 26 in 2002 to 22 in 2007\textsuperscript{2}. A number of key ministries underwent this restructuring process. The current Ministry of Planning and Investment, for example, is the result of the reorganization of the State Planning Commission and the investment and assistance cooperation sector, formerly under the jurisdiction of the old Ministry of Foreign Economics. Later, the General Bureau of Statistics was added to the Ministry. The Ministry of Agriculture and Rural Development (MARD) is the result of a series of mergers throughout the 1980s, 1990s and 2000s\textsuperscript{3}. The most recent merger of ministries in accordance with the multi-sector and multi-functional concept in 2007 created a new structure of six ministries: the Ministry of Trade and Industry; Ministry of Agriculture and Rural Development; Ministry of Culture, Sports, and Tourism; Ministry of Information and Communication; Ministry of Health; and Ministry of Labour, War Invalids, and Social Affairs. The Committee for Population, Family, and Children was dissolved, its units being transferred to the Ministry of Health, the Ministry of Culture, Sports and Tourism, and the Ministry of Labour, War Invalids, and Social Affairs\textsuperscript{4}.

The reorganization of the central government was followed by the restructuring of specialized departments and offices at the province and

\footnotesize

2. The number of agencies under the Government was reduced from 13 in 2002 to 8 in 2007.


4. For detailed legal documents, see information published in Vietnamese Government, Local Governments.
district levels respectively. Between 2000 and the present, the local government system underwent two waves of structural reorganization, the first based on Decree No. 171/2004/ND-CP and Decree No. 172/2004/ND-CP of September 29, 2004, and the second on Decree No. 13/2008/ND-CP and Decree No. 14/2008/ND-CP of February 4, 2008. Decree No. 13/2008/ND-CP restructured provincial departments following the merger of ministries at the central level; the provincial departments consist of compulsory and optional units. Provinces are allowed to add additional public administration units if they meet stipulated criteria. Decree 14/2008/ND-CP also restructures district-level offices along the lines of a multi-sector, multi-functional model, but also highlights differences in rural and urban governance.

As part of the attempt to strengthen the system of local government, the Party-State also emphasized the need to strengthen the grassroots-level administration. The Resolution of the Fifth Plenum of the Central Committee (Congress IXth) emphasized the reform of the grassroots-level administration in the following five areas: clarification of the functions of the grassroots-level unit, including redefining the basic government role in the budgetary process, land administration, household registration, management of investment projects, and tax collection; the structural organization of the People’s Councils and People’s Committees, and training of personnel; allocation of the budgetary authority of the basic government unit; promotion of grassroots democracy; and change in the leadership style of the upper echelon vis a vis the basic government unit. In the 1990s and 2000s, there was a series of legal documents that aimed at buttressing the position of the commune-level administration. Decree No. 121/2003/ND-CP dated 21 October 2003 of the Government, for example, focuses on the recruitment of full-time civil servants for the commune¹.

State Management Decentralization

¹. Ibid.
In parallel with the reorganization of the central and local government, a move to decentralization has taken place within the state management apparatus. Thang Văn Phúc, former Vice-Minister of Home Affairs and General Secretary of the National-PAR Steering Committee, defines “state management decentralization” as a division of tasks, authorities and duties among government levels in executing state management functions or socio-economic activities. According to him, this move was initially justified by the imperatives of a market economy. In this context, central government cannot manage all socio-economic activities directly; its role should be limited to guiding and creating a legal framework, policies and favourable conditions for development. “State management decentralization” was also driven by the need to rectify the limitations of the existing institutional arrangements. Although some tasks were delegated, final approval from the centre was still required; many line ministries were still in charge of providing public services, an area of responsibility that should have been delegated to the local government level.

Viet Nam does not have a unified legal document addressing the decentralization scheme. Stipulations on central and local governments’ decentralized functions and tasks are generally found in a wide range of legal documents, the most important ones being Government Decree No. 93/ND-CP on state management decentralization in the areas of zone planning and socio-economic development planning, land and housing management, urban infrastructure management, budgetary management, and organization and personnel in Ho Chi Minh City; the Budget Law (2002); the Land Law (2003); the Law on Organization of People’s Councils and People’s Committees (2003); Resolution No. 08/2004/NQ-CP dated 30 June 2004 of the Government on decentralization from the central to provincial/municipal governments; and the Law on Construction (2005). Resolution No. 08/2004/NQ-CP is the only document that contains cross-

---

2. Ibid.
Chapter 1: Public Administration and Economic Development in Viet Nam…

sector content. It outlines the division of responsibilities in six work areas, including land planning, socio-economic planning and investment management; budgetary management; management of land, natural resources, and state property; management of state-owned enterprises; management of income-generating public service units (education, health care, sports, and culture); and (6) personnel management.

In 2006, ministries and sectors reportedly developed their own respective decentralization proposals. State management decentralization unfolded at both the central and local government level. At the central level, it referred to the delegation of management tasks from the Prime Minister to Ministers, and from Ministers to their deputies and senior officials. It also involved the delegation of responsibilities from central to provincial-level government and among local government levels. Overall, the decentralization scheme in management areas such as planning, budgeting and personnel management is uniform nation-wide. The degree of sector decentralization between central and provincial-level government and among different government levels, however, varies from sector to sector. In most of the areas otherwise governed by central government documents, the Provincial-level People’s Committee and People’s Council decide on the scheme for decentralization to lower administrative echelons.

Socio-Economic Planning and Investment

The Vietnamese government uses different types of plans as management tools to reach socio-economic development objectives: strategies and zone plans/master plans to five-year plans, considering five-year planning as the most reliable tool for achieving socio-economic development objectives. In the 1990s and 2000s, the planning process was partially reformed. The Ministry of Planning and Investment (MPI) switched from a purely top-down to a more consultative approach. The MPI issues guidelines on planning that suggest the major content of the plan, while ministries and local governments may determine their planning objectives, specific contents of the plan, and the list of investment programs. There is a consultative process for horizontal coordination among central government agencies and between the MPI
and local governments.\textsuperscript{1} In addition to the changing degree of participation in the planning process, planning reform also focuses on methods and content. The system of targets and indicators has been modified. Most targets are indicative; only two imperative and mandatory targets remain: the state budget and state investment expenditure. Indicators have become more qualitative rather than numerical. Concretely, there has been a shift from growth and macro-economic stability to more social development and poverty reduction indicators.\textsuperscript{2}

In the area of investment, Decree No. 108/2006/ND-CP guiding the implementation of certain clauses of the Law on Investment has decentralized the handling of administrative procedures on investment, and the state management of foreign investment, to the province-level administration and the Management Board of Industrial and Export-Processing Zones. MPI has also delegated decision-making on basic infrastructure investment to this level. Within the local government structure, the Chair of the Province-level People’s Committee, depending on concrete conditions, gives the District-level People’s Committee the authority to allocate the right to determine investment projects within local budgets with capitalization of less than five billion VND, and the Commune-level People’s Committee is given the authority to determine investment projects with a value of less than three billion VND.\textsuperscript{3}

\textsuperscript{1} See, for example, Decree No. 144/2005/ND-CP dated 16 May 2005 regulating coordination work among state management agencies in the formulation and the review of the implementation of the policy, strategy, master plans, and plans) and Prime Minister’s Decision No. 34/2007/QD-TTg dated 12 March 2007 on the promulgation of regulations to set up, organize, and operate sector coordination units.

\textsuperscript{2} See Ngo Thang Loi and Vu Cuong, eds.: \textit{Doi moi cong tac ke hoach hoa trong tien trinh hoai nhap} (Reform of planning in the process of integration), Labour and Society Publishing House, Ha Noi, 2007; and the Central Institute for Economic Management, \textit{Strengthening Coordination between the State Management Agencies Responsible for the Service Sector}, Ha Noi, 2006.

\textsuperscript{3} See Decree No. 16/200/ND-CP dated 7 February 2005 on the management of investments in construction works and projects.
Budgeting

The 2002 Budget Law maintains that both the Ministry of Planning and Investment, and the Ministry of Finance are responsible for budgetary allocations; the former being responsible for investment budgets and the latter for current expenditures. The 2002 Budget Law has also, to some extent, decentralized the budgetary process. Provinces receive block grants. The power to allocate resources rests with Provincial People’s Councils, which decide how much of the money is transferred to the district level. Provincial People’s Committees can set some norms to be followed by districts and communes. Only a few requirements are imposed on local government. Townships and cities under a province must be assigned responsibilities for the construction of public schools, lighting, water supply and sewage, urban traffic, and other public infrastructure. Local governments are mandated to spend on education and training in line with the spending on these items in the total state budget. The central government still retains the authority to introduce new taxes and regulate use fees. Provinces can borrow, but only in domestic markets. The resources raised can only be used to finance capital expenditures, and only for projects which are approved by the People’s Council. A province’s stock of outstanding debt cannot exceed 30% of its annual budget. This limit does not include contingent liabilities associated with the debts of provincially-owned SOEs

Recruitment and Retraining

Recruitment and training continues to be centralized. The Ministry of Home Affairs (MOHA) determines the civil servant staff size in public administration units at the national and local levels, while provinces and municipalities are allowed to determine the size of the professional staff

1. This section benefits from Viet Nam Development Report, 2005 which succinctly captures the spirit of the 2002 Budget Law. For a detailed analysis, see Le Chi Mai, Phan cap ngan sach cho chinh quyen dia phuong: Thuc trang va giai phap (Budgetary Decentralization to the Local Government: Situation and Solutions), National Political Publishing House, Ha Noi, 2006.
working in service delivery sectors such as education and health care.\textsuperscript{1} MOHA has allocated to the Ministries, and the Provincial-level People’s Committee, the responsibility for managing the recruitment of public officials and civil servants. The Department of Home Affairs oversees the recruiting of administrative staff, while recruiting of people to work in public service delivery agencies, mainly education and health, has been decentralized to provincial departments, districts, and towns. All recruiting follows regulations stipulated by MOHA.\textsuperscript{2} Training and retraining as well as performance evaluation of officials follow centrally-stipulated regulations.

2.2.2. Results and Limitations

Assessing results and limitations in the area of organizational reform is not easy. While official documents on the implementation of the PAR MP often mention positive results of the OSS mechanism, few focus on

\footnotesize{1} On the management of staffing, see Government Decree 71/2003/ND-CP dated 19 June 2003 on decentralization of the management of administrative and professional staffing.

the impact of organizational restructuring on the performance of public administration, or link changing the organizational structure with economic performance. This chapter relies on preliminary surveys of government officials’ opinions, and the opinions of “PAR-clients” to assess the impact of organizational restructuring on the performance of the public administration.

A preliminary survey of government officials’ opinions of the effectiveness and efficiency of the local government apparatus provides some insight into the strengths and weaknesses of the current public administration system. Table 6 compares opinions gathered from officials in Cao Bang and Binh Duong related to three aspects of state management: adaptation of plans for a market economy and integration; basic aspects of financial effectiveness; and internal operational management. Binh Duong is considered a successful province that ranked in first position on the Viet Nam Provincial Competitive Index in 2007, while Cao Bang is a developing province located in a remote mountainous area that ranks in the sixty-second position. There are both differences and similarities in officials’ opinions. Binh Duong officials assess the local public administration performance as ranging between “very good” to “average.” The majority of interviewees rate Binh Duong’s capacity to learn lessons from neighbouring provinces as “very good.” Cao Bằng officials do not rate any aspect of the capacity as “very good” and have a wider range of opinions, from “good” to “very poor.” Nevertheless, in both provinces, a majority rating falls under the category of “average.”
TABLE 1.6: A Preliminary Survey of Officials’ Opinions on the Effectiveness of the Local Public Administration (Binh Duong and Cao Bang)

<table>
<thead>
<tr>
<th></th>
<th>Very poor</th>
<th>Poor</th>
<th>Average</th>
<th>Good</th>
<th>Very good</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Binh Duong</td>
<td>Cao Bang</td>
<td>Binh Duong</td>
<td>Cao Bang</td>
<td>Binh Duong</td>
</tr>
<tr>
<td>Capacity to adapt to changes for a market economy and requirements for integration</td>
<td>9</td>
<td>24</td>
<td>25</td>
<td>35</td>
<td>75</td>
</tr>
<tr>
<td>Learning experiences and lessons from neighbouring provinces</td>
<td>8</td>
<td>21</td>
<td>50</td>
<td>28</td>
<td>50</td>
</tr>
<tr>
<td>Timely modifications and adjustments of development plans when there are changes at national or international level</td>
<td>15</td>
<td>25</td>
<td>50</td>
<td>33</td>
<td>25</td>
</tr>
<tr>
<td>Financial effectiveness and efficiency</td>
<td>1</td>
<td>21</td>
<td>50</td>
<td>43</td>
<td>50</td>
</tr>
<tr>
<td>Capacity to seek sources of revenue</td>
<td>0</td>
<td>13</td>
<td>50</td>
<td>47</td>
<td>25</td>
</tr>
<tr>
<td>Capacity to collect taxes</td>
<td>2</td>
<td>18</td>
<td>75</td>
<td>43</td>
<td>25</td>
</tr>
<tr>
<td>Effectiveness and efficiency of tax collection</td>
<td>3</td>
<td>14</td>
<td>50</td>
<td>47</td>
<td>50</td>
</tr>
<tr>
<td>Internal operational management</td>
<td>2</td>
<td>18</td>
<td>75</td>
<td>43</td>
<td>25</td>
</tr>
<tr>
<td>Capacity to carry out work and to formulate</td>
<td>3</td>
<td>14</td>
<td>50</td>
<td>47</td>
<td>50</td>
</tr>
</tbody>
</table>
Table 1.7 compares local officials’ opinions on the effectiveness and efficiency of selected areas of service delivery. There are both similarities and differences between the two provinces. In Binh Duong, a majority rating of “good” (75%) goes to the road and transportation system, market places, and electricity, while in Cao Bang, a majority is “poor”, “average”, and “average” respectively. Overall, there is a consensus in both provinces that a performance gap remains in the area of service delivery. At the national level, the 2008 VPCI survey shows that poor infrastructure has affected performance for 71% of businesses, and almost all businesses surveyed complained about the electricity cuts that occurred throughout the year.¹

---

¹. See “Missing the Mark: Provincial Competitive Index Sags,” p. 57.
TABLE 1.7: A Preliminary Survey of Officials’ Opinions on the Effectiveness of the Local Public Administration in Providing Selected Services (Binh Duong and Cao Bang)

<table>
<thead>
<tr>
<th>Service</th>
<th>Very poor</th>
<th>Poor</th>
<th>Average</th>
<th>Good</th>
<th>Very good</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adequate provision of gardens and playgrounds in urban centres</td>
<td>24</td>
<td>25</td>
<td>32</td>
<td>50</td>
<td>23</td>
</tr>
<tr>
<td>Development of roads and transport routes</td>
<td>15</td>
<td>38</td>
<td>25</td>
<td>32</td>
<td>75</td>
</tr>
<tr>
<td>Garbage collection</td>
<td>11</td>
<td>27</td>
<td>75</td>
<td>43</td>
<td>25</td>
</tr>
<tr>
<td>Treatment of waste water</td>
<td>25</td>
<td>28</td>
<td>28</td>
<td>75</td>
<td>14</td>
</tr>
<tr>
<td>Provision of market places</td>
<td>7</td>
<td>18</td>
<td>25</td>
<td>37</td>
<td>75</td>
</tr>
<tr>
<td>Provision of slaughterhouses</td>
<td>29</td>
<td>50</td>
<td>18</td>
<td>50</td>
<td>11</td>
</tr>
<tr>
<td>Provision of electricity</td>
<td>2</td>
<td>17</td>
<td>25</td>
<td>45</td>
<td>75</td>
</tr>
<tr>
<td>Providing and maintaining environmental sanitation</td>
<td>16</td>
<td>25</td>
<td>20</td>
<td>75</td>
<td>33</td>
</tr>
</tbody>
</table>

Source: The information from this Table is drawn from Thaveeporn Vasavakul’s database on decentralization in Cao Bang.

Further systematic monitoring of how the PAR has improved the effectiveness and efficiency of the central and local public administration system has to be carried out. Based on information gathered from interviews, official reports, and comparative investigation, it is possible to identify key problems related to Viet Nam’s organizational reform program that may have created a performance gap. These problems include the need for strengthening the role of the leading economic development agencies at both the central and local level; the need for strengthening coordination among sectors and levels responsible for
economic development issues; further promotion of organizational flexibility; the design of a systematic decentralization scheme; and the development of services to support economic development.

Towards a Leading Agency for Economic Development Planning

Detailed empirical studies of comparative public administration systems show various organizational and human resource development models that support economic development planning. At one extreme, East Asian countries have developed a leading unit responsible for development planning: Japan’s Ministry of Trade and Industry, South Korea’s Economic Planning Board, and Taiwan’s Council for Economic Planning and Development. These public administration units served as economic driving forces; their autonomy was derived from a combination of organizational and personnel management factors. For example, Japan’s Ministry of Trade and Industry was organized into two types of bureaus overseeing the economy as a whole and overseeing particular sectors, a system that provided internal checks and balances against particular interests.¹ In the area of personnel management, the case of Singapore is exemplary as the recruiting of civil servants working for leading economic agencies began with the identification of talents at the high school level; they would then receive financial support for further study at prestigious universities abroad before returning to serve at the agencies.² At the other extreme, at the state government level, the state of Florida in the United States has reorganized its Department of Commerce into a non-profit organization to promote state-wide business development activities. Sub-state local governments in Florida have developed various public-funded or non-profit organizations to coordinate local and regional economic development activities. The trend of the late 20th and the early 21st centuries, according to public administration specialists, is toward public-

¹. Johnson, “Political Institutions and Economic Performance.”
private partnerships that combine pro-business attitudes, with highly professional and technical abilities1.

For Viet Nam, as of 2008, there has been a lack of leading economic agencies as found in the “early developers” such as Japan, Taiwan, South Korea, or Singapore; let alone more innovative forms of non-profit organization or public-private cooperation as along the Florida model. In terms of structural organization, there are no separate government or non-government agencies with elevated status providing overall direction for economic development affairs2. Will the multi-sector and multi-functional ministry model give rise to leading ministries, leadership by provincial departments, or leading district offices in charge of fostering a more sector-integrated development policy? As of 2008, the impact of multi-sector, multi-functional ministries and their specialized agencies remains unclear. Box 1.3 provides an overview of the process of the merger of the Ministry of Marine Products and the Ministry of Agriculture and Rural Development in 2007 as well as results from a preliminary field study on the impact of the merger on policy and planning work. The study of the two-year implementation period indicates that the concept of the multi-sector and multi-functional ministry has not been fully concretized. It does not guarantee a reduction in the number of administrative units. Neither does it bring about a clear reduction in staff sizes. In the area of policy and planning, there is no clear indication of mechanisms for an integrated rural development policy.

Each ministry, including the newly-merged ones, consists of three types of sub-units. The first includes general advisory units such as the Office, the Departments of Personnel, Planning and Finance, Legal Affairs, International Relations, and the Inspectorate. The second includes specialized units organized as bureaus (cuc)3 and general


2. There are some minor variations. For example, the ways in which the Bureau (cuc) and General Bureau (tong cuc) of MARD are organized are somewhat different.

3. “Cuc” is sometimes translated as “agency” by the Vietnamese. For example, the Agency for Small and Medium Size Enterprises (Cuc Doanh nghiep vua va nho)
bureaus, the two being differentiated by their level of specialization and scope. The third includes public service units such as research agencies, information technology centres, newspapers, and publishing houses. In the area of function, Decision No. 178/2007/ND-CP confirms the economic development role of all ministries; each ministry and its specialized units at the provincial level develop sector development strategies and both long-term and short-term plans\(^1\). This endorsement is the case despite a call for the separation of economic management from state management (see Box 1.2). The Ministry of Planning and Investment and its local specialized provincial departments play an important role in coordinating and compiling plans\(^2\).

Secondly, in Viet Nam all ministries consist of sub-units providing public services that serve as inputs for development. The Ministry of Agriculture and Rural Development provides a wide range of services to farmers, who number around 60 million people or 78% of the total population. MARD includes a system of 36 research institutes with attached to the Ministry of Planning and Investment.


2. For another example, at the local level, Binh Duong’s Department of Trade and Industry listed its development activities to include master plans and short-term planning related to the development of specific sectors, for example, the plan for industrial development, 2006-2020; the development plan for the province’s spearhead products until 2020; a proposal for the development of domestic markets for the period 2007-2015 and further guidelines until 2020; a development plan for the province’s key export products until 2010; a program for the development of electronic commerce until 2010, a plan for the development of networks for markets, supermarkets and trading centers; a plan for the development of electricity; a proposal for the implementation of an information center to provide support for enterprises; a proposal for solutions to improve the quality of trade promotion for the period 2008-2015; and a program for the promotion of industry in Binh Duong for the period 2008-2012. In addition, the Department assists enterprises with investments, exploiting the market and raising their competitiveness.
over 100 sub-units. Extensions are carried out by the National Centre for Extensions, which is responsible for promulgation of mechanisms for extension. There are services provided in the veterinary area and food protection, organized from the central to the grassroots level. The Ministry of Labour, War Invalids, and Social Affairs includes a unit in charge of vocational training and job creation. It also oversees the implementation of key national target programs, particularly those related to poverty alleviation. Since 2000, a number of new specialized agencies directly responsible for economic development services have been set up. For example, the Agency for Investment and the Agency for Small and Medium Size Enterprises were set up under the Ministry of Planning and Investment. The Agency for Trade Promotion was set up under the Ministry of Trade (now the Ministry of Industry and Trade). Under the newly merged Ministry of Industry and Trade are the Agencies for the Management of Competition, Market Management, Safety Technology, and Industrial Environment.

**Strengthening of Internal Organizational Coherence**

Although the two processes of reorganization of the central ministries along multi-sector and multi-functional lines and the redefinition of functions under the rubric of state management decentralization have unfolded in parallel, the two reform measures do not have a clear conceptual or implemental linkage. Neither is there a clear link between organizational restructuring at the central, provincial, and district level, and the reform of the commune-level administration.
Prior to the merger of the Ministry of Marine Products and the Ministry of Agriculture and Rural Development, the two ministries together had 31 state management units consisting of 13 departments (vu), two ministerial offices, two ministerial inspectorate units, and 12 specialized state management bureaus (cuc). The two ministries also had under their jurisdiction a total of 14 public service delivery units consisting of five centres, two periodicals, two newspapers, and five research and planning institutes. The newly-merged MARD has a total of 22 advisory units, a reduction of 9 and an increase of one, i.e., the Bureau for Raising Marine Products. The number of MARD’s public service delivery units decreased from 14 to five. MARD, in coordination with MOHA, issued Inter-ministerial Circular No. 61/2008/TTLT-BNN-BNV dated May 15, 2008, to provide guidelines on the functions and responsibilities of its specialized agencies at the provincial and district level based on Decrees 13 and 14, as well as to guide the organization of the sector at the grassroots administrative level.

MARD’s Organizational Restructuring and Implications for Policy Making and Planning

A preliminary review of the reform implementation process indicates that organizational restructuring has not yet extended to the formulation of an integrated rural development policy. Although assigned to take charge of planning, the Department of Planning does not take the lead in formulating a strategic framework for the entire agricultural and rural development sector. The Department’s main task is to compile plans prepared individually by MARD’s departments and bureaus. Within the Department of Planning itself, the planning work is decentralized to its seven sub-units, a result of the merger of the planning units of previous ministries. The Administrative Unit is responsible for the management of land used by units under the management jurisdiction of the Ministry. The General Affairs Unit compiles strategies, master plans, and long and short-term plans for the entire sector, national target programs, and other

---

1. Based on MARD’s reports.
compilation work as assigned; it handles statistics, and monitors public service agencies in the sector. The Agricultural Planning Unit is responsible for planning and investment for the agricultural sector, managing the SOEs’ plans as well as reforming the SOEs, and guidance on how to balance sector materials, equipment, and commodities on the one hand, and national reserves on the other. The Forestry Planning Unit carries out planning for forestry, the Irrigation Unit focuses on irrigation planning and investment, and the Marine Products Unit on planning and investment related to marine products. The Southern Planning Unit follows planning and development activities in the Mekong Delta and the Southeastern Region, as well as managing MARD-funded projects in these regions. This organizational arrangement does not facilitate the development of a real multi-sector, multi-functional ministry whose fundamental drive is to create a macro management unit. In the future, when professional relationships inherited from the pre-merger period have gradually disappeared due to retirement, the effectiveness of the planning unit will rely entirely on how its staff members can work with specialized bureaus.  

Finally, there are overlapping functions between the planning department and the Bureau of Cooperatives and Rural Development, between the Department of Planning, the Bureau of Planting, the Bureau of Livestock, and the Bureau of Marine Products, between the Department of Planning and the Bureau of Construction Project Management, and between the Department of Planning and the Ministry’s Center for Information Technology and Statistics.

The key question related to organizational reform measures centers on how to apply the multi-sector and multi-functional concept at the central and local administration level. The PAR measures require the merger of local specialized agencies to correspond to the central model, with only slight variations. This organizational restructuring has helped

1. See Decision 08/2008/QD-BNN dated 28 January 2008 detailing the functions, tasks, authority and structure of the Department of Planning as the Working Regulations for the Department issued by the Department Head.
foster some degree of uniformity nation-wide. Similarly, at the local level, there is also general recognition that the restructuring has helped reduce the number of “intermediaries”, that is, leadership positions, which in the long run will facilitate management and coordination within the sector. Yet, the merger does not necessarily bring about a reduction in the total number of sub-administrative units\(^1\). Experiences of the merger up to 2005 indicate that the number of units under the central ministry, the provincial department, and the district office increased, despite the reduction in the central ministries. Also, at the local level, a reduction of intermediaries did not result in a reduction in total staff sizes\(^2\). The comparison presented in Tables 1.6 and 1.7 indicates that the reorganization of specialized offices at the district level following the merger of central ministries, in the case of Phong Điền District, does not necessarily bring about a reduction in staff sizes. In addition, from macro and comparative perspectives, the need for organizational and personnel development at the local level likely varies from province to province depending on the socio-economic development strategy, changing socio-economic needs, and the changing role of the local public administration itself. Box 1.4 summarizes Vinh Phuc’s experiences of the organizational restructuring, which confirms the discussion in this section.

---

2. Interview with MARD officials, Hanoi, October 2008. See also Tables 7 and 8.
After restructuring, Vinh Phuc has a total of 19 specialized units under the Provincial People’s Committee, excluding the Management Boards of Industrial Zones and the Office of the Provincial National Assembly Deputies and the People’s Councils. The number of reductions is five. After restructuring, the District-Level People’s Committee had 12 units, a small reduction from 13-14. Vinh Phuc identifies a number of problems. First, the reduction in the number of specialized agencies at the provincial and district level does not lead to a reduction in staff sizes. As a matter of fact, staff sizes have increased. Secondly, restructuring has increased the number of department deputies to five, while the existing inter-ministerial guidelines only allow a maximum of three. Having a large number of department deputies will in the medium term affect promotion prospects for staff members who are qualified for leadership positions. Thirdly, central instructions related to certain organizational aspects are not always adequate. A number of departments, including the Department of Finance and the Department of Legal Affairs, have not received guiding circulars, leading to some delay in the implementation of their routines. A number of central guidelines are unclear, particularly with regard to the District’s Health Office and the District-level Health Center and Hospitals. The transfer of the Commune-level health station to the district-level Health Center goes against Clause 102 of the Law on People’s Committees and People’s Councils (2003), which assigns the District People’s Committee to manage health centers. The dissolution of the Committee on Population, the Family and Children at the District level, to form the Center for Population and Family Planning under the Local Bureau of Population and Family, did not proceed as smoothly as expected.

Need for the Strengthening of Coordination among Sectors and Levels on Plan Formulation and Implementation

The lack of a government agency serving as the lead economic agency means that the system’s emphasis has to go to coordination, both at the central and local level. Nationwide, the PAR MP’s Action Plan 7 consists of

---

1. Based on the Team’s communication with Vinh Phuc.
2. See CIEM: “Strengthening Coordination between the State Management Agencies Responsible for the Service Sector.”
measures to strengthen coordination among different government agencies. Existing legal documents require the setting up of a drafting team, comprising members of relevant departments or units, to draft a sector development strategy. In practice, nevertheless, studies of inter-sector and inter-level coordination argue that coordination is not effective. Most central agencies prepare their sector development plans without consulting other ministries/agencies. Line ministries do not work together to discuss the prioritization of development objectives and to assess the importance of national programs in achieving their objectives. At the provincial level, departments also similarly prepare plans without consulting other departments. Each department focuses on getting as much as possible from the state budget for its own sector, despite the fact that other sectors can sometimes help achieve shared cross-sector objectives. The lack of coordination has led to inefficient use of resources, contradictory planning within the government apparatus, and bottlenecks in implementation.

Furthermore, at the implementation level, there is no action plan in the national Socio-Economic Development Plan and sector development strategies where the concrete actions for achieving the goals and objectives outlined in their strategies are identified. At the local level, all three administrative levels develop their own annual socio-economic development plans. However, these plans have not become effective management tools.

1. According to the survey’s findings, all ministries/agencies have practiced coordination with others in the process of formulating sector development strategies and plans. A majority of respondents (68.7%) thought that this coordination was useful to their work. Such coordination was done through meetings, seminars, workshops, and official comments in writing. Internal coordination between departments/units in a ministry/agency is achieved in similar ways, including through a drafting team. The setting up of joint drafting teams is the most common method for coordination in setting sector development strategies and plans. According to most respondents (81.3%), it was not easy to ensure coordination because of unclear regulations, low capacity, and a lack of willingness. About one-fifth (16.4%) did not know whether there were regulations for coordination. Ibid.

2. This observation is based on interviews with central ministries and provinces as well as a review of the existing literature on planning collected from various administrative levels.
Coordination and Improvement of Government-Run Public Services

Public service delivery plays an important role in buttressing the national and local development strategy. Despite a large number of government-affiliated agencies and research projects, the existing literature and reports comment on the lack of consistency in the use of research findings as the basis for policy formulation and implementation. A large number of services provided lack coordination and are not always responsive to the needs of service users. The VPCI survey in 2008 indicated that only 18.5% of businesses surveyed were satisfied with the quality of the labor force. And in reality, few of the local vocational training centres have a mechanism to solicit inputs from businesses. For rural development, there are limitations associated with agricultural extension services.

The relationship between the public administration and economic development is relatively significant. The Vietnamese government has formulated a comprehensive national target program for poverty alleviation for the years 2001-2005 and 2006-2010. Although Viet Nam’s success in poverty reduction is well-documented, under the rubric of the public administration and economic development, it is possible to argue that different regions may require different strategies for poverty reduction, and hence different emphases on the role of the public administration. For areas that have economic potential, government agencies may advocate poverty reduction through improving infrastructure and developing new income possibilities. For areas in many central coastal areas that have poor soil and an unfavourable climate,

1. See “Missing the Mark: Provincial Competitive Index Sags”, p. 57.
2. For useful literature on Viet Nam’s national target program on poverty reduction, see Nguyen The Dung: “Capacity Assessment for Viet Nam’s National Target Program for Hunger Eradication and Poverty Reduction,” VIE/97/017-Strengthening capacity to support the National Target Program for Hunger Eradication and Poverty Alleviation; Socialist Republic of Viet Nam, Comprehensive Poverty Reduction and Growth Strategy (CPRGS) (Ha Noi, November 2003); and MOLISA and UNDP, Taking Stock, Planning Ahead: Evaluation of the National Targeted Program on Hunger Eradication and Poverty Reduction and Program 135 (Ha Noi, Viet Nam, November 2004).
public administration agencies will have to improve disaster management mechanisms and extensions, promote access to markets and build a well-educated population to exploit agriculture markets. In areas with a large number of poor people and land shortages, growth may come from the improvement of productivity through sophisticated innovation and from the expansion of off-farm employment opportunities. In sum, there are various conditions of poverty, and in addition to the government-funded services to the poor, Viet Nam will need the local public administration to execute different strategies and plans to promote pro-poor growth.

Towards A Systematic Action Plan for Decentralization

Writings on the impact of decentralization on the operation of the public administration are limited. Nor is there discussion on its impact on local economic development. The exception is a research report carried out by a group of local researchers that examines decentralization of the decision-making process on foreign investment in the province. The conclusion focuses on the limitations of the decentralization scheme for investment, characterizing the process as a “race to the bottom”; that is, provinces resorted to illegal incentives to attract investment. The study raises a set of questions related to the implementation of the PAR MP, whether decentralization is desirable and if so, how it should be carried out.

Within the rubric of the PAR MP, there are institutional, organizational, and personnel problems that require attention for decentralization to be effective. From the conceptual point of view, the first problem is that there is no national or local plan that links state management decentralization with two other organizational reform measures that have been carried out, i.e. the move towards the multi-sector and multi-functional ministry concept, and the strengthening of the grassroots-level administration. Secondly, at the local government level, decentralization

of responsibilities has so far focused on the delegation of responsibilities from the central to the provincial level, with only limited responsibilities being delegated to the district and commune level administrations. Third, within the current legal framework, it is unclear which administrative level will serve as the intermediary level to link bottom-up and top-down planning, plan implementation, and plan monitoring - the province or the district, and in which policy area. How much decentralization to the commune is needed, and what type of commune should be at the forefront of decentralization, are not explicitly discussed.

From the implementation point of view, a preliminary review of local documents and interviews indicates that the local governments “exploited” the decentralization framework. Many provincial-level people’s committees have promulgated separate regulations for the Law on Investment as well as the Laws on Land, Construction, Environment, and Mineral Resources, resulting in different processes and procedures for investment in construction in the locality. Many provinces allowed larger amounts of land to be rented to investors, and excessively changed agricultural to industrial land, leading to socio-economic imbalances in the locality. Many provinces accepted investment projects with scope beyond the ability of the locality to clear land or to provide other necessary infrastructure conditions. A preliminary study also shows that the ability of the province to carry out decentralization varies. In many provinces, the key problems are technical and methodological; the decentralized work process lacks coherence; either administrative units continue to duplicate work and certain services remain centralized, or decentralization of management, budgeting, and decision-making are not related, leading to fragmentation in the state management apparatus. In many provinces, local officials’ capacity to carry out the delegated work is limited, leading to delays or inadequate quality. Finally, the system of accountability, either through locally elected bodies or direct popular supervision, is slow in being reformed to ensure that the decentralized local public administration is genuinely responsive to the local community.

Overall, decentralization has not served as a forceful driving force for the pro-activeness and accountability required for local economic development.
Promotion of Competence-Based Training to Support the Organizational Mission

Recruitment of qualified officials is crucial for both the central and local public administration system. At the moment, three key practices can be viewed as disadvantageous. The first practice is the limited number of opportunities for recruiting, especially at the provincial level where recruitment is carried out only once or twice a year by the Department of Home Affairs. The second practice is the application of recruitment criteria and processes that do not necessarily respond to specific administrative units’ needs. At the local level, the ability of a province to attract talent also heavily depends on its location; sources for candidates remain a problem for many remote provinces.1 This problem is exacerbated by the fact that the current training and retraining of civil servants has not yet directly focused on the improvement of civil servants’ practical work-related skills.

2.3. PAR and Local Economic Development

According to the Department of National Accounting, General Statistics Office, in 2008, fifteen provinces and municipalities have GDP per capita above Viet Nam’s middle income threshold of US$1000. They include the following: Ha Noi excluding merged Ha Tay Province (US$2,362), Vinh Phuc (US$1,102), Bac Ninh (US$1,199), Hai Phong (US$1,409), Quang Ninh (US$1,223), Da Nang (US$1,424), Khanh Hoa (US$1,237), Tay Ninh (US$1,230), Binh Duong (US$1,488), Dong Nai (US$1,424), Ba Ria - Vung Tau (US$8,984), Ho Chi Minh City (US$2,667), Long An (US$1,053), Kien Giang (US$1,093), and Can Tho (US$1,487). The evaluation of these fifteen provinces’ competitiveness based on Viet Nam’s Provincial Competitiveness Index scale for 2006 and 2007 shows that the quality of public management of these 15 units based on the VPCI is uneven, ranging from “excellent” to “average.” Only two middle-income provinces, Binh Duong and Da Nang, are ranked “excellent” on the VPIC scale while the rest fall under “high”, “mid-high” and “average”

1. Based on reports from provinces and interviews in 2008.
(Table 1.8). Da Nang is one of the ten best units in the areas of entry costs, transparency, and labour policies, along with Binh Duong in the area of pro-activity and Ho Chi Minh City in the area of private sector development policies. Ha Noi is placed within the worst ten in the area of land access and security of tenure (see Table 1.9).

There is a correlation between good local public administration management practices and economic development. Binh Duong and Da Nang are cases in point. For the other 13 cases, it is possible to argue that if these provinces had applied good management practices and moved up the VPCI ranking, their prospect for economic development achievement and the pace of development would have been improved. It is also possible to argue that there are additional factors contributing to economic development achievements which have not yet been included in the VPCI system.

**TABLE 1.8: The Relationship between Good Governance Practices Based On VPCI Rankings and Middle-Income Status at the US$ 1,000 Threshold**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Excellent</td>
<td>Binh Duong, Da Nang</td>
<td>Binh Duong, Da Nang</td>
</tr>
<tr>
<td>High</td>
<td>Vinh Phuc, Dong Nai, Ho Chi Minh City</td>
<td>Vinh Phuc, Ba Ria - Vung Tau, Dong Nai, Ho Chi Minh City, Can Tho</td>
</tr>
<tr>
<td>Mid-High</td>
<td>Can Tho, Bac Ninh, Ba Ria - Vung Tau, Khanh Hoa</td>
<td>Bac Ninh, Long An, Quang Ninh, Ha Noi</td>
</tr>
<tr>
<td>Average</td>
<td>Quang Ninh, Kien Giang, Ha Noi, Hai Phong, Long An, Tay Ninh</td>
<td>Khanh Hoa, Tay Ninh, Kien Giang, Hai Phong</td>
</tr>
</tbody>
</table>

*Sources: Communication with the Department of National Accounting, GSO; The Viet Nam Provincial Competitiveness Index 2006, p. 10; and The Viet Nam Provincial Competitiveness Index 2007, p. 16.*
TABLE 1.9: The Best Ten and the Worst Ten Units by the Viet Nam Provincial Competitiveness Index Indicators, 2008

<table>
<thead>
<tr>
<th>Good Management Indicators (based on the VPCI system)</th>
<th>Best Ten</th>
<th>Worst Ten</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entry Costs (Business Registration)</td>
<td>Da Nang (9.36)</td>
<td>Bac Giang (6.31)</td>
</tr>
<tr>
<td>Land Access and Security of Tenure</td>
<td>Dong Thap (8.05)</td>
<td>Ha Noi (4.73)</td>
</tr>
<tr>
<td>Transparency</td>
<td>Da Nang (7.92)</td>
<td>Dak Nong (2.00)</td>
</tr>
<tr>
<td>Time Costs of Regulatory Compliance</td>
<td>Binh Phuoc (6.52)</td>
<td>Dien Bien (2.85)</td>
</tr>
<tr>
<td>Informal Changes</td>
<td>Hung Yen (8.30)</td>
<td>Bac Kan (5.70)</td>
</tr>
<tr>
<td>SOEs Bias and Competition Environment</td>
<td>Hau Giang (8.77)</td>
<td>Bac Lieu (5.99)</td>
</tr>
<tr>
<td>Pro-activity</td>
<td>Binh Duong (8.45)</td>
<td>Bac Kan (2.32)</td>
</tr>
<tr>
<td>Private Sector Development Policies</td>
<td>HCM City (6.35)</td>
<td>Bac Lieu (1.40)</td>
</tr>
<tr>
<td>Labor Policies</td>
<td>Da Nang (8.40)</td>
<td>Dien Bien (1.84)</td>
</tr>
<tr>
<td>Legal Institutions</td>
<td>Gia Lai (6.70)</td>
<td>Cao Bang (2.50)</td>
</tr>
</tbody>
</table>


To some extent, the PAR MP reform measures are aimed at developing a framework for a unified national public administration. By 2008, the concept of the OSS and the inter-level, inter-sector OSS had been adopted by the provinces. The organizational structure of the central and local public administration system after restructuring reflects overall uniformity in the maintenance of core administrative units and in the centrally-controlled size of the administrative staff. Although minor variations are allowed based on urban and rural differentiation on the one hand and varying local conditions on the other, the room for organizational and staffing adjustment and innovation is limited. A review of Binh Duong, Thua Thien-Hue and Vinh Phuc sheds some light on the impact of various aspects of the PAR measures on economic development. Conducted field studies have suggested that provincial success is largely determined by how the province takes the initiative within the existing institutional and organizational framework.¹ Four

---

¹ The report emphasizes the linkage between the proactive use of the existing legal framework and a certain degree of economic success; it does not attempt to analyze whether sub-legal documents are “correct” from the perspective of central authorities.
specific factors serve as driving forces for economic development: well-focused economic development planning, reform-oriented organizational and operational arrangements, economic development financing, and leadership support. The three case studies show that while late developing provinces may learn from the good practices of early developers, innovation and the pro-activeness of the public administration are crucial factors.

2.3.1. Binh Duong: The Minimalist State

Separated from Song Be in 1997, Binh Duong currently consists of six rural districts, one district town and 89 communes and wards. The province has developed 27 industrial zones, 23 of which are in operation, ten industrial clusters, and one industry, services and urban zone. There are currently 6,709 investment projects from domestic investors and 1,799 foreign investment projects. Binh Duong has seen a major change in its economic structure. In 1997, the ratios for agriculture, industry, and services were 22.81%, 50.39% and 26.80% respectively. By 2008, the ratio had changed to 5.5%, 64.8% and 29.7% respectively. The province’s average growth rate is 14.8% per year and per capita income increased from 5.8 million VND per year in 1997 to 17.5 million VND per year in 2006.1 Compared with other provinces in Viet Nam, Binh Duong is a success, with income reaching approximately the US$1000 middle-income threshold by 2006, a decade after the split of the province from Song Be.

Binh Duong can be considered a textbook case when it comes to the role of the public administration and economic development. In formulating its long term socio-economic development plan, the province, from the beginning, gave priority to infrastructure with the emphasis going to roads, electricity, and water for industrial zones, using both public and private resources mobilized from the locality, the central government, and the BOT system.

The emphasis on infrastructure went hand in hand with policy openness, which was translated into the concrete working regulations of the provincial party committee, the People’s Council and the People’s Committee at all administrative levels. From the institutional and procedural point of view, Binh Duong started simplifying administrative procedures through the use of the OSS principle comparatively early, entering the reports of the central government as one of the pilot provinces. This was reflected in a clear division of responsibilities between the Management Board of the Industrial Zone and the Department of Planning and Investment, the former coordinating relevant agencies to issue permits for industries within the industrial zones and the latter working with investors outside the zones. In the area of taxation, the simplification of procedures focused on the elimination of registrations for the purchase of a receipt book, and linkage between tax numbers and the purchase of the receipt book. There was also a cross-checking system to prevent collusion between tax officials and enterprises, while disciplining tax officials who caused trouble on duty. Binh Duong was one of the first provinces to allow enterprises to assess their tax payments before the policy was officially endorsed in 2007. In the area of land management, the province’s public administration issued land-use-rights titles, land rent titles and land allocation titles in a timely fashion. The process of land clearing was reported as trouble-free: according to the local officials’ account, the People’s Council discussed and decided on land clearing while local authorities capitalized on the existing legal framework when offering compensation. In the area of trade, the provincial trade department has managed to reduce the processing time for a number of administrative procedures. For example, it reduced the number of processing days for the issuing of business permits for domestic cigarettes, certification for activities in the petrol and explosives industry, the permit for work seals, and issuing permits for setting up a representative office from fifteen days as required by the central Ministry to five days. Finally, inspection work concentrated on one intermediary, that is, the provincial inspectorate, which followed the inspection plan set up at the beginning of the year. In the case of
unplanned inspections, there is a need for approval from the People’s Committee; inspections were only carried out after the enterprise was informed. The results of the inspection were circulated publicly. Binh Duong’s secret for success so far has centered on concentration of resources in infrastructure building, and early moves towards a comprehensive reform of business-related administrative procedures.

Nevertheless, a provincial report identifies a number of “middle-income province” problems that have to be overcome. Businesses still have to deal with complicated administrative procedural problems during the post-registration period, ranging from land allocation regimes, land rental, applications for construction permits, land clearance, and labour recruitment to customs and taxation, many of which do not come under the decision-making jurisdiction of the local government. Secondly, for Binh Duong to progress, there is a need to attract investors from more advanced countries with sophisticated technology. The third imperative is to continue to expand the industrial zone, now concentrated in the southern part of the province next to Ho Chi Minh City, to the north. The fourth is to upgrade the capacity of civil servants in the fields of science and technology, and the fifth is improvement of the service sector. Finally, owing to rapid industrialization, there is a need to rethink how the agricultural and rural development apparatus, confronted by the shrinking agricultural sector, may be reorganized.

The experience of Binh Duong has put forth a number of issues related to the future direction of the PAR for middle-income provinces in particular, and a middle-income country in general.

2.3.2. Vinh Phuc and Thua Thien - Hue: Planning and Organizational Development for Urbanization and Industrialization

Vinh Phuc and Thua Thien - Hue are “late developers” when compared with Binh Duong. Vinh Phuc, located close to Hanoi, is one of the fastest growing provinces in the Red River Delta and, like Binh Duong, has

1. Interviews with local officials, December 2008.
attained middle-income status. Also similar to Binh Duong, Vinh Phuc has embarked on the reform of administrative procedures through the OSS mechanism, considered a key mechanism for attracting investment. Likewise, Vinh Phuc benefited from the industrial expansion spilling over from Ha Noi. Yet, while the agricultural sector in Binh Duong has shrunk, Vinh Phuc remains mostly an agricultural province. How to mainly a balance between industrial and agricultural development is thus a crucial development question.

Information gathered from the field work also indicates the need for more public administration reform so the local public administration can cope with the rapid socio-economic changes arriving with industrialization and urbanization. One of the key issues centers on the environment. In Binh Duong, environmental problems have not yet become critical. According to the information gathered, one of the reasons is that because Binh Duong is located at the sources of the two key rivers providing water supply to the entire area to the south; the province has been restrained from accepting investment projects with potential for environmental damage. In other cities undergoing industrialization and urbanization, environmental problems are potentially critical unless additional “PAR measures” are enacted. In Vinh Phuc, for example, the Province’s Department of Natural Resources and Environment has proposed that the central agencies issue detailed regulations on environmental protection for tourism areas and nature spots; regulations for the handling of solid waste; and preferential treatment for businesses investing in environmental areas such as renewal and the handling of discharges. Regarding organizational reform, the organization of the department follows Inter-ministerial Circular No. 03/2008/TTLT-BTNMT-BNV dated 15 July 2008. Yet, owing to increasing management demand, the local authorities moved to set up two sub-bureaus (chi cuc) under the Department to take charge of land and environment. At the district level, there is a split in the office of natural resources and environment. In the area of personnel, the Department, like those of other provinces, was confronted with the fact that most staff members in its sector had been trained in land
management. At the commune level, there was no staff to follow up on environmental issues.¹

Similar to Binh Duong and Vinh Phuc, Thua Thien - Hue considers the simplification of administrative procedures through the OSS mechanism as the key measure to foster a better investment environment. Different from Binh Duong, however, the province has yet to balance different aspects of its development strategies. Overall, the province has considered the development of the service sector as its priority. Yet, there is a need to balance the priority of the province and those of its districts. Phong Dien District’s socio-economic development plan for the period 2006-2010, for example, prioritizes the development of the industrial sector. How to allocate investment resources that will serve both the province and the district development priorities is crucial.

2.3.3. Public Management Factors and Economic Development: Lessons from the Provinces

A close look at the three provinces sheds some light on the public management factors crucial in promoting local economic development: economic development planning, organizational arrangements, and leadership influence. In Binh Duong all these factors are more or less present, while in Thua Thien - Hue and Vinh Phuc, organizational development factors seem to be the prominent force driving economic development for the moment. The best management practices emerging in Binh Duong include the following:

Well-focused economic development planning with emphasis on infrastructure building
Public-private partnership to support economic development
Operational improvement of one-stop business development centers to coordinate business information
Regulatory improvement to remove flaws and problems linked with

¹. See Decision No. 41/2008/QD-UBND stipulating the position, functions, responsibilities, and authority of the Department of Natural Resources and Environment.
Chapter 1: Public Administration and Economic Development in Viet Nam…

the business development process

Economic development financing, including investment in services related to business development such as improved public infrastructure and facilities

Commitment of the leadership in building consensus within the public administration on the importance of a pro-business attitude and climate

For Binh Duong to sustain and advance its status as a middle-income province, it must necessarily consolidate at least three public management measures. The first is to strengthen the role of the local government in industrial recruiting and rethink the province’s strategy towards the agricultural sector. Based on the redefined role of the local government, provincial reformers need to also consolidate the gains from simplification of the procedures and move towards a comprehensive regulatory reform to create a favourable business environment. Equally important is the local government’s investment in human resources, both within the public and the private sectors. Thua Thien - Hue and Vinh Phuc saw the presence of certain required public management factors. Organizational innovation based on the OSS is recognized as a key driving force. Yet, these late developing provinces could learn from Binh Duong while adapting the good practices found to suit local conditions. To link the local PAR framework with economic development, late developers could experiment with the strengthening of economic development planning, various models of public-private partnership by policy area, organizational redesign for changing economic development purposes, comprehensive simplification of administrative procedures, and investment in public services.

3. Fundamental Challenges and Recommendations for the Short- and Medium-Term

Based on analysis of the current strategy of the PAR MP in section 1 and the reform of administrative procedures and organizational reform, as well as their achievements and limitations in section 2, this section
recaptures the four key challenges addressed and also proposes short and medium term recommendations. It fundamentally recommends that Viet Nam needs to emphasize the development of a more simplified, organizationally diversified, and systematically decentralized public administration capable of accommodating an expanding definition of economic development.

3.1. Challenges and Causes

Challenge 1: The PAR MP framework is inadequate as an instrument for economic development. The causes are that the PAR MP limits its objectives to the reform of the public administration system. It does not spell out clearly the relationship between the PAR and economic development. The implementation of the PAR MP has been decentralized to administrative agencies. There is no systematic national or local cross-sector coordination on plan formulation and plan implementation. The lack of cross-sector consultation makes it difficult to track progress and challenges related to economic development as well as to duplicate good practices.

Challenge 2: The simplification of administrative procedures through the OSS mechanism has met with implementation challenges. Specifically, in relation to business development, although problems related to the entry point for businesses have been solved, a large number of post-business registration procedures have not. Most administrative procedures are interrelated and fundamental to socio-economic development. Limitations in the simplification of administrative procedures stem from the design of the OSS itself, the scope of application of the mot cua lien thong, the weak linkage between the simplification of administrative procedures and the reform of the functions and work processes of relevant agencies, and the inadequate linkage between the simplification of administrative procedures and institutional reform.

Challenge 3: Insufficient Organizational Differentiation and Coordination for Achieving National and Local Economic Development Purposes. The concept of multi-sector, multi-functional ministries, while serving to reduce the number of management intermediaries, does not sufficiently
differentiate different types of local public administration units based on socio-economic development conditions. Coordination among sectors both at the central and local levels on plan formulation and implementation remains limited. Different state-run service sectors do not coordinate well at the national level. At the local level, service providers are not yet adequately linked with users.

**Challenge 4: Decentralization from central to local government and within local government has not brought about the desired economic development impact.** Viet Nam does not have a national and local decentralization action plan. The sector decentralization scheme developed both at the central and local level does not always reflect a good connection between management decentralization, financial decentralization, and decision-making decentralization. In some localities, the capacity of local officials is limited. The process of decentralization is not yet linked with the strengthening of the accountability system (through elected bodies and direct participation). Official mechanisms that link state management agencies with society are not well developed; the level of partnership between state management agencies and civil society organizations varies from locality to locality.

### 3.2. Strategic Direction and Proposed Solutions

**3.2.1. PAR MP framework inadequate as an instrument for economic development**

*Strategic Direction*

From a comparative perspective, Viet Nam is unique for its courage in putting forward a highly comprehensive reform program addressing the key aspects of public administration. This is understandable given Viet Nam’s starting point: the historical legacy of central planning. In other countries, the reform of public administration is not always put forward as a master program but presented in smaller packages under the rubric of regulatory reform, organizational development, human resources development, quality management, and other relevant reform areas. These smaller packages in themselves are aimed at contributing to economic development in different ways. Given Viet Nam’s historical
past, a comprehensive public administration reform program aimed at developing a unified national public administration is necessary. Yet, Vietnamese reformers should also systematically take into account the relationship between the PAR and economic development when designing the PAR program and its short, medium, and long-term activities.

From the strategic point of view, Vietnamese reformers necessarily clarify policies and public management factors crucial for promoting economic development at both the national and local level. This chapter does not examine economic policy issues in detail as the subject falls under the jurisdiction of wide-ranging stakeholders, not just public administration units. To promote the linkage between the public administration and economic development, the PAR program necessarily focuses on the role of state management agencies in economic development planning, the selection of appropriate organizational models for development and the improvement of government operations dealing with economic development, including one-stop business development centers, regulatory improvement to remove flaws and problems linked with the business development process, and economic development evaluations focusing on the issues of accountability and performance. From the implementation point of view, there is a need for a cross-sector and cross-level PAR approach defined by policy areas. In addition, systematic PAR implementation coordination at both the national and local levels will also help reduce duplication and expedite the replication of good practices. Finally, “PAR clients”, both civil servants and socio-economic stakeholders, should participate more in the PAR evaluation process. Self-assessments by public officials, as well as the involvement of the Viet Nam Fatherland Front, mass organizations, and civil society organizations in monitoring the role of the public administration in economic development are desirable.

Proposed solutions

Retain the overall PAR MP program while creating sub-programs
that link public administration reform and economic development, including the following activities:

- Regularly reviewing the changing definition of “economic development” through participatory methods.
- Clarifying the relationship between the public administration and economic development by distinguishing what falls under the jurisdiction of the public administration, and what is outside it.
- Develop an indicator system to assess the impact of PAR measures on the public administration, and the impact of this improvement on economic-related services.
- Set up issue/policy-based task forces to coordinate plan formulation and plan implementation among sectors, with emphasis going to the sequencing of tasks and performance tracking.
- Promote “PAR action research” (that is, regularly carried out and focused research issues with participation from relevant stakeholders) as a measure to fine-tune the PAR implementation process.
- Conduct regular public surveys on various aspects of the role of the public administration and economic development, involving public officials, the Viet Nam Fatherland Front and mass organizations as well as the civil society organizations and elected deputies in the process.
- Apply information technology to building a database on the public administration and economic development.

3.2.2. Simplification of administrative procedures through the OSS mechanism versus implementation challenges

**Strategic Direction**

Viet Nam’s attempts to simplify administrative procedures necessarily involve two concurrent processes, the institutionalization of the concept of the OSS and the strategic linkage of procedural reform with organizational and institutional reform. Regarding the development of
the OSS, it is common for countries implementing procedural reform to emphasize service outputs as the key result of the reform program. The service output indicators have tended to focus on the reduction of costs and the time required for processing procedures. There are three caveats related to the output-oriented approach, however. First is the diversity of “clients” and their needs, which are determined by urban or rural settings, social groups and classes, education levels, and gender factors. Second is the limited impact of the output-oriented approach to organizational change; the emphasis on customer satisfaction does not necessarily bring about any fundamental change in the work processes of the public agencies involved. Third, while the output-based approach may work well in countries where the rule of law has developed and there is a high degree of legal clarity, in countries where the rule of law has yet to be consolidated, the emphasis on service output and customer satisfaction has its limits. For the service output approach adopted to be sustainable, the service provider, that is, the OSS, should be more organizationally diverse, ranging from the application of the concept within specialized departments without having to set up a separate office such as is currently the case, to the setting up of separate service units from specialized public administration units to handle administrative procedures. In addition, the output-oriented approach through the OSS should be linked with reform of the institution in general, and reform of the work processes of relevant agencies in particular.

Regarding the strategic linkage between procedural, organizational, and institutional reform, Viet Nam may consult good practices adopted by developing and developed countries alike. According to Overcoming Barriers to Administrative Simplification Strategies: Guidance for Policy Makers published by the OECD in 2009, there is “no one size fits all” road map for procedural simplification reform. From the strategic planning point of view, administrative simplification policies can be designed either on an ad hoc basis focused on a sector, or on a rather more comprehensive and long term perspective. The strategic plan should follow sequential phases: planning, consultation, design, implementation, and evaluation. In
general, first steps are based on the sector approach, providing outcomes and instruments to continue in other fields and expanding to reach other policy areas. Secondly, because the administrative system is framed by the institutions, policies and tools used by the government, when cutting red tape, these elements have to also be improved.\(^1\) From the technical/implementational point of view, Overcoming Barriers to Administrative Simplification Strategies advises that the key element of a strategy be grouped under three operational/technical areas including simplification of targets, institutional framework, and tools available for administrative simplification.\(^2\)

Based on the analysis in section 2.1, this chapter highlights the need to introduce or consolidate certain simplification measures for short- and medium-term impact with emphasis on the improvement of the OSS and the strategic linkage between procedural, organizational, and institutional reforms.

**Proposed solutions**

1. Diversify the organizational model of the OSS
   - Conduct research to identify possible models for the organization of the OSS at the central and local administrative levels, taking into account the scope of contact with citizens, the rural-urban settings, and the need to further separate state management functions from administrative service delivery functions;
   - Pilot the replacement of the OSS attached to the administrative unit with a city/province-wide OSS and its branches; Apply information technology, aiming for E-administrative services (for information provision, making appointments, payments, tracking applications, etc.) with results returned through the postal service.

---

1. This discussion is drawn from Regulatory Policy Division, Directorate for Public Governance and Territorial Development, Overcoming Barriers to Administrative Simplification Strategies: Guidance for Policy Makers (OECD, 2009).
2. Ibid. p. 17.
2. Conduct compulsory “customer satisfaction” surveys for every government-citizen contact related to administrative procedures
   • Expand the areas of services provided by *mot cua lien thong* and formulate legal documents to serve as a framework for *mot cua lien thong* among the different administrative levels and sectors involved.

3. Create national and local task forces based on policy areas to coordinate the implementation of institutional and procedural reform
   • Identify policy areas that require cross-sector procedures;
   • Compile a record of administrative bottlenecks to serve as a basis for institutional/legal reform.

4. Set up the mechanism for an administrative procedures watch (possibly in coordination with Solution 1)
   • Publicize sector procedural requirements on websites to inform citizens/clients about permits to be issued by government agencies;
   • Strengthen the monitoring role of the Viet Nam Fatherland Front, a citizen-network group, or civil society organizations in the simplification of procedures and in conducting reviews/public opinion surveys about new procedures.

5. Link OSS solutions with the simplification/reengineering of the work processes of relevant public administration units.
   • Review of professional permits to abolish them or change them into conditions for business operation.

6. Link OSS solutions with the continuing redefinition of the functions and jurisdiction of relevant public administration units.

7. Link Solutions 1 and 2 with job descriptions for individual officials and the organizational service mission, as well as an analysis of staff sizes.
3.2.3. Insufficient Organizational Differentiation and Coordination for Achieving National and Local Economic Development Purposes

Strategic Direction

In the near future, it is unlikely that the state centered East Asian model of setting up a leading government economic agency can be developed in Viet Nam. It is also unlikely that there will be favourable conditions for the public-private partnership or the fully-fledged non-profit models to flourish. The reasons are three-fold. First, all models would require a major restructuring of a number of key ministries as well as their local specialized agencies, itself a time-consuming process that requires careful planning. Second, these models require a corps of professionals with both knowledge and skills for leadership and management. Third, these models require the development of a reliable, regularly updated, and extensive information system from both central and local channels. For the short and medium term, the emphasis may go to concretization of the multi-sector, multi-functional concept, and strengthening the cross-sector, cross-level coordination mechanism for plan formulation and plan implementation at both the central and local levels. The first and fundamental technical solution is to review the organization of planning units and to determine their planning functions, clearly differentiating policy making from planning functions. In order to improve the capacity for planning, there is also a need to strengthen the policy research capacity and to develop a standard procedure for cooperation between planning units.

The PAR MP has issued measures to increase autonomy for service delivery units (in terms of planning, finance, and personnel). But more is needed to improve the timeliness, efficiency, and quality of services. At the central level, there is a need for coordination between various service sectors in the process of plan formulation and plan implementation. At the local level, the local government may take the initiative in identifying institutional arrangements for service delivery based on the type of services and the need for information inputs.

There are two aspects of institutional arrangements that have to be
considered. The first is a choice between different institutional options, and the second is participation by beneficiaries in the design, delivery, and monitoring stages. Existing theories of public service delivery, when discussing the choice of institutional arrangements, focus on two factors. The first deals with the “contestability” of the product, a function of entry and exit barriers by producers. Low contestability means a high entry cost to the purchaser for switching from one supplier to another. High contestability services mean low entry costs. High contestability services can be efficiently provided via market competition.

The second factor that governs institutional arrangements is the asymmetrical quality of good information. There are three variants. The first is provision of goods for which there are few or no information problems between purchasers, providers, and clients. Those goods with symmetrical information are readily monitored, reported and audited. The second comprises goods suffering from information asymmetries between purchaser and service providers. The purchaser suffers from an information disadvantage vis a vis providers. Since there is a danger that providers will not meet the specifications required by the purchaser, purchasers have to define content and performance standards, and hierarchically monitor inputs and outputs. The third is goods for which beneficiaries enjoy an informational advantage over the purchaser. These goods cannot be provided without the input of beneficiaries as standard-setters. A systematic approach to institutional arrangements will help promote the service provision role of the public administration and private sector or civil society organizations.

For public services to be customer-oriented, it is necessary to involve beneficiaries/clients throughout the process of design, delivery and monitoring of the quality of services. These two aspects of institutional arrangement should be taken into account in the process of reforming

the system of public service delivery.

Finally, human resources development is a cross-cutting resource supporting organizational development. Vietnamese reformers could pilot concretization of the “competence-based training” concept and link training with the organizational mission and individual work performance.

Proposed solutions

1. Strengthen the organizational structure and personnel of multi-sector and multi-functional ministries.
   - Redefine the scope of specialization based on the organization’s mission and link it with recruiting;
   - Differentiate functions and tasks between multi-sector, multi-functional ministries and the local public administration apparatus, and between local administrative levels; and,
   - Design basic sets of monitoring indicators to measure fulfilment of the organizational mission for each administrative level.

2. Strengthen the capacity of multi-sector and multi-functional central ministries and the local government to formulate evidence-based development policies and plans.

3. In the long run, conduct research projects on the possible design of models for leading economic development agencies based on existing state management agencies, the public-private partnership concept, and the not-for-profit concept.

4. Further clarify coordination mechanisms among specialized agencies for review of the implementation of policies, strategies, and plans.

5. Apply new methods of coordination, including standardization of work processes and work quality.

6. Conduct pilots on the diversification of local public administration models, taking into account urban-rural differentiation, varying regional and local socio-economic settings, and varying causes and conditions of poverty.
7. Central Ministries reviewing criteria and methods of recruitment for economic-related positions and strengthening competency-based training and retraining linked with the organization’s development mission.

8. Develop a public-private partnership in service provision at the local level, selecting one administrative unit as the key contact point.

9. Involve users for inputs and feedback.

3.2.4. Decentralization from the central to the local government and among local government levels not yet resulting desired economic development impact

Strategic Direction

It is generally argued that decentralization will bring about pro-activeness on the part of the local government. Yet, whether decentralization leads to economic development and poverty reduction or not remains contingent upon various factors. A number of conditions are imperative to make sure that decentralization starts on the right footing and proceeds to bring about desired positive results. One is a clear division of responsibilities among levels based on the principle of “subsidiarity”; the level with the most direct and comprehensive information related to particular management areas should be assigned to decide on and manage those areas. Second is the development of an intermediary administrative unit for policy purposes. A number of studies on the process of decentralization, in analyzing the experiences of the poverty focuses of rural development programs in Southern African countries, argue for the identification of an intermediary level,

---
pointing to the problems arising in decentralized governance if there is failure to establish a policy-focused set of institutions and procedures at the middle/regional level that operate to connect and reinforce bottom-up proposals, or initiatives and top-down policy frameworks, in an effective manner¹. Another factor crucial for a successful take-off for decentralization is the capacity of local officials. The fourth factor crucial for successful implementation of decentralization is the accountability system. Every form of decentralization should be accompanied by monitoring; common aspects of which are financial monitoring, monitoring of activities, and monitoring of recipients’ satisfaction with services.

The decentralization process will have to involve capacity building support and monitoring by the central government. Decentralization is unlikely to succeed if the central government completely withdraws from the process to focus on macro management.

Proposed solutions

1. Central ministries and provinces develop a coherent decentralization road map.
2. Identify the role of the intermediary level to link top-down and bottom-up processes by policy area.
3. Link decentralization with capacity building and organizational performance evaluation.
4. Review the current division of responsibilities by policy area for further reform, applying systematic job analysis and job description methods to the decentralized work scheme.
5. Strengthen the internal review by central government agencies.
6. Strengthen the outside monitoring system through the People’s Council, the State Audit, and citizens.

• Expand the organization of a mid-term vote of confidence in the leadership at the district and provincial levels as a

mechanism to reinforce accountability.
- Develop a public and private consultation forum for issues related to governance in general and public service delivery such as poverty alleviation, environmental projection, and investment projects.

3.3. Proposed Approaches to Implementation

The recommendations outlined are entry points for the formulation of in-depth evaluations and plans to link public administration reform and economic development. Additional action-research activities that further investigate each of the issues in detail, and later monitor the impact of the measures proposed, are recommended to ensure the effectiveness of the PAR process.

4. Conclusions

This chapter has examined the public administration system developed under the rubric of the PAR MP to assess its role in economic development. This chapter focused on two aspects of the reform, the simplification of administrative procedures that governed the relationship between government agencies and citizens, and organizational reform aimed at redefining relationships between sectors and levels within the public administration itself. This chapter has argued that Viet Nam’s Public Administration Reform Master Programme has transformed the public sector inherited from the central planning period. The reform agenda has endorsed the need for the development of the public administration as an active element and has created a framework for the development of a uniform national public administration. Based on available materials, this chapter concludes that the simplification of administrative procedures has, to a large extent, brought about favourable conditions for economic development. It has not only fostered the concept of public services but also reinforced the role of the state as an enabler of development. Organizational reform in accordance with the multi-sector and multi-functional concept has structurally reduced the number of management intermediaries, with the potential to promote the
formulation and implementation of better integrated long- and short-term socio-economic development strategies and plans.

Nevertheless, there remain challenges that limit the effectiveness and efficiency of the public administration system. The number of administrative procedures governing state and society relations remains large, while the capacity of the OSS and the inter-sector/inter-level OSS mechanism is limited. “Administrative commandism” (menh lenh hanh chinh) has not been fundamentally replaced by the concept of “public services.” There is no consistent indication that the multi-sector, multi-functional ministry concept will promote better integrated socio-economic development policies at the local public administrative level, while there continue to be indications that policies formulated by sector ministries and departments are poorly designed. There are also signs that good policies have often been rendered useless because of late implementation or bureaucratic ineffectiveness. Finally, there is a lack of indications that decentralization has become a driving force for achieving local socio-economic development objectives. Provinces concretize the legal decentralization framework and benefit from it differently. The process is confronted with challenges and has not yet become a panacea for local development.

While it is not easy to identify the role of Viet Nam’s public administration in economic development in times of growth, it is possible to try to assess its performance when the country is confronted with an international or domestic socio-economic development crisis. The 1997 and 1998 financial crisis in the region can be considered the first global economic event testing the effectiveness and efficiency of Viet Nam’s public administration. The government managed to put forth a stimulus program. Observers have commented that the response process was slow and the policies took time to take effect, and it was not until 2001-2002 that the policy impacts were felt. The 2008-2009 international economic crisis, taking place a decade later, will be another litmus test not only on how effective Viet Nam’s more mature public administration is, but also what kind of changes are needed for it to serve as a positive force as Viet Nam is pressured by both the global conditions and its
domestic development objectives.

To further consolidate the reform process, this chapter calls for initiatives and innovation in the areas of problem identification, analysis of different alternative strategic directions and solutions as well as methods of implementation. At a macro level, this chapter emphasizes the need to formulate a strategic approach that explicitly links reform of the public administration with its effectiveness and efficiency in promoting economic development as defined by relevant stakeholders, the inter-connectedness of different public administration reform measures, and the partnership between state management agencies and stakeholders outside the state sector. At the operational level, this chapter puts forth a series of specific operational recommendations related to the simplification of administrative procedures and organizational reform. Innovation, pro-activeness, and differentiation are the cross-cutting themes of these recommendations.

Sources of inspiration for change come from both international and domestic experiences. This chapter has, on several occasions, referred to the role of the public administration in other international experiences. Japan, South Korea, Taiwan, and Singapore are discussed as they indisputably represent success stories when it comes to the role of public administration in economic development. The second generation of “late developers” such as Thailand, Malaysia, and the Philippines also represent successes and failures at one point or another. Viet Nam could consult these international experiences. So does the starting point for Viet Nam’s public administration. Writings on various generations of “developers” have shown that different generations improvised their own models for development. This chapter has focused on a limited number of provinces having, or in the process of becoming, middle-income provinces at the US$1,000 threshold. Binh Duong belongs to the early developer generation, while Thua Thien - Hue and Vinh Phuc belong to a later one. In addition to consulting international good practices, systematic reflection of local experiences within the country is an indispensable input for Viet Nam’s “moving-forward” program to achieve and sustain middle-income status.
Chapter 1: Public Administration and Economic Development in Viet Nam…

References

In English

7. Gonzalez III, Joaquin L.; Lauder, Kathleen; and Melles, Brenda. Opting for Partnership: Governance Innovations in Southeast Asia. Institute on Governance, Ottawa, Canada and Kuala Lumpur, Malaysia, N.D.
13. McCourt, Willy and Minogue, Martin, eds. The Internationalization
16. Nguyen The Dung: “Capacity Assessment for Viet Nam’s National Target Program for Hunger Eradication and Poverty Reduction.” VIE/97/017 Project on the Strengthening capacity to support the National Target Program for Hunger Eradication and Poverty Alleviation.
41. Vu Thanh Tu Anh, Le Viet Thai, and Vo Tat Thang: “Provincial Extra legal Investment Incentives in the Context of Decentralization in
Chapter 1: Public Administration and Economic Development in Viet Nam…


In Vietnamese

42. Bui Duc Khang: Phan cap quan ly trong he thong hanh chinh nha nuoc cua chinh quyen dia phuong (State Management Decentralization at the Local Government Level). Ha Noi: Tu phap, 2000


47. State Management Periodical.

Official Documents


51. Party Resolution, Government Resolutions, and Reports from ministries, provinces, districts, and communes (cited in this chapter).

CHAPTER 2
PUBLIC FINANCIAL MANAGEMENT: HOW TO DELIVER BETTER VALUE FOR MONEY IN VIET NAM’S PUBLIC ADMINISTRATION SYSTEM?
CLAY G. WESCOTT, NGUYEN HUU HIIEU AND VU QUYNH HUONG

Summary
One of the goals for Viet Nam, as it becomes a middle-income country, is to define what kind of public administration and public finance arrangements it will require in order to sustain the income level, ensure that the public sector is affordable and cost effective, and improve coordination capacities. In this transition, a key question regarding the public administration reform process is “How to deliver better value-for-money from Viet Nam’s Public Administration System (PAS)?”

This chapter provides an initial analysis which compares Viet Nam with regional countries in the early to mid-1990s based on two commonly used indicators: general government employment as a percentage of the population and average central government wages (excluding staff of state-owned enterprises, police and military) as a multiple of per capita GDP. The data indicates that while the employment size was relatively large, average wages were the lowest in the region as a percentage of GDP. Next, looking at the period up to 2001, Viet Nam saw a sharp fall in government employment as a percentage of the population, perhaps stemming from the reduced role of government in a market economy. There was also a significant
increase in average wages as a percentage of GDP, perhaps stemming in part from increased competition from private businesses for skills.

Over the 2001-2006 period, there was a 37 percent overall increase in size, with the largest category increase of 45 percent for public service delivery officers. Yet, the employment size relative to the population is in line with regional comparators like Indonesia and the Philippines. There was also notable improvement in wages and salaries, with an increase in average wages of more than 3.5 times, and more than double as a multiple of per capita GDP. Wages as a percentage of GDP per capita are now higher in Viet Nam than in regional comparators.

In addition, Viet Nam has been successful in reducing previous revenue decline, boosting revenue and grants as a share of GDP from less than 22 percent to over 27 percent and reducing the deficit from five percent of GDP to less than four percent. About two-fifths of the revenue increase came from oil revenues.

Changes brought about by the 2002 State Budget Law include enhanced fiscal decentralization, strengthened transparency and accountability, streamlined administration, and denationalization of services and functions formerly provided by state agencies.

While progress has been made in Public Financial Management (PFM) and related components of the PAR Master Programme, Viet Nam should now work to consolidate the progress made in each area, and make additional improvements, including:

- **Improving PFM for administrative agencies:** Revisions in the 2002 State Budget Law are underway in 2009, and need to address issues such as: (i) increasing predictability of investment flows to districts and communes, (ii) making recurrent expenditure assignments more clear, (iii) mainstreaming Medium-Term Expenditure Framework beyond pilot sectors and provinces, and (iv) expanding budget coverage with respect to fees, contributions, debt and bonds to comply with internationally-accepted norms.

Other priority reforms include fully implementing the 2003 Accounting Law and related legislation and decrees, the new chart of accounts and ICT system (TABMIS), strengthening internal controls for payroll, establishing the Debt Office, clarifying and classifying
revenue according to international practice, and carrying out a Public Expenditure and Financial Accountability (PEFA) assessment. A clear legal basis is needed for introducing internal auditing, which should be transferred from the State Audit of Viet Nam to the Ministry of Finance (MoF). To address staffing constraints, MoF may wish to consider designing, in cooperation with the Ministry of Home Affairs (MOHA) and the National Academy of Public Administration (NAPA), a post-graduate scholarship programme for key MoF staff.

- **Improving planning:** Recent improvements in planning include the five-year Socio-Economic Development Plan (SEDP) for twenty provinces, donor harmonization around improved country systems and simplified procedures and common arrangements for planning. Building on this, the ongoing effort to develop a new regulatory framework for planning is of vital importance. The framework is expected to encourage citizen participation, modernize planning procedures, align plans with budgets, strengthen monitoring of plan implementation, and clearly define the roles of government and the private sector.

- **Fiscal flexibility for administrative and service delivery agencies:** Despite the results achieved, implementation of Decree No. 130/2005/ND-CP on autonomy and self-responsibility for the use of administrative management payrolls and funds by state agencies, has raised a number of issues which need thorough study. Expenditure savings has become the main theme of this new policy, at the expense of functional efficiency and performance in the delivery of public services. Delegation of different functions and authorities to spending units is not systematic. Heads of spending units have discretionary powers over budget but not yet over recruitment, promotion and staff dismissal. Without such controls, it is hard to expect agency heads to be accountable for improving agency performance. The recently approved Law on Public Officials and Civil Servants may present an opportunity in this regard, providing a legal basis for performance appraisal of civil servants and sanctions for poor performance.
Chapter 2: Public Financial Management: How to deliver better value...

- **Appropriate and competitive salaries for PAS:** Government staff earn 11 percent less overall than non-government workers, with professionals earning 20 percent less, and administrators 41 percent less, adjusted for differences in education and place of work. Yet, measured by living standards, government staff are slightly better off than non-government workers. Professionals and administrators are still worse off, but the difference is less than five percent, much less than the difference in earnings alone. This data needs to be regularly updated through surveys of salaries and household expenditure.

- **Streamlining tax administration:** There have been significant steps forward in modernizing tax administration, particularly with the adoption of the 2007 Tax Administration Law, and additional work is ongoing to modernize both corporate income tax (CIT) and personal income tax (PIT). Next steps should include proper analysis of the efficiency of tax collection and administration in general (for all taxes) and for different taxes. This should be done by a research entity which is independent of both tax administration and tax policy-making bodies. Both quantitative and qualitative assessment is needed, allowing for evidence-based decisions on policy adjustments or reforms for different types of taxation and taking into consideration lessons learned from the field.

- **Enhancing monitoring and evaluation of PFM reforms:** Although much useful information and analysis has been presented in this study, more in-depth monitoring and evaluation work is needed in at least two areas: achieving a more comprehensive understanding of PFM performance in relation to international benchmarks such as Public Expenditure and Financial Accountability (PEFA) assessment, and better understanding of the link between progress on PFM systems, and improved development outcomes. This work should be supported by strengthening relevant think tanks such as the Institute of Financial Research under MoF.
Introduction

The key research question to be addressed by this chapter is: How to deliver better value-for-money from Viet Nam’s public administration system (PAS)? The goal for Viet Nam, as it graduates to become a middle income country, is to set out what kind of public administration and public finance arrangements it will require to sustain that income level, how to ensure that the costs of the public sector are affordable, and how to improve coordination capacities.

Three sub-questions follow from this:

- What was Viet Nam’s situation in terms of its PAS and PFM systems in 2001 at the onset of the Public Administration Reform Master Program (PAR MP), and what did international theory and practice suggest as the path for improvement?
- What have been the trends and progress since 2001 in size and cost of the PAS, public financial management (PFM) systems, revenue, service delivery, and accountability?
- What next steps should Viet Nam take to improve its PFM to support its graduation to middle income status?

The chapter’s strategy combines quantitative analysis of budgetary and financial data and other available indicators, with a qualitative assessment of the performance of key systems and likely trends. A literature review looks at debates on theory and practice of public financial management in developed and developing countries, drawing from indicative literature mainly since 1990 from scholars and practitioners. It goes on to review recent research on PFM reform in Viet Nam, and looks key issues, crucial questions and gaps.

This chapter will mainly draw on primary, qualitative data sources, including structured interviews, observation of administrative practices, and laws, decrees, and other official documents. It will also draw on quantitative data sources from Government and development partner databases, spreadsheets and accounts.

The research team will use the action research approach as developed by Karl Lewin (1946) and others, i.e. there will be an effort to better
understand the PFM system with a view to achieving improvement in the way the system functions. The difference with other kinds of research is that action research emphasizes involving stakeholders in helping to define the problem, analyzing it, and agreeing on a way forward. Stakeholders have been involved through structured interviews1, a November 4, 2008 consultative workshop at the Ministry of Home Affairs (MOHA), UNDP’s review of the draft final version, and comments from two peer reviewers at the workshop convened in Ha Noi by the Viet Nam Fatherland Front (VFF) in March 2009 and at three regional consultative workshops in April and May, 2009 in Ho Chi Minh City, Da Nang and Thai Binh.

1. List of interviewees include Mr. Doan Cuong, Director Salary & Wages Dept, MoHA; Mr. Nguyen Hoa Binh, Dep. Dir, PAR Dept, MoHA; Mr. Duong Hong Loan - PFM specialist, AusAID; Mr. Tran Anh Tuan, Head, ISOS, MOHA; Mr. Nguyen Quang Ngoc, SIDA; Mr. Do Viet Duc, State Budget Dept, MoF; Mr. Nguyen Viet Hong, Director, Public Expenditure Management Dept, MOF; Mr. Nguyen Van Ha, Deputy Dir, Finance Dept, MARD; Mr. Trinh Tien Dung - Head of Governance Cluster, UNDP; Putu Kamayana, Deputy Country Director, ADB; Mr. Dao Viet Dung, Economist/Governance Officer, ADB; Mr. Tran Huu Huynh, Head Legal Dept, VCCI; Mr. Jago Penrose, PAG; Mr. Nguyen Thanh Tai, Vice Chairman, HCMC PPC, Mr. Thong, Dep Dir, UNDP PAR proj. SPAR-HCMC; Ms. Tran Thi Binh Minh / Head of Business Registration Division - DPI; Mr. Jonathan Pincus, Dean, Fulbright University; Ms. Pham Thi Kim Le/ Vice Director, DOF, HCMC PPC, Mr. Tuan/ Deputy head Admin, Mr. Phuoc, Mr. Duc, Mr. Liem, Ms. Yen, DOF; Ms. Tran Thi Nhung/ Vice Chief of the Home Affairs Division, Mr. Man / PAR Division, Ms. Tuyet / Finance Division, Cu Chi; Mr. Dang Van Thanh, former Dep Dir, Finance Committee, National Assembly; Ms. Jacqueline Delima Baril, CIDA; Susanne Frederiksen, Counsellor, Denmark Embassy; Ms. Maria Delfina Alcaide Garrido - Governance Specialist, World Bank Mrs. Keiko Kubota - Senior Economist, World Bank Mr. Nguyen Van Minh - Senior Economist, World Bank Mr. James H. Anderson - Senior Governance Officer, World Bank; Ms. Khanh Diep, Dir, DOF, Hoa Binh; Mr. Khang, Dep Dir, DPI, Hoa Binh; Officials in Tan Lac District and commune, Hoa Binh. There were also two debriefing meetings, one with donors and the other with MOHA.
1. Recent directions in international PFM research and practice

Public financial management addresses the taxing and spending of government.¹ The former begins with legislation, tax administration, and other measures to instil voluntary compliance, reduce evasion, and ensure that tax collection and incentives are consistent with legislation. Another key task is revenue estimation to provide a framework for budget planning. The spending portion covers the budget cycle, including budget preparation, internal controls, accounting, internal and external audit, procurement, and monitoring and reporting arrangements (Rosen, 2002).

Starting in the 1970s and 1980s, many developed countries began to carry out financial management reforms first to cut spending and reduce fiscal deficits, and second to facilitate performance improvement through greater efficiency, effectiveness, and quality of public services. With many variations depending on country and political context, the main features of reforms included tighter central controls to achieve budget savings, greater flexibility to spending units for reallocating funds within budget line items, reduced off budget expenditures and increased use of performance information to facilitate accountability, results monitoring and evaluation, multi-year fiscal and revenue frameworks, shifts toward accrual accounting and performance auditing, expansion of computerized financial information systems, and greater use of devolved budget management, and market mechanisms such as user and capital charges, market testing, outsourcing, and performance agreements. These reforms built on theories of public choice, institutions, and principal-agent, along with private sector models such as “total quality management” and “managing for results”, and adaptations to the public sector such as “new public management” and “reinventing government” (OECD, 1995; OECD/World Bank, 2003; Pollitt and Bouckaert, 2004; Diamond and Khemani, 2006; Brumby, 1999; Rubin and Kelly, 2005; World Bank, 2000a: Annex 3; Buchanan, 1986; Coase, 1937; Williamson, 1988; North, 1990; Eisenhardt, 1989; Deming, 1986; Drucker, 1954, 2001; Peters, 1986; Hood, 1991; Osborne and Gabler, 1992; Mintzberg, 1996; Hatry, 1999; Moynihan and Ingraham, 2003; and Foltin, 2005).

¹ The following section draws from Wescott, 2008, 2009, along with other sources cited.
These reform ideas started to gain prominence in many developing countries in the 1980s following the oil price shocks of the 1970s, pushing fiscal deficits of developing countries from 3.5 percent to 6.3 percent of GNP during 1972-85. The initial response was tighter controls on spending, but many countries subsequently sought to better link spending with policy priorities and opportunities by giving more flexibility to spending units within agreed allocations. Development agencies also came to realize that aid projects freed up government resources, and if fiscal policies and systems were deficient, the results achieved from these resources would be less than desired. Yet there was also a broad consensus that there are important differences between developing and developed countries requiring that public financial management tools be used selectively, and adapted to local conditions. These differences include the fact that many developing countries have much deeper fiscal crises and sharper weaknesses in public service than developed countries, and suffer from chronic institutional shortfalls that hinder reform effectiveness, and from common patterns that formal practices and systems may be undermined by informal and innovative practices pursued by key actors to protect their perceived interests. There are also very different interpretations of words like public management, efficiency and transparency when translated into different languages, even among countries with common historical and cultural traditions. These differences apply in full measure to Viet Nam. (Premchand, 1990: 31-7; Allen et al., 2004: 4-5; Hagen, 2005; Krafchik, 2003; Lienert, 2005; Robinson, 2006; DFID et al, 2007; Filc and Scartascini, 2004; Wildavsky, 1986; Stevens, 2004; Jabra and Dwivedi, 2005; Fukuyama, 2004; Nwagwu, 1992; Cheung 2005: 274-7; Batley and Larvi, 2004: 5-6, 29-30; Nunberg, 1992). In addition, international assistance can weaken administrative effectiveness through high transaction costs, the fragmentation and weak coordination of donor projects, the lack of integration in the budget process, moral hazard, soft budget constraints, and unrestrained future claims on recurrent budgets to maintain donor investments; it can also weaken accountability because governments can raise significant financing without having to rely on increasing taxes; thus they have less need to provide a conducive business climate, and to
provide accountability to their citizens, though they may be held accountable by international donors (Brautigam, 1992; Craig and Porter, 2003; Knack, 2001; Godfrey et al, 2002; Brautigam and Knack, 2004; World Bank, 2000b: 20; Moss et al, 2006; Ear, 2007).

Capacity issues are particular challenges for developing countries in adopting the highly technical macroeconomic, budgeting, accounting, auditing, procurement and ICT practices that are key for PFM reforms. These can stem from aspects of leadership and values, human capacity and performance, technological capacity, ICT, and quality processes. There may also be issues in the operating environment, including in managing relations with the legislature, other parts of the executive, and sub-national jurisdictions, and in establishing coordination mechanisms and managing fragmentation and redundancies (Brumby and Dressel, 2008). Different capacities have higher salience depending on the PFM reform issue at hand. For example, Schick (1993) finds that governments with single party dominance for extended periods have greater ability to set and maintain priorities, and in turn, to reduce fiscal deficits (see also Haggard, 1997). In Slovenia, the fragmented parties of the governing coalition limited the ability of government to make hard choices in some instances; yet the considerable formal and informal powers of Finance Ministry allowed it to adjust outlays late in the year by up to 10 per cent to achieve a balanced budget (Leloup, Ferfila and Herzog, 2000). The fusing of bureaucratic and political elites can also reduce the prospects for reform, as has been the case in Thailand and Mexico (Schneider and Heredia, 2003). Performance budgeting reforms in Australia starting in the mid-1980s gained traction because of fiscal stress stemming from a deep recession, combined with the political desire to reign in the bureaucracy; the same reforms had much less success starting in the late 1980s in Malaysia, despite the support of reform-minded treasury top management, because there was neither fiscal stress nor economic decline to drive political will (Xavier, 1998). Yet fiscal crises don’t always translate into successful reform efforts if vested interests are strong enough to block

---

1. Resource-rich countries face similar challenges (Collier, 2007).
them (Boin, “T Hart and Stern, 2005). Control systems, performance indicators, and other modern tools have been put in place in Lithuania, Roumania and Bulgaria to meet criteria for European Union (EU) accession, yet full implementation of these tools hasn’t happened due to hard-to-change legacy systems and behaviours from the Soviet era; reporting systems do not measure activity costs, or the link between resources and objectives, and only serve as the basis for a cash-based financial report (Vagnoni, 2005). Finally, analysis of PFM assessment reports for a sample of 31 African countries indicates greater progress in budget formulation and reporting than in budget execution, greater progress in adopting new laws and processes than in implementing them, and greater progress when implementation is concentrated in a small group of actors (e.g. Budget Department, Tax Office) than when multiple agencies are involved (Andrews, 2008, World Bank, 2008c: 51).

Human capacity challenges also come in many forms. PFM reforms faced initial challenges in the Czech Republic: "There is a lack of experienced professional staff in central and local government, as well as among those in parliament and among local representatives capable of coping with the quickly changing and unstable circumstances. There has been a huge array of new legislation. In this situation the technical ability and adaptability of new local leaders is one of the key factors leading to variations in local development experience." (Strassman, 1994: 88). An analysis of PFM in Lithuania found a mixed legacy one the one hand, dysfunctions such as perpetual re-budgeting, cash rationing, and delays in releasing funds by the Finance Ministry until they make sure that they can meet pressing obligations; on the other hand, positive features including econometric and accounting numeracy, understanding of planning and programming, and experience with hierarchical, bureaucratic organizations (Vanagunas, 1995).

Finally, there are many factors making it difficult to evaluate PFM reforms in both developed and developing countries. First, governments’ reform claims are often far ahead of actual implementation, since announcing that reforms are underway is far easier than actually carrying them out. Second, despite reform announcements seeming to
call for a coherent strategy of interlocking reforms, actual implementation is more often incremental, based on targets of opportunity, and formal systems may be undermined by informal practices that are not well documented or accessible to evaluators. Third, while there has been considerable work done on budgeting and financial management improvement, and there is evidence that some aspects such as the tracking of inputs and outputs have improved, there is little evidence of improved outcomes that could justify the considerable cost of the reforms. Among the reasons for this may be that reforms have not been properly implemented, or that causal links between reforms and outcomes are difficult to establish. Other factors include various public sector rules, regulations and processes instituted for diverse reasons including control, accountability, transparency, affirmative action, regional balance and the politics of compromise among elected leaders, often work against achievement of efficiency and effectiveness in transforming inputs into results (Pollitt and Bouckaert, 2004: 103-142, 194-196; Jones and Thompson, 1999).

2. Findings

**Baseline Data on Viet Nam, 2001**

This section will give a brief overview of the system of budgeting and financial management in Viet Nam in 2001, and what the PAR MP proposed to improve. Given the importance of the size and cost of the PAS to public finance, this will also be estimated for 2001, along with PAR MP proposals for changes. Finally, carrying out budgeting and financial management requires technical skills in areas such as revenue forecasting, accounting, information and communication technology (ICT) and audit, along with ICT and other infrastructure. The state of such skills and infrastructure in 2001 will be discussed, along with PAR MP proposals for changes.

The socialist accounting system in Viet Nam wasn’t focused on public accountability, but rather prepared a record of financial transactions for statistical and revenue purposes. Accountants were given the same status as bookkeepers, and regulation and law determined accountability, not efficiency and effectiveness. This began to change with the adoption of a

The decline in revenue was among the issues leading to concerns over the size and cost of the PAS. In 2001, the PAS was about 1.3 million, with about 200,000 working for the central government, and 1.1 million at the provincial and district levels. This excluded the police, the army, commune level officials, state-owned enterprise (SOE) staff, and members of the Fatherland Front, war veterans, and others receiving stipends from the government. The cost of wages and salaries for the PAS, including all cash payments, but not in kind payments, and excluding pensions, was an estimated 3.8 per cent of GDP, contributing to an overall fiscal deficit of 5 per cent of GDP. (ADB, 2001; IMF, 2003, 2007)

The PAR MP on renovation of financial management mechanisms for administrative and public service delivery agencies had three components to be completed by 2005. The Ministry of Finance was designated as lead agency:

- “Establish new criteria for formulating and allocating budget for administrative agencies based on their outputs, quality of activities, and level of performance.
- Implement the mechanism of allocating a lump-sum for operation costs of administrative agencies.
• Establish financial management mechanisms suitable to public service delivery agencies to ensure their relative independence and autonomy in making decisions for their operations in order to gradually reduce their expenditures from the state budget and make them self-financing.”

The PAR MP did not include measures for improving revenue administration, which were covered by other decisions. Concerning size and cost of the PAS, the PAR MP set the following objectives to be completed by 2005, with the Government Committee on Organization and Personnel (which later became the Ministry of Home Affairs [MOHA]) as lead agency:

• “The salary system for cadres and civil servants will be reformed fundamentally according to the Resolution of the IX Congress of the Party.
• By the end of 2002, the project on salary reform will have been completed so that its implementation can be started in 2003.
• Ministries, central agencies, and provincial People’s Committees will continue to review their functions and tasks, define organizational structure, and implement staff downsizing according to the Prime Minister’s Decision No 207/1999/QD - TTg dated 25 October 1999 and the Government Resolution No 16/2000/NQ-CP dated 18 October 2000.
• Policies to handle the redundancy will be developed and put in place.”

This chapter will not address the salary reforms in any detail, but will look at the progress in increasing salaries, and the implications for expenditure and revenue policy.

International comparisons

This section compares the size and cost of the PAS in Viet Nam with regional countries. It then draws from the research sketched out above to suggest what Viet Nam can learn from international experience.

Figure 2.1 shows how Viet Nam compared with regional countries in the early to mid-1990s based on two commonly used indicators: general government employment as a percent of population, and average central government wages as a multiple of per capita GDP. The data indicate
that while employment size was relatively large, average wages were the lowest in the region as a percent of GDP.¹

**FIGURE 2.1: Comparison of size and cost of government employment in early to mid-1990s**

![Comparison of size and cost of government employment in early to mid-1990s](image)


Figure 2.2 shows the changes in Viet Nam and selected regional countries by 2001. Viet Nam saw a sharp fall in government employment as a percent of population. There was also a significant increase in wages as a percent of GDP, perhaps stemming in part from increased competition from private businesses for skills. There were broadly similar trends in the Philippines and Indonesia, except that government employment increased in Indonesia. The PFM reforms outlined in the PAR MP: performance budgeting, lump-sum allocations for administrative agencies, and mechanisms for self-financing of service delivery agencies, are closely

¹ These findings are subject to methodological problems inherent in gathering and using such data, inter alia: some countries include contractual and seasonal workers, and others don’t; staff may be paid out of the central budget, but not listed as central personnel; and different benefits in kind across countries make wage comparisons problematic (Schiavo-Campo, Tommaso, and Mukherjee, 1997).
aligned with international PFM reform models discussed above. International experience suggests that Viet Nam’s stable, single party dominance should give the country considerable ability to set and maintain priorities, and in turn, to reduce fiscal deficits. In addition, experience of other countries suggests that performance budgeting reforms would prove difficult to implement because of the fast growing economy and related lack of serious fiscal stress to drive political will. We will now turn to an analysis of PAR implementation of PFM reforms to date to see how these predictions have played out.

**Progress to date**

This section will look at how far and encompassing has been the PFM reform process. This will include analyzing the performance and implementation of the State Budget Law in relation to PAR and PAS, and assessing evidence that PFM improvements have led to improvement in PAS performance and service delivery. It will also look at what the midterm internal review said and what is the actual progress.

**FIGURE 2.2: Trends in size and cost of government employment in Viet Nam, Philippines and Indonesia, early 1990s and 2001**

Chapter 2: Public Financial Management: How to deliver better value...

Trends in size and cost of PAS, and in Government revenue, since 2001

The first step is to look at changes in the size and cost of the civil service since 2001. The PAR MP adopted the target of a 15 per cent reduction in the size of the civil service, based on a Prime Minister’s decree and a Resolution of the 7th Plenum of Party Central Committee. It also called for improving and rationalizing salaries. Although the PAR MP did not state whether these two reforms would lead to a net change in the cost of the PAS, the PER released just before it states the objective of increasing revenue share as a per cent of GDP (World Bank, 2000: i). The results on the size of the PAS from 2001-2006 are presented in Table 2.1.

<table>
<thead>
<tr>
<th>TABLE 2.1: Size of PAS, 2001-2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Category</td>
</tr>
<tr>
<td>Total (excluding commune officials)</td>
</tr>
<tr>
<td>Of which:</td>
</tr>
<tr>
<td>Public service delivery officers</td>
</tr>
<tr>
<td>Public officials and Civil servants in state administrative agencies (from district level up to central level)</td>
</tr>
<tr>
<td>- in government agencies</td>
</tr>
<tr>
<td>- in National Assembly office</td>
</tr>
<tr>
<td>- in President’s office</td>
</tr>
<tr>
<td>- in People’s Court</td>
</tr>
<tr>
<td>- in People’s Procuracy</td>
</tr>
<tr>
<td>- in Party and unions - who are under the management of Central Organizational Committee</td>
</tr>
<tr>
<td>Commune officials</td>
</tr>
</tbody>
</table>

Source: ADB, 2001 and data provided by MOHA for 2006. Commune officials weren’t considered part of the PAS in 2001, and thus size data not available.
There was an overall increase in size of 37% over the period, with the largest category increase of 45% for public service delivery officers. Thus, the 15% downsizing target was not met. Data on wages and salaries are given in Table 2.2. Here there is notable improvement, with an increase in average wage of more than 3½ times, and more than double as a multiple of per capita GDP.

**TABLE 2.2: Average Government wages in Viet Nam, 2001-2006**

<table>
<thead>
<tr>
<th>Category</th>
<th>2001</th>
<th>2006</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Wage (US$)</td>
<td>863</td>
<td>3172</td>
<td>368</td>
</tr>
<tr>
<td>Per capita GDP (US$)</td>
<td>410</td>
<td>731</td>
<td>178</td>
</tr>
<tr>
<td>Wages as multiple of per capita GDP</td>
<td>2.105</td>
<td>4.339</td>
<td>206</td>
</tr>
</tbody>
</table>

*Source: IMF Article IV reports.*

Figure 2.3 looks at the trend in size and cost of the PAS over the period, along with two regional comparators. Here, it is evident that in respect to population, the size of the PAS has not changed significantly, putting it now slightly less than in Philippines (which increased proportionately) and Indonesia (which stayed the same). Wages as a percent of GDP per capita are now higher in Viet Nam than in the other two countries. Table 2.3 shows overall budget trends since 2001. Viet Nam was successful in reducing the previous revenue decline, boosting revenue and grants as a share of GDP from less than 22 per cent to over 27 percent, reducing the deficit from 5 percent of GDP to less than 4 per cent. About two fifths of the revenue increase came from oil revenues.

1. Of the countries in Figure 2.1, based on estimated 2009 population size and GDP per capita, Philippines (population 94m, GDP PC US$1690) and Indonesia (population 240m, GDP PC US$2130) are considered the best comparators to Viet Nam (population 88m, GDP PC US$1080) (Economist, 2008: 117-118).

2. Source: International Monetary Fund (IMF) Article IV reports, MOHA data, and other sources. 2001 Viet Nam data adjusted by adding estimated number of Commune officials for comparability.
FIGURE 2.3: Trends in size and cost of government employment in Viet Nam, Philippines and Indonesia, early 2001 and 2006


TABLE 2.3: The structure of the Budget

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006 - Present</th>
</tr>
</thead>
<tbody>
<tr>
<td>In percent of GDP</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Revenue and grants</td>
<td>21.6</td>
<td>22.7</td>
<td>24.9</td>
<td>26.7</td>
<td>25.9</td>
<td>27.1</td>
</tr>
<tr>
<td>Oil revenues</td>
<td>7.4</td>
<td>6.8</td>
<td>7</td>
<td>7.9</td>
<td>8.7</td>
<td>9.7</td>
</tr>
<tr>
<td>Nonoil revenue</td>
<td>13.8</td>
<td>15.5</td>
<td>17.4</td>
<td>18.4</td>
<td>16.8</td>
<td>17.1</td>
</tr>
<tr>
<td>Total expenditure</td>
<td>24.4</td>
<td>24.2</td>
<td>26.1</td>
<td>25.8</td>
<td>27</td>
<td>27.4</td>
</tr>
<tr>
<td>Current expenditure</td>
<td>16</td>
<td>15.7</td>
<td>16.7</td>
<td>16.9</td>
<td>18.5</td>
<td>18.6</td>
</tr>
<tr>
<td>Wages and salaries</td>
<td>3.6</td>
<td>3.4</td>
<td>3.7</td>
<td>4.8</td>
<td>7.7</td>
<td>7.8</td>
</tr>
<tr>
<td>Other current expenditure</td>
<td>11.5</td>
<td>11.3</td>
<td>11.9</td>
<td>11.1</td>
<td>9.9</td>
<td>10.8</td>
</tr>
<tr>
<td>Capital Expenditure</td>
<td>8.4</td>
<td>8.4</td>
<td>9.4</td>
<td>8.9</td>
<td>8.6</td>
<td>8.8</td>
</tr>
<tr>
<td>Official budget balance</td>
<td>-2.8</td>
<td>-1.4</td>
<td>-1.2</td>
<td>0.9</td>
<td>-1.2</td>
<td>-0.3</td>
</tr>
<tr>
<td>Off-budget spending</td>
<td>-2.2</td>
<td>-3.3</td>
<td>5.2</td>
<td>3.7</td>
<td>4.7</td>
<td>3.5</td>
</tr>
<tr>
<td>Net lending (incl. VDB)</td>
<td>2.2</td>
<td>2.4</td>
<td>3.2</td>
<td>2.4</td>
<td>2.7</td>
<td>2.1</td>
</tr>
<tr>
<td>Off-budget investment expenditure</td>
<td>0</td>
<td>0.9</td>
<td>2</td>
<td>1.3</td>
<td>2</td>
<td>1.3</td>
</tr>
<tr>
<td>Overall fiscal balance</td>
<td>-5</td>
<td>-4.7</td>
<td>-6.4</td>
<td>-2.8</td>
<td>-5.9</td>
<td>-3.8</td>
</tr>
<tr>
<td>Non-oil fiscal balance</td>
<td>-12.4</td>
<td>-11.5</td>
<td>-13.5</td>
<td>-10.7</td>
<td>-14.6</td>
<td>-13.5</td>
</tr>
</tbody>
</table>

Figure 2.4 shows revenue trends in more detail, indicating a big increase in the share of value-added tax (VAT) and corporate income tax (driven by oil revenues), rising from 52 to 71 percent of total taxes over the period 2001-2008. There was also a reduction in the share of trade taxes over the period, largely because of WTO and Bilateral Trade Agreement (BTA) commitments.

**FIGURE 2.4: Trends in Government Revenues, 2001-2008**

![Graph showing revenue trends](image)

*Sources: Ministry of Finance (MOF) Budget Disclosure Data 2001-2008.*

The breakdown of revenue from tax by ownership sectors shows a clear trend of reducing contribution from SOEs while the contribution from non-SOEs is on the rise. Accordingly in a decade, the tax collectible from SOEs reduces by 20% (from 64% in 2001 to 44% in 2010) while in the same period, the foreign investment enterprises (FIEs) (excluding revenue from oil) and private sector enterprises increase from 16% and 19% to 28% and 27% respectively (see Figure 2.5).
While VAT and corporate income tax (CIT) accounted for a rising portion of the total taxation revenue, it is noted that the procedures for collecting these taxes are still cumbersome. A medium-size company in Viet Nam must spend 650 hours per annum to pay VAT and CIT - ranking 128 out of 178 countries. Although a slight majority of taxpayers in Ho Chi Minh City feel that tax declaration procedures are reasonable, 45 percent believe the procedures are “sophisticated” (presumably
unreasonable), as depicted in Figure 2.6. On the other hand, a side of progress is that only 45% of firms say they need to negotiate with local tax administrators, down from 75% in 2005 (VNCl, 2007).

The Tax Administration Law, in effect from July 1, 2007, is an important reform in modernising taxation administration in Viet Nam. The law has “clarified the roles and responsibilities of the taxpayers and tax and collection agencies, including general laws on tax declaration, payment, refund, tax payees’ information management, inspection and complains handling mechanism’. Indeed, even before the promulgation of the law, other reforms have led to improvement in the way taxation is handled and managed. Among other things, the tax self assessment mechanism and one-stop-shop model have been applied nation-wide since 1 July 2007 after pilots were carried out in a number of localities. This has reflected in the positive perception of the businesses as reported in World Bank (2008d).

While it is accepted that implementation of reforms like OSS in tax administration would simplify the process and hence reduce the time costs and opportunity costs for tax payees (and also tax payers), the actual results, as measured by perception of respondents in polls done by the General Department of Taxation (GDT) suggest that there is a long way to go, with 51% of respondents stating that the one-stop-shop (OSS) application has led to no change in tax administration (see Table 2.5). Interestingly the similar poll done by Ho Chi Minh City Tax Dept shows a much more positive perception with only 11% respondents indicating that the situation was unchanged (see Table 2.6).

There are significant and systemic weaknesses in revenue administration. Although there is a tax reform strategy, there is an absence of a long-term vision with clear strategic goal for Viet Nam Customs. The customs are still “unresponsive, inconsistent and vulnerable to corruption”. The tax administration is assessed as “low compliance and vulnerability towards corruption”.
TABLE 2.5: Poll by GDT on perception of OSS on tax administration

<table>
<thead>
<tr>
<th>Opinion</th>
<th>Percent</th>
<th>Votes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Remarkably more favourable of taxpayers</td>
<td>32%</td>
<td>3,941</td>
</tr>
<tr>
<td>Slightly more favourable for taxpayers</td>
<td>17%</td>
<td>2,055</td>
</tr>
<tr>
<td>Unchanged</td>
<td>51%</td>
<td>6,279</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>12,275</strong></td>
<td></td>
</tr>
</tbody>
</table>

Source: GDT website: www.gdt.gov.vn

TABLE 2.6: Poll by HCMC Tax Dept. on perception of OSS on tax administration

<table>
<thead>
<tr>
<th>Opinion</th>
<th>Percent</th>
<th>Votes</th>
</tr>
</thead>
<tbody>
<tr>
<td>More favourable for taxpayers</td>
<td>81%</td>
<td>4,153</td>
</tr>
<tr>
<td>Strengthen internal control in tax authority</td>
<td>3%</td>
<td>163</td>
</tr>
<tr>
<td>Both (a) and (b)</td>
<td>4%</td>
<td>242</td>
</tr>
<tr>
<td>Unchanged</td>
<td>10%</td>
<td>560</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>5,118</strong></td>
<td></td>
</tr>
</tbody>
</table>

Source: Ho Chi Minh City Tax Dept. Website: www.hcmtax.gov.vn

This can be explained by the fact that the business environment is becoming more enabling, with less protection for SOEs and a more competitive environment for non-state business sectors.

As a developing country, Viet Nam enjoys considerable support from the international community. Official Development Assistance (ODA) plays an important role in Viet Nam’s development, especially on poverty reduction. ODA commitments and disbursements have been increased steadily and constitute an important portion of the national budget, reaching US$ 4.5 and 1.8 billion in 2006 from US$ 3.4 and 1.65 billion in 2004 respectively (but reduced as a percentage of the overall national budget - from 27% down to 25% in term of commitments and from 13% down to 10% in term of disbursement - between 2004 and
2006.\textsuperscript{1} Lots of efforts have been made with a view to reform the ways ODA is being provided, received, disbursed and managed. Concrete actions in localising the Paris Declaration on Aid Effectiveness in the form of Ha Noi Core Statement have achieved initial but important results, while there are still many challenges ahead in harmonising government and donor practices.

The available data indicates that the disbursement ratio has not increased as expected; indeed, it is reduced from 70\% in 2004 to 48\% in 2006 (See Figure 2.6) resulting in a large amount of money undisbursed including concessional loans from other nations and international financial institutions that Viet Nam has to pay interest on. Sophisticated and cumbersome public administrative procedures especially in investment, land clearance and acquisitions associate with the low disbursement ratio.

Given the fact that Viet Nam is expected to reach middle income country status in 2009 with a forecast GDP per capita of US$1,080, the window of opportunity for receiving ODA in the form of grant and concessional loans is closing. The main PFM challenge posed by this will be that as concessional borrowings and grants start to decline, government will need to seek alternative sources of financing for infrastructure development and other priorities. Viet Nam will need to engage more with non-traditional financial sources including private capital markets, public private partnership, and non-concessional borrowings. This process will not happen automatically after Viet Nam reaches MIC status; a recent survey indicated that “in spite of Viet Nam’s access to middle income status, donor support may still increase in the coming years” and “the volume of grants will remain stable in the foreseeable future, but the volume of loans may increase, before returning to its current level in the first half of the next decade” Thus, maximising the effectiveness of aid is important, and increasing the

\textsuperscript{1} See CFAA (2007).
disbursement ratio constitutes a priority. There appears to be high level of political commitment in reforming and simplifying procedures, but results to date have been limited.

![FIGURE 2.6: ODA commitments vs. disbursement.](image-url)


In recent years, development partners have tried a number of new aid modalities. Budget support, programmatic-based and sector-wide approaches are among key concrete initiatives that development partners and government of Viet Nam have been implementing. These approaches mean moving away from traditional projectised approach, with parallel systems and procedures which undermine the ownership and sustainability of support. Using and building on the existing systems and processes, especially in the form of budgetary support (where donor financial contribution is directly channelled through the government budgetary systems) increase significantly the disbursement rates as Figure 2.7 illustrates. Accordingly in the period 2004-2006, the average disbursement rate for the Poverty Reduction Strategy Credit (PRSC) was 81% while that of the overall ODA was 60%.\(^1\) Efforts should be made to consolidate different forms of budget support (targeted for education and

1. See Figure 2.7. Data from World Bank, 2008a and World Bank, 2008e.
for the Programme 135, and general for PRSC) with a view to learn from practical experiences, informing the designing of interventions and technical assistance initiative to further strengthening government systems including but not limited to, budgetary and administrative systems.

**FIGURE 2.7: PRSC commitments vs. disbursement**

![Graph showing PRSC commitments vs. disbursement]


**The State Budget Law, 2002**

A cornerstone in PFM reform in Viet Nam was the revision of the State Budget Law (SBL) approved by the National Assembly in December 2002 and coming into force in January 2004. This legislation has put in place for the first time an overall comprehensive and integrated framework for managing the state budget, taking into account lessons learned in implementing the 1996 Budget Law, and emerging needs to have a sound state budget management in conformity with the socialist-oriented market economy.

This revised budget law, supported by other legislation and regulations\(^1\), further strengthens the legal platform for state budget management which has implications on the way spending units, including those who have administrative functions, deliver their duties and services.

---

\(^1\) Notably the Laws on Accounting (2005), State Audit (2005), Anti Corruption (2005), Anti Wastefulness (2005), Public Assets Management (2008).
Four dimensions appear to be the most important instruments and platforms enabled by the SBL: promoting decentralization, strengthening transparency and accountability, promoting administrative rationalization and streamlining, and denationalisation of services and functions that have been traditionally provided by state agencies.

**Promoting decentralization**

The SBL makes a bold step in promoting fiscal decentralization to local executive and legislative authorities. Provincial People’s Councils (PPCs) were given much greater budgetary autonomy than was the case with the 1996 Law, and accountability to elected bodies was strengthened at the national and sub-national levels. Viet Nam budgetary system is characterized by a four-tier state budget architecture whereas lower level budget nested in the superior budgets - the “matrouchka doll” model whereby communes report to districts, districts to provinces and provinces to the centre. The revised law provides much clearer assignments and divisions of roles and responsibilities for both central and sub-national government in relation to state budget management. The locally elected bodies have been given more authority and voice in managing local budgets, including authority over local revenues. Local authorities are also allowed to mobilize resources for socio-economic development driven by the local demand. The increased powers stemming from the SBL were augmented by the amended Law on Organization of the People’s Councils and People’s Committees approved in 2003, which provides greater functional clarity, and increased the budgetary role of the PPCs in preparing budget proposals for approval by the respective People’s Council.

Together with other policy areas (planning and development investment, land, natural resources, State owned enterprises, organizational structure and staffing), state budget and governmental/administrative activities and public services have enjoyed the benefit of decentralization. Local People Councils have better discretionary power over the usage local budget including allocation and the rights to borrow in respond to the local development needs. Whereas local schools and
hospitals have better control over the assigned operating budget without having to get permission from superior agencies.

Strengthening transparency and accountability

Building on the initiatives to promote transparency and accountability of spending units, the SBL and its secondary documents paved the way for further strengthening these aspects. National aggregated budget data is made public on the MOF’s website. Communal budget is also made public through posting on the Commune Office notice board. However, provincial and district level budgets have made less progress in this regard. The transfer of reporting line of the State Audit of Viet Nam (SAV) from the government to the National Assembly (NA) is a positive development in strengthening checks and balances.

The implementation of reform initiatives with a view to make the spending units (including both state administration agencies and service-delivery units) more transparent and accountable has led to important results. The right to budgetary information has been recognized, which enables the people to have access to information about operation and financial situations of state agencies. This in principle puts pressure on these agencies to perform. In fact the full recognition, and more importantly the exercise of this legitimate right, are not yet the case, partly because of the lack of awareness of the citizen, the lack of capacity to exercise this right effectively, and the lack of access to budgetary information.

Promoting administrative rationalization and streamlining

The SBL takes steps to further rationalize administrative functions between central agencies involved in the management of state budget, notably MOF, the Ministry of Planning and Investment (MPI) and the State Bank of Viet Nam (SBV). There is a clear financial and budgetary calendar with deadlines for accomplishment of tasks in the budgeting process. MOF is leading on budgeting for recurrent expenditure with the subordinate state treasury system responsible for budget execution, taxation and customs agency responsible for revenue collection at the
central level. MPI is leading on capital budgeting and public investment projects.

Denationalisation of services and functions that have been traditionally provided by state agencies

Through the so-called socialization scheme, supported by the budgetary framework, resources from non-state actors have been mobilized for the capital-intensive development process, reducing the burden for the state budget. Some provinces (e.g. Ho Chi Minh City) have established Local Infrastructure Development Fund (LIDF) to mobilise resources for developing local infrastructure. Figure 2.11 indicates the increased contribution from non-state sources. Accordingly the ratio of non-state contributions to investment increases from about 39% in 2001 to about 60% in 2007.

Implementation of the SBL through the four instruments and platforms discussed above has achieved some initial but important results which contributed to the overall implementation of the PAR MP. The SBL with its fiscal discipline and budgetary and financial incentives have helped move the civil service reform forwards with pay policies for civil servant closer to market alternatives. Better pay, albeit far from perfect, help to motivate staff which in turn increases the performance of PFM reforms programmes.

FIGURE 2.8: Key investment ratios

![Graph showing key investment ratios]

Source: GSO as quoted in World Bank, 2008f.
**Increased flexibility to administrative and PSD agencies**

As far as PAR and SBL is concerned, two important policy instruments being implemented have significant impacts on the performance of the PAS: the first targeting public administrative agencies (PAA) in the form of Decree No. 130/2005/ND-CP dated 17 October 2005, and the second targeting public service delivery (PSD) units in the form of Decree No. 43/2006/ND-CP dated 25 April 2006. These decrees aim to increase financial autonomy and financial accountability for budget spending units and separate the functional divisions - purely administrative functions from service delivery functions. This is certainly the right direction to take following careful approach of piloting and experimenting in some localities and units.

Concerning the PAA, after four years of successful pilots, block grants have been expanded to 60 provinces, to three central ministries (Ministry of Labour (MOL), Ministry of Transport (MOT) and MOF), and over 1200 local level agencies, comprising over half of the total. Some jurisdictions/agencies have achieved savings that are commonly, though not always, applied to increase salaries. However, because salary and other norms aren’t adjusted enough across jurisdictions to take into account differing cost structures, the benefits from this reform are uneven. The three-year funding cycle is also reportedly a problem during high inflation, which makes savings difficult to achieve.

Building on the results of the Government Decree No. 10/2002/ND-CP dated 16 January 2002, Government Decree No. 43/2006/ND-CP dated 25 April 2006 further clarifies and separates the PSD units from other functions in the PAS. This decree has delegated authorities and granted autonomy for PSD units in the field of staffing, delivery of assigned tasks, financial management. PSD units are now allowed to budget for, borrow from other sources (with limits and conditions), and make use of resources available. It is noted that allowing PSD units to mobilize from other sources puts them in a much more autonomous position in flexibly planning for the delivery of assigned tasks. In 2008, all 43 central agencies have delegated financial autonomy to spending units. 23,399
PSD units at the local level have been granted this mechanism - mainly at the provincial level with lower rate at the district level.

Decree 43/2006/ND-CP dated 25 April 2006 of the Government creates a strong incentive for PSD units to be more responsible in every spending decision, because the savings from recurrent expenditure can help staff to increase their income. Tightening recurrent expenditure can have impacts on the behaviour of staff as they become more cautionary in using public facilities (e.g. electricity and telephone). Management of PSD units become more aware of how to reduce inefficiencies (e.g. structure of staff and organization)

PSD Units can and are now motivated to structure their organization in a way that maximises effectiveness and efficiency. Non-performing organizational units are now being threatened with closure, which creates room for rearrangement with a view to increase operational effectiveness and efficiency including removal of duplicative functions and tasks between different organizational units. PSD units are more active in looking for alternative ways to do business with reduced costs, e.g. to make more use of computer and Internet for communication and research.

The decree also creates strong incentives for PSD units to legitimately diversify their revenue-generating activities so they have a more relaxed budget which they can exercise the right to use in conformity with regulations; for example, in-service training courses for education institutions, on-demand health checks by hospital.

Decree No. 130/2005/ND-CP grants government agencies discretionary power to adapt their structure and frame human resource in such a way that meet their needs and roles without depending too much on permission from superior agencies. By 2008, at the central level, 22 out of 23 agencies reported to MOF that they have delegated financial autonomy to spending units. At the provincial level, 44 out of 55 provinces reported to MOF that they have granted this mechanism to spending units at the provincial level while some provinces like Ho Chi Minh City and Binh Duong have delegated to the communal level.1

Spending units have more autonomy in exercising their legitimate rights over the assigned recurrent budget. The mechanism allows spending units to be flexible in prioritizing important tasks in delivering their functions. Treasury expenditure controls have been facilitated with the mechanism. Spending units do not necessarily have to wait for permission from superior agencies while superior agencies do not have to “intervene’ to the business of their subordinate, which might have reduced rent-seeking opportunities.

There appears to be high percentage of spending units having internal expenditure control regulations creating a platform for internal staff to monitor the usage of public expenditure. The internal expenditure control regulations make spending units and staff more attentive to the usage of facilities (e.g. electricity, telephone) financed by recurrent expenditure.

Despite the results achieved, implementation of Decree No. 130/2005/ND-CP dated 17 October 2005 of the Government has raised a number of issues which need to be studied thoroughly to inform more robust revision and adjustments to the instrument in order to make full use of its potential on public administrative agencies.

Saving of expenditure is only a side-objective of Decree 130/2005/ND-CP, however, this seems to become the main theme of its implementation. Persons interviewed by the Mission focused more on the financial savings that public administrative agencies have managed to make rather than on the improvement of the public services delivery.

There appears to be a mismatch between autonomy in financial and personnel management. It is not easy for heads of public administrative agencies to dismiss public officials for poor or non-performance because staff dismissal requires a complicated process and procedure involving other external stakeholders. This issue has been discussed by the government, which is working on resolutions to address it systematically.

Other PFM and related reforms

Understanding of PFM systems and reform priorities has been greatly heightened by detailed assessments and recommendations made (World
Bank, 1996, 2001, 2002, 2005, 2008a; Martinez-Vazquez, 2004; Bartholomew, Leurs, and McCarty, 2006; 2AC, 2004; and EC, 2004), which entailed extensive participation from government, business, and other parts of society. The 2004 PER-IFA received a global award from the World Bank’s Independent Evaluation Group for best practice in participatory diagnostic work. Analysts agree that Viet Nam is able to implement its approved budget, has strong aggregate expenditure control, can clearly identify national targeted programs focusing on poverty reduction, and regularly exceeds revenue collection estimates (average of 17%, 1999-2003 (Bartholomew, Leurs, and McCarty, 2006: 179)).

Starting in 2005,1 Medium-term Expenditure Frameworks (MTEFs) were piloted in 4 ministries (Ministry of Education and Training (MOET), MOH, MOT and Ministry of Agriculture and Rural Development [MARD]) and four local governments (Ha Noi, Ha Tay, Binh Duong and Vinh Long); MOF is committed to expanding these pilots once the next phase of the multi-donor PFM trust fund is underway. Budget coverage is being expanded to cover all government debt; this and other issues will be addressed in the revision of the State Budget Law, planned for 2009. A new chart of accounts is being prepared using GFS standards, and with the capability of including ODA projects in the government’s budget and accounting system. The Treasury and Budget Management Information System (TABMIS) is being rolled out, with access planned starting in 2009 for MPI and 4 Ha Noi based Ministries out of a total of 26. Transparency of budget and expenditure data has been heightened through Decision No. 192/QD-TTg dated 16th Nov. 2004 and related implementation circulars in 2005 and 2006. State budget estimates and final accounts are now published on the MOF website (Ministry of Finance, 2008). Transparency has also improved through live television broadcasts of state budget discussions by the NA, and by the Ho Chi Minh City PPC.

The State Audit Law has been effective from January 1, 2006,

1. The following draws from World Bank, 2008a: Annex 1.
establishing SAV under the independent supervision of the National Assembly. State Audit Decision No. 03/2007/QD-KTNN of July 26, 2007, mandates disclosure of SAV audit findings, including Annual audit reports, reports on implementation of audit recommendations, and audits of individual entities. In addition, a roadmap has been issued1 to move towards adopting International Public Sector Accounting Standards (IPSAS) and International Auditing Standards.

These reforms have been supported by extensive PFM capacity development. For example, the number of officials and civil servants working in PFM at the MOF total 64,912 (2006) - an increase of 8% from 2005 and 24% from 1995. The number of staff attending training courses up nearly 30% pa from 2004-2006. Supervision capability of the NA has also been heightened through establishment of the Finance and Budgetary Committee. “Budget Supervision Manual of National Assembly and Peoples Committees (PCs) in all levels” has been published, and representatives of NA and PCs are using it, in conjunction with extensive training, to heighten supervision of budget implementation.

3. Conclusions and Policy Recommendations

We began with a brief overview of debates on theory and practice of public financial management in developed and developing countries in recent years that may have influenced thinking and practice on reform in Viet Nam. A series of PFM reforms to cut spending, reduce fiscal deficits, and facilitate performance improvement of public services was first rolled out starting in the 1970s and 1980s in developed, and then developing countries. The main features of these reforms included tighter central controls to achieve budget savings, greater flexibility to spending units for reallocating funds within budget line items, reduced

off budget expenditures and increased use of performance information to facilitate accountability, results monitoring and evaluation, multi-year fiscal and revenue frameworks, shifts toward accrual accounting and performance auditing, expansion of computerized financial information systems, and greater use of devolved budget management, and market mechanisms such as user and capital charges, market testing, outsourcing, and performance agreements. Also starting in the 1980s and 1990s, international donors increasingly came to realize the limitations of projectized aid. Although aid procurement and spending may have been subject to adequate controls, the government’s own procurement and spending was not, thus limiting the achievement of development results. Increasing amounts of donor support since then have tried to help government efforts to improve their PFM and procurement systems. The results have been rapid improvements in basic tools for budget formulation and reporting, including better budget transparency and control of inputs, and greater predictability of cash-flow for government salaries and other essentials, and better transparency and competitiveness in procurement. However, in trying to adopt the more sophisticated, performance oriented tools being rolled out in developed countries, there has been less success in developing countries. Indeed, there is little evidence from either developed or developing countries that such reforms have led to improved performance outcomes that could justify the considerable cost of the reforms.

In Viet Nam, PFM basics started to improve with the 1996 State Budget Law, including adoption of key international standards, and the publication of national and commune budgets. Since then, our findings suggest that considerable progress has been made in PFM and related components of the PAR MP. Viet Nam should now work to consolidate the progress made in each area, and make improvements as possible. The following will sketch out details for a desirable road ahead in each of the PFM components of the PAR MP and in related areas: improved budgeting for administrative agencies, improved planning, fiscal flexibility for administrative and service delivery agencies, competitive
salaries, an appropriate size for the PAS, and streamlined tax administration. Options will also be presented for enhancing monitoring and evaluation of these PFM reforms. Many of our proposals have been made by others, and some are embodied in government decisions and decrees already being implemented; in such cases, we will be proposing additional strategies and/or resources to ensure that implementation is effective.

Improved budgeting for administrative agencies

Viet Nam’s plan to revise and update the Budget Law in 2009 is of utmost importance, *inter alia*, to achieve clearer allocation of responsibilities among different levels of government. The 2002 SBL gave provinces the freedom to direct expenditures, revenue assignments and transfers for districts and communes. Although this greatly increased autonomy of provinces relative to the centre, it took away predictability of investment flows from districts and communes, making their budgeting and planning less efficient. In addition, vague recurrent expenditure assignments have led to weak accountability, and the risk that certain functions may not be addressed (or could be duplicated). These and other related issues will be addressed in the revised SBL.

SBL Revisions are also needed to scale up MTEF pilots to other sectors and provinces with a view to mainstreaming the approach, and to improve the budget structure, including expanded coverage with respect to fees, contributions, debt, and bonds to comply with internationally-accepted norms. Many other recommendations from the recent CFAA deserve careful consideration (World Bank, 2008a).

For example, the 2003 Accounting Law and related legislation and decrees need to be fully implemented regarding the publication of financial statements and audit reports of relevant entities. This body of legislation also needs updating to better define responsibilities, and to replace current provisions with more modern, comprehensive provisions supporting TABMIS and other PFM reform implementation including IPSAS, the new unified COA, and
enhancing quality control and oversight of accounting professional services in Viet Nam. The nature of revenue should be clarified and classified according to international practice. Expenditure systems and controls should be improved by regular and effective reconciliation between budget execution records of Treasury and spending units, and by commitment controls as part of TABMIS and strengthened internal controls for payroll. A clear legal basis is needed for introducing internal auditing, which should be transferred from the SAV to the MOF. The Law on State Asset Management needs to be effectively implemented so that state assets, budget and human resources are managed in an integrated way. A Debt Management Office should be established in the MOF in line with international practice. Pilots for integrating selected ODA projects in the new COA and TABMIS should be carried out, along with enhanced auditing arrangements with initial roles for project owners, MOF and the SAV. Final accounts should comply with the requirements of Decision No. 14/2007/QD-BTC dated 15 March 2007 of MOF to enhance relevance for effective oversight and accountability. Better mechanisms are needed to increase participation by sector agencies and subnational units in budget formulation, executing and reporting. Better coordination is needed to ensure capital budgets are consistent with MTEFs where available, and with annual budget estimates. The work of the SAV needs to be expanded to cover annual budget settlement reports, and for carrying out compliance and performance audits covering all areas, in part through a risk based approach in line with international standards. A new law on independent auditing should be promulgated, clarifying responsibilities of state authorities, professional associations, auditing companies and audited ministries and other entities. Finally, a PEFA assessment should be carried out to better inform MOF and its partners on the current performance of PFM systems and processes, and to provide a baseline from which to measure future reform progress.
The next step is to analyze this ambitious agenda for PFM reform in the light of reform conditions in Viet Nam. The piloting approach (e.g. MTEF, integrating ODA projects in the new Chart of Accounts [COA] and TABMIS) builds on a tradition of “fence breaking” experiments starting with pilots, monitoring results, and scaling up once a consensus exists on their merits, that has been successfully followed in Viet Nam (Rama, 2008). Viet Nam’s situation with a single, dominant party over a long period should, based on international experience, gives an advantage in setting and maintaining budget priorities and helping to control fiscal deficits. On the other hand, the cautious approach to consensus building, discussed above, mitigate part of this advantage. The fusing of bureaucratic and political elites in Viet Nam could also add to the challenge of reform by reducing the chance that a powerful, independent group can effectively hold MOF and other bodies to account for implementing PFM reforms. One would also expect that, following the example of other developing countries, Viet Nam would make greater progress in budget formulation and reporting than in budget execution, greater progress in adopting new laws and processes than in implementing them, and greater progress when implementation is concentrated in a small group of actors.
Taking these considerations into account, it is reasonable to predict that the reforms that can move ahead with greatest ease are the ones mainly under control of MOF, including the new COA and TABMIS, strengthened internal controls for payroll, establishment of the Debt Office, clarifying and classifying revenue according to international practice, and carrying out a Public Expenditure and Financial Accountability (PEFA) assessment.

Progress on these reforms would be further enhanced by a deepening of capacity strengthening at MOF. Despite the increases in staffing and attendance at training courses reported earlier, qualification levels are still very low. Figure 2.9 indicates that only one percent of MOF staff have post-graduate degrees, and nearly half lack any tertiary degree. This has the effect of putting undue burden on a small number of staff to assure quality implementation of increasingly more advanced PFM reforms.

FIGURE 2.10: MOF Personnel by Administrative Agency, 2006

Source: World Bank, CFAA March 2008 draft, figure 15.2.

To address this constraint, The Law on Public Officials and Civil Servants approved November 13, 2008 by the National Assembly, provides an opportunity to consider recruiting highly-qualified applicants for specific positions. In addition, MOF may wish to consider
designing, in cooperation with MOHA and the National Academy of Public Administration (NAPA), a post-graduate scholarship programme for key, MOF staff. Steps would include an analysis of existing tertiary/professional qualification initiatives in Viet Nam, preparation of a shortlist of prequalified tertiary institutions in Viet Nam and abroad with degree programs covering planning, economics, public management, budgeting, taxation, procurement and accounting suitable for MOF scholarship students, advice on the application and selection process, procedures to help maintain dialogue with students while studying to assure good progress, and assistance in reintegrating and mentoring returning students to make sure the work environment is attractive and supportive (cf. Wescott and Coupland, 2008). The specific skill needs of different agencies within the MOF (see Figure 2.10) would also have to be taken into account.

Students with an International English Language Testing System (IELTS) score meeting admission requirements could be sent to English language universities abroad, while others would be placed in Viet Nam. Such scholarships might be supplemented with temporary work placement programs in countries with more advanced PFM systems, such as Malaysia and South Korea, to learn from working in a well-functioning work setting, to become part of a performance-oriented work culture, and to work with systems and procedures that are planned for adoption by MOF in the near future. Gaps created by sending staff for post-graduate scholarships and temporary work assignments would be filled by recruiting temporary PFM consultants, drawing from both the local and international market as necessary.

In addition to the post-graduate scholarship program, MOF will need to continue the skills training program already underway (see Table 2.7). However, this program on its own is unlikely to build up the critical mass needed of high-level technical skills to assure successful implementation of the recommended measures.
TABLE 2.7: Staff Training Profile 2004-2006

<table>
<thead>
<tr>
<th>Training in:</th>
<th>Number of Staff Trained</th>
</tr>
</thead>
<tbody>
<tr>
<td>Political Training</td>
<td>2,522</td>
</tr>
<tr>
<td>Administrative Management</td>
<td>5,072</td>
</tr>
<tr>
<td>IT Knowledge</td>
<td>10,660</td>
</tr>
<tr>
<td>Foreign Language</td>
<td>4,307</td>
</tr>
<tr>
<td>Professional Technical Knowledge (e.g., accounting, tax)</td>
<td>52,915</td>
</tr>
<tr>
<td>Leadership</td>
<td>344</td>
</tr>
<tr>
<td>Other</td>
<td>10,595</td>
</tr>
</tbody>
</table>

Unit: Person


These high level skills will also be in demand for implementing the more difficult reforms requiring cooperation from other agencies in addition to MOF. Revising and updating the Budget Law in 2009, and the Accounting Law and Independent Auditing Law at a later stage, along with a clear legal basis for introducing internal auditing, will require close coordination with the National Assembly and its Finance and Budgetary Committee, the Office of Government, and other bodies. Ensuring capital budgets are consistent with MTEFs and annual budget estimates will require close coordination with MPI1 and other spending units, as would implementing proposals for improving the preparation of final accounts, and increasing participation of agencies in budget formulation, executing and reporting. Integrating selected ODA projects in the new COA and TABMIS will require close coordination with international partner officials, most of whom have post-graduate qualifications themselves. International experience suggests that all reforms requiring support from multiple actors are more demanding to

---

1. Although there is a proposal to merge the capital budgeting function of MPI with MOF to improve coordination with the recurrent budgeting function, as is the case in many countries, MOF has resisted this to date, reportedly because of concerns of overloading its present capacity.
carry out successfully than those concentrated in a small group. The qualification levels at MOF will need to rise to meet the demands of these reforms.

To summarize, the team fully supports the ongoing revision and updating of the Budget Law in 2009. The Government should also prioritize PFM reforms mainly under control of MOF (e.g. the new COA and TABMIS, strengthened internal controls for payroll, establishment of the Debt Office, clarifying and classifying revenue according to international practice, and carrying out a PEFA assessment), and deepen capacity strengthening at MOF.

Improved planning

The proposed budgeting and other PFM improvements discussed above can only be effective with corresponding improvements in the planning function¹. There have been major improvements in this area in recent years. The Socio-economic Development Plan (SEDP) included a monitoring framework with measurable, quantifiable indicators to measure results, and was compiled through a more participatory process than previous plans. ODA project monitoring practice by government staff is set to improve building on a system of learning contracts, training and competency testing, use of a new monitoring and evaluation manual, and supported by monitoring champions in 4 ministries and 7 provinces (MPI, 2007; VAMESP II, 2006a, 2006b). Donors have also agreed to use the SEDP and related plans for aligning their assistance, and to use improved country systems, simplified procedures and common arrangements for planning, design, implementation and reporting on ODA.

However, much work remains to be done. Plans are mainly of low quality, tending to be project-focused lists. Plans focus on economic and production targets reflecting the legacy of the past, rather than focusing on the delivery of public services, and qualitative targets for economic and social development. Setting and meeting these targets can involve gaming strategies found in other target-based systems,

¹. This section draws, inter alia, from BTC, 2007.
including ratchet effect (performance is restricted well below production possibility-frontier knowing that next year’s target will be an incremental advance over what is achieved in present year), threshold effect (targets based on standard norms may lead top performers to reduce performance to just what the target requires), and manipulation of reported results (Hood, 2006).

Priorities aren’t linked to budgets, nor are they to other capacities needed to achieve them. There is no explicit link connecting annual budgets with goals in the SEDP, and no connections in annual plans with plans and budgets of previous years. Cost-estimating tools are weak. Timeframes are unrealistic, for example, with only one month from the time planning guidelines are sent from provincial departments of planning and investment (DPI) to district and commune governments, and the time completed plans need to reach DPI. Roles of officials from different sectors and levels are not as clear as they should be, creating overlaps and uncovered areas. These challenges are being addressed by international partners through various PAR initiatives including planning components, but these efforts are patchy and fragmented, and there has been no systematic pulling together of lessons learned from these different efforts (BTC, 2007).

In this context, the ongoing effort to develop a new regulatory framework for planning is of vital importance. The framework is expected to encourage citizen participation, modernize planning procedures, strengthen monitoring of plan implementation, and clearly define the roles of government and the private sector. It would move away from the current focus on economic and production targets, towards a new focus on delivery of public services, supported by robust methodologies for estimating costs. At the sub-national level, it would clarify the roles of each jurisdiction, and increase the time between providing planning guidelines to sub-national agencies and jurisdictions, and the deadline for submission of plans to the provincial departments of planning and investment. It is hoped that once this new framework is in place, donors will use it to support their own ODA planning, rather than bypassing the formal system as has often been the case in the past.
One mechanism for donors to align to the new platform is through the implementation of Ha Noi Core Statement on Aid Effectiveness whereby concrete indicators on alignment with the new planning framework is defined, agreed upon and followed through (BTC, 2007).

**Improved fiscal flexibility for administrative agencies**

Despite the results achieved, implementation of Decree No. 130/2005/ND-CP has raised a number of issues which need to be studied thoroughly to inform more robust revision and adjustments to the instrument in order to make full use of its potential on public administrative agencies.

As discussed earlier, saving of expenditure seems to become the main theme of the instrument at the expense of functional efficiency and performance in the delivery of public services. Delegation of different functions and authorities to spending units is not systematic. Heads of spending units have the discretionary powers over budget but not yet over staffing issues including recruitment, promotion and dismissal, as discussed above. Without such controls, it is hard to expect agency heads to be accountable for improving agency performance. The Law on Public Officials and Civil Servants may present an opportunity in this regard, providing a legal basis for performance appraisal of civil servants and sanctions for poor performance. More in depth analysis of how this might be carried out should be a priority as part of work underway in preparing the implementation decree for the Law.

One promising step already underway towards addressing these shortcomings is the Master Plan for Simplification of Administrative Procedures in the Fields of State Governance for the period 2007-2010 (Decision No. 30/2007/QD-TTg dated 10 January 2007, Decision No. 07/2008/QD-TTg dated 4 January 2008), being implemented under the leadership of the Office of the Government. This initiative promises a sharp reduction in the present 20,000 - 40,000 procedures presently being enforced in Viet Nam.

**Improved fiscal flexibility for PSD agencies**

Although improved fiscal flexibility for PSD agencies is widely thought
to have improved performance in some cases, more extensive oversight is needed. For example, NA capacity needs to be strengthened for assessing the outcomes of budget decisions for PSD agencies, and the Government’s implementation capacity. Spending disclosure needs to improve for PSD agencies, ensuring compliance with disclosure policies.

An appropriate size for the PAS with Competitive salaries

Data in Figures 2.2 and 2.3, indicate that general government employment has been reduced sharply as a percent of population since the early 1990s, so that it is now in line with regional market economies such as Philippines and Indonesia. This suggests that further reductions in size need not be reform priorities for the medium term, although some downsizing may be desirable to make way for better qualified staff in key positions.

<table>
<thead>
<tr>
<th>TABLE 2.8: Pay in the PAS and elsewhere</th>
</tr>
</thead>
<tbody>
<tr>
<td>In Government</td>
</tr>
<tr>
<td>-------------</td>
</tr>
<tr>
<td>All</td>
</tr>
<tr>
<td>Professionals</td>
</tr>
<tr>
<td>Administrative</td>
</tr>
<tr>
<td>Technicians</td>
</tr>
<tr>
<td>Workers</td>
</tr>
<tr>
<td>Agriculture</td>
</tr>
<tr>
<td>Employment share (%)</td>
</tr>
</tbody>
</table>

Note: Figures include wages and cash benefits, and are expressed in thousand VND per year. Farmers and unpaid family workers are excluded from the analysis.

Source: World Bank, 2005: 50, based on 2002 VHLSS.

The issue of priorities for salary reform is more complicated to unravel. Data in Figures 2.2 and 2.3 indicate sharp increases in average central government wage as a multiple of GDP per capita in both periods, with Viet Nam now leading both Philippines and Indonesia in this regard. As all three countries arguably need a comparable skill level
in key positions to design and carry effective policies, it could be that this is a justifiable premium Viet Nam has to pay to attract appropriate skills from its relatively less educated population. But does the premium need to be still higher?

Table 2.8 indicates that average government pay in 2002 was higher than pay outside of government as a whole, but lower than pay in SOEs and foreign enterprises. When broken down by employment sub-category, government professionals and administrative staff were underpaid relative to employees out of government as a whole, and more so again with respect to SOEs and foreign enterprises, while technicians, workers and agricultural staff in government were better paid.

FIGURE 2.11: Who is Better Off?

Note: Alternative pay is estimated using a standard earnings function including education, experience, gender and region of residence as explanatory variables. Alternative earnings are estimated based on the same characteristics, plus family characteristics such as its size, age composition and gender of the household head.

Source: World Bank, 2005: 51, based on 2002 VHLSS.

However, these data don’t take into account the ways that government staff are different from workers out of government, including education (13 years of formal education vs. seven years), and place of work (1/2 in urban areas vs. 1/5 for staff out of government). Taking these factors into account changes the relative pay picture
presented in Figure 2.11. Based on these adjusted figures, government staff earn overall eleven percent less than non-government workers, with professionals earning 20 per cent less, and administrators 41 percent less.

Yet a further adjustment is needed to look not just at wages, but at actual living standards. Government staff have many advantages over non-government workers, including old-age pensions, more stable earnings, greater benefits in kind (e.g. housing, overseas training) and opportunities for additional income, such as teachers working after hours as tutors, and opportunities for many staff to receive unauthorized payments or corruption. One would assume that when these earnings differences are factored in, the gap in living standards between government and non-government staff would be reduced, and that is in fact the case, as seen in Figure 2.11.

Measured by living standards, government employees are slightly better off overall than non-government workers. Professionals and administrators are still worse off, but the difference is less than five per cent, much less than the difference in earnings alone. These data are from 2002, before the large salary increases in 2003-2005.

To summarize, given the sharp reduction in government employment relative to population since the early 1990s, further downsizing may not need to be a reform priority for the medium term. However, some reductions of existing staff may be called for to make way for better qualified staff in key positions. This could be done as part of the move towards a position-based PAS, as called for in the Law on Public Officials and Civil Servants. Salary reform also needs continuing study as the PAS seeks to attract and retain technical staff in short supply in the local market. However, the salary and living standard data need to be carefully reviewed and updated through regular surveys of salaries and household expenditures, before any conclusion can be drawn as to whether particular salaries need to be adjusted, and if so, in what respect.
Streamlined tax administration

There have been significant steps forward in modernizing tax administration, particularly with the adoption of the 2007 Tax Administration Law, and additional work is ongoing to modernize both CIT and personal income tax (PIT). According to the new CIT law (approved by NA on June 3rd, 2008 and coming into effect January 1st, 2009), all enterprises will be treated equally for tax purposes regardless of economic sector and ownership; the market should determine which enterprises prosper, not the tax code. Taxable income will include all types, including gains from transfer of land use right and land lease right. Cost deduction rules will be simplified, such as the cost for bonuses. Tax incentives will be streamlined, with clearly defined time limits. The CIT will be reduced from the current 28 percent to 25 percent, to be more aligned with regional countries.

According to the new PIT law coming into effect January 1st, 2009, personal income taxes will be adjusted so as not to favour one particular activity over another. The tax base will be expanded to cover income of both nationals and foreigners, applying a lower and equal threshold. Taxable income will include all kinds of income, including salary, business revenue, interest, dividends, and capital gains. The highest progressive tax rate has been reduced from 40% to 35%. While there are differences in the amount collectable for different taxes, it is however difficult to attribute the level of effort, both from the payers and the payees side, needed to collect and manage each tax. This suggests the need to have proper analysis of the efficiency of tax collection and administration in general (for all taxes) and for different taxes. This should be done by a research entity under MOF (e.g. the Financial Policy and Strategy Institute - coming into operation with Decree 118/2008/ND-CP dated 27 November 2008 of the Government regulating the mandates, tasks, authorities and organisational structure of the Ministry of Finance), which is independent of both tax administration body and

---

1. This section draws from Lee, 2007.
tax policy making department, in order to ensure the objectiveness of the result. Both quantitative and qualitative assessment is needed, allowing evidence-based decisions on policy adjustments or reforms for different types of taxation, taking into consideration emerging lessons learned from the field.

**Enhancing monitoring and evaluation of PFM reforms**

This research started from the premise that information is a right. That is, (i) to confront national social, economic, political and environmental challenges, policy makers are required to be informed, in order to have constructive capacities; (ii) a citizen with information is an empowered citizen, and (iii) an informed/empowered citizen is a citizen with greater responsibility towards his/her community and country. The initial condition in Viet Nam is that policy makers/citizens do not have access to general, easy and timely information, making it difficult a lucid knowledge of the country’s PAR situation. There is a need for instruments that provide a detailed image of the PAR process and its evolution, especially considering that PAR in Viet Nam has provided mixed results and proven to be a tension-ridden process. It has proven to be an ambitious programme of government reform, a policy by the Party and State officials and an unavoidable high-risk key area for donor support. Such an programme requires extensive monitoring and evaluation to keep it on track. This is particularly the case because international research shows that much of the PFM reform underway proceeds largely on the basis of ideology, with little evidence underpinning many of the key tenets. To avoid this in Viet Nam, there is a need both to improve substantive understanding of the causes of PFM challenges, incentives and policy directions towards improvement, and to address organizational challenges so that this understanding will be used to improve PFM processes.

Weaknesses in data quality and availability in Viet Nam seriously limits the country’s ability to know whether reforms are on track or not. For example, information flows are out of phase, with the Government Statistics Office (GSO) submitting its data to DPIs in December, while the
key period for planning is July and August; to cope, DPIs rely on their own projections and reports from line departments, rather than the more rigorous data from GSO. There is also not a suitable framework for monitoring and evaluation at sub-national levels. Plans are formulated without being structured so as to be evaluable - objectives, outputs, activities and inputs are typically mixed up, making it next to impossible to determine how or whether plan implementation is on target or not. Provinces have not been provided with coherent guidelines on how to establish robust monitoring and evaluation (M&E) systems for tracking infrastructure and service delivery - and, in the absence of such support, have not developed ways of tracking their activities, let alone outcomes (Belgium Technical Cooperation, BTC, 2007). This chapter is one of a number of PFM studies carried out since 1996 by international partners in close cooperation with Vietnamese experts and the Government. Although much useful information and analysis has been put forward, more intensive monitoring and evaluation work is needed in at least two areas: achieving a more comprehensive understanding of PFM performance in relation to international benchmarks, and better understanding of the link between progress on PFM systems, and improved development outcomes. This work will require strengthening relevant think tanks in Viet Nam.

In addition, and as in other jurisdictions, organizational changes are needed so that improved data and analysis is translated by Vietnamese authorities into effective action. New organizational structures and routines, new information cultures, and new interpersonal processes concerning information use will be needed. It is the combination of improved information quality and availability, with improved organizational and interpersonal dynamics in using information and organizational and personal beliefs about information, that will translate into improved performance (Van de Walle and Boviard, 2008).

*Comprehensive monitoring of PFM performance*

To understand the need in this area, it is helpful to go back for a moment
to PFM theory.¹ Campos and Pradhan (1996) set out three ideal outcomes of a public expenditure management system: fiscal discipline, allocation of resources consistent with policy priorities, and good operational management. Fiscal discipline means expenditure control and careful management of deficits. It’s a challenge even for developed countries to achieve, because of a number of “tragedies of the commons”, such as politicians focused on staying in power by keeping stakeholders content, and often tempted to finance spending through deficits, which are paid back by future generations. This challenge is greater in developing countries where political support of politicians and top officials is often gained through providing patronage. In addition to deficit spending, some countries show lack of fiscal discipline by using windfalls from high resource prices such as oil to finance consumption, rather than to invest in productive assets for future generations. Fiscal discipline is based on good revenue forecasts, systems for accurately planning and monitoring expenditures, and for allocating them to priority areas to achieve goals of sustainable development. Strategic allocation means that resources are allocated based on the government’s key policy priorities. It is only possible with good arrangements at the centre of government, and with sound, intergovernmental coordination. Good operational management means economy (quality inputs at the best price), efficiency (outputs at the lowest possible cost), and effectiveness (achieving the intended result).

Campos and Pradhan go on to indicate institutional incentives and other arrangements that seem to affect these outcomes (e.g. the "tragedy of commons" encourages spending units to use public resources at little cost to them; electoral cycles can hinder strategic prioritization; information asymmetry can impede efficient allocation and use of resources), and posit that success will come if there are binding constraints to tie politicians and officials to the three outcomes. For example, they show that increasing transparency and accountability in certain ways (e.g. through opening financial markets) can act as such a

¹. This section draws on Wescott, 2008.
constraint, exacting a high cost to officials if they violate the arrangements (Wescott, 2008).

To determine Viet Nam’s position with respect to the three ideal PFM outcomes, a systematic assessment is needed based on international standards. The MOF’s reported decision to proceed with a PEFA performance assessment in 2010, and again in 2012-2013, is welcome in this context. This assessment tool is being implemented through a partnership of eight cooperating development partners. Around 40 countries have completed (PEFA Secretariat, 2007: Table 1) one or more PEFA assessments. PEFA’s Framework includes a set of 28 indicators for measuring performance, and a framework for reporting. Building on the three budgetary outcomes discussed above, the indicators measure six dimensions: budget credibility, comprehensiveness and transparency, alignment with policy, predictability and control, accounting and reporting, and external scrutiny and audit. Although there is not a PEFA indicator for corruption, improvements in the 28 areas can help reduce opportunities for corruption. PEFA and other related indicators are useful because they measure actual practice, rather than perception or reputation, and they look at actions that would be the immediate objectives of reform (Wescott, 2008). PERs, CFAAs and other tools cover some of these aspects, but all, and not in a way that can allow Viet Nam to meaningfully track its PFM performance with respect to comparable countries. An abbreviated PEFA was carried out in Viet Nam in 2005 (Bartholomew, Leurs and McCarty 2006: Annex 4), and a PEFA-like assessment was carried out of three provincial governments in 2008 (Mekong Economics, 2008b).

Evaluating how progress on PFM systems leads to improved development outcomes

Once the above performance monitoring system is in place, Viet Nam will have a better understanding of the link between PFM technical processes followed and PFM outputs achieved, and will have enhanced organizational processes to use this understanding to promote better PFM outputs. The international theoretical and empirical PFM research
cited earlier suggests that following such processes and achieving such outputs will lead to policy outcomes desired by governments, including more responsive and accountable service delivery to the poor, contributing to pro-poor growth, poverty reduction, empowerment and social inclusion of poor. However, these claims are based on normative assumptions drawn from experiences in developed countries, that may not always apply in developing countries where formal practices and systems may be undermined by informal and innovative practices pursued by key actors to protect their perceived interests.

The level 1 PFM inputs supported by international partners have contributed to level 2 intermediate effects/activities, which in turn have likely contributed to level 3 outputs (a claim that needs confirmation from the PEFA assessment discussed above). Moving to level 4 outcomes is where the evidence grows thin. Outcomes 4.1, 4.2, 4.2 and 4.6 refer to improvements in the regulatory regime and investment climate. Recent assessments such as World Bank (2008b) and Viet Nam Competitiveness Initiative (VNCI 2007) confirm progress in these areas, with, of course, much more work still needed. However, there has been little research on a possible causal link between PFM outputs and these outcomes. Concerning outcomes 4.3 and 4.7, a public expenditure tracking survey was carried out for 6 provinces participating in the National Targeted Programme for Education, and the final report is being prepared (Mekong Economics, 2008: 6). More work of this type is needed, covering additional provinces and services. Concerning outcome 4.5, the MPI Household and Living Survey is expected to provide useful citizen feedback on their confidence in administrative and budgetary procedures. Once better evidence is available on the link between PFM improvements and level 4 outcomes, further evaluative work can work to establish links between them and the level 5 impacts.

For example, over the next few years, Viet Nam is set to carry out level 2 activities such as expand budget coverage, implement a new COA and TABMIS, strengthen internal controls, implement more comprehensive accounting based on the International Public Sector Accounting Standard (IPSAS), and expand audits and legislative
oversight. These are expected to lead to level 3 outputs, including fiscal discipline, improved operational efficiency, improved allocative efficiency, and strengthened accountability. These outputs could all be monitored as part of an M&E effort to ensure the reforms are on track. With careful research, it may also be possible to determine the extent to which the observed level 3 outputs were caused by the level 2 PFM activities undertaken. In turn, the level 3 outputs are expected to lead to level 4 outcomes such as an improved investment climate and improved service delivery, and these can also be monitored, and research undertaken to determine the extent to which these outcomes were caused by the level 3 outputs. Finally, level 5 impacts of poverty reduction and empowerment can be monitored, and research undertaken on the causal link with level 4 outcomes. Much of the level 4 and 5 monitoring is already underway as part of SEDP processes, but what is needed is to make the link with the PFM reforms.

**Strengthening think-tanks**

Viet Nam has a long tradition of using local think tanks for policy advice. An early example was a unit set up by Vo Van Kiet in 1976 to bring together intellectual resources from the former regime in the South, and to draw out the best ideas. In 1984, Mr. Truong Chinh set up a group led by Mr. Ha Nghiep and Mr. Tran Nham that helped prepare the contents of the 6th Party Congress. In 1989, the Institute for International Relations translated books and documents into Vietnamese, including Paul Samuelson's economics textbook. Other think tanks making important contributions included the Central Institute for Economic Management (CIEM) (legal framework for enterprise registration, corporate governance and investment approvals, and evaluations of SOE equitisations), Viet Nam Academy of Social Sciences (VASS) (sectoral studies needed to support WTO accession, and poverty analysis), the Institute of Labour Studies and Social Affairs (ILSSA) (labour policies and social insurance), and institutes at the Ministry of Health (health insurance), and Ministry of Industry and Trade (power sector reform). Some of the organizations set up in earlier
years such as CIEM, VASS, and the national universities started becoming more effective than they had been as their mandate expanded to provide independent views, and as key advisors and researchers were selected based on technical skills, and not just political loyalty. The analytical work done by these institutes increasingly requires better data. This requirement was supported by the first official estimate of GDP (1989), the first nationally representative household survey (1993), annual GSO enterprise surveys (since 2000), and MOF budget and expenditure data increasingly available since 1999 (Rama, 2008: 35-38).

One pattern evident from the evolution of policy relevant advice is that a key to its success was effectively persuading the Politburo to accept it. For example, VASS relied on its chairman, Dr. Do Hoai Nam to deliver its advice directly to the Prime Minister prior to the 8th round of negotiations in 2004. Similarly, the Economic Commission of the Party relied on its former Vice-chairman, Dr. Cao Si Kiem, to deliver advice to the Politburo on banking reform (Rama, 2008: 35-38).

A key think tank focusing on PFM issues is the Institute of Financial Research, MOF. Yet it presently has only 7 PFM researchers, with 3 on study leave. This and other relevant think tanks need to be strengthened both with additional, technically-qualified staff, and be deeper ties with suitable universities and private consultants mainly in Viet Nam, with support from international partners as available.

**Next Steps**

This research chapter has demonstrated a number of options for authorities to consider to deliver better value-for-money from Viet Nam’s PAS, to support its graduation to middle income status. These include, *inter alia*, (i) revising and updating the Budget Law in 2009, (ii) prioritizing reforms mainly under control of MOF (e.g. the new COA and TABMIS, strengthened internal controls for payroll, establishment of the Debt Office, clarifying and classifying revenue according to international practice, and carrying out periodic, PEFA assessments), (iii) deepening of capacity strengthening at MOF, (iv) implementation of Hanoi Core Statement on Aid Effectiveness according to the agreed
timetable, (v) taking advantage of the recently approved Law on Public Officials and Civil Servants to improve performance appraisal, tighten sanctions for poor performance, and to fill positions requiring high-level technical skills, (vi) strengthening the capacity of the National Assembly for assessing the outcomes of budget decisions, and compliance for PSD agencies with disclosure policies, (vii) carrying out regular surveys of salaries and household expenditures to ensure competitive compensation for officials, (ix) heightening quantitative analysis of the efficiency of tax collection, (x) enhanced monitoring and evaluation of PFM reforms to enable more informed and evidence-based policy adjustments, and (xi) strengthening relevant think tanks.

Many of these proposed actions are already on the government’s agenda in some form, but successful implementation will require enhanced management and technical capacity, and additional financial resources. The next stage is to engage extensively with authorities to determine the feasibility of these reforms, a reasonable timeframe, and the support needed from international partners during the next phase of PAR, from 2011-2020.

Successfully implementing these enhanced public administration and public finance measures will help to improve coordination capacities, to ensure that the costs of the public sector are affordable, and to build a strong administrative foundation for Viet Nam’s expected middle income status that can sustain it in the decades ahead.

References

Selected Viet Nam government documents consulted


1. Others are mentioned in text.
7. Directive By Prime Minister On Further stepping up the Administrative Reform No. 09/2005/CT-TTg Ha Noi, April 5, 2005

Other Documents


Chapter 2: Public Financial Management: How to deliver better value...


CHAPTER 3

THE REFORM OF THE CIVIL SERVICE
SYSTEM AS VIET NAM MOVES INTO THE
MIDDLE-INCOME COUNTRY CATEGORY

YEOW POON, NGUYEN KHAC HUNG AND DO XUAN TRUONG

Summary

Viet Nam has a vision to build a democratic, clean, strong and modernised civil service. Much effort has been made to improve the quality of the civil service and the management of civil servants with the promulgation of the Ordinance on Cadres and Civil Servants in 1998, the revisions in 2000 and 2003, and the enactment of the new Law on Public Officials and Civil Servants in 2008, which will come into effect on 1 January 2010. However, there are still a number of severe shortcomings such as poor human resource management and development, inadequate remuneration, low motivation, poor work ethics and performances, as well as a lack of transparency and systemic corruption that hampers the effectiveness of the government.

A critical question to ask as Viet Nam reaches its goal of achieving middle-income status is what further reforms are needed to ensure that the Vietnamese civil service is effectively able to manage the country’s economy, people and resources?

Comparative lessons drawn from neighbouring countries indicate that the reform of the Vietnamese civil service in the next 10 years should be based on an integrated human resource management and development framework that is underpinned by the principles of merit,
performance and objectivity. A merit system based on non-discriminatory practices and equality of access to public office would promote professionalism in the civil service. A critical element in ensuring performance is a rigorous staff appraisal process based on job competencies and performance targets. The principle of objectivity will grow in importance because the need for sound and impartial technical advice will become paramount in order for Viet Nam to compete successfully and develop effectively in the global environment.

The recently enacted Law on Public Officials and Civil Servants has opened up some possibilities for major changes toward a civil service based on position and merit. The law takes a major step forward by removing public service delivery agencies or managers of state-owned enterprises from the scope of the civil service. Another major step is that the law provides different frameworks for public officials (cadres), civil servants and commune officials.

The distinctions between these three groups facilitate more targeted stipulations of rights, obligations, recruitment conditions, training and other human resource management issues. The exclusion of staff working in public service delivery agencies could pave the way for more flexible human resource management practices in those agencies. Obligations and personal responsibilities have been further clarified and more attention has been paid to performance appraisals and accountability.

To enable effective implementation of the new law a series of reform actions are recommended, including, but not limited to the following:

- Promotion of merit and performance-based principles and making these overarching principles. Applying the principles of merit and performance would require structures and systems that align policy goals and targets to jobs, competency requirements, performance indicators and staff appraisal processes. This merit principle needs to be clearly articulated and accompanied by a mechanism to protect it. An independent system of performance audits is necessary to ensure that minimum standards are met.
- Development of a national civil servant competency framework to
provide the foundations for a merit-based approach to modern civil servant management practices. Such a framework should also identify the competency levels for progression up the hierarchy to provide a clear path for career development, promotion and training. Current performance appraisal practices need to be linked to this competency framework, and appraisal practices need to be developed for specific work settings rather than applying a single procedure for the whole civil service.

- Relevant policies and practices need to be developed for managing the various groups of cadres, civil servants and public servants. The dual subordination issue needs to be addressed with more transparent differentiation between Party “oversight” and Government “execution”. One possible way to deal with this issue could be to pass a separate law on cadres in the future.

- Enhance the capacity of the Ministry of Home Affairs (MOHA) to undertake policy formulation and implementation and establish an independent body for the oversight function of safeguarding the merit principle. Ideally, this body should be directly under the Prime Minister or chaired by the Prime Minister. Members of the body could include those who have been involved in the process of making policy for civil servant management, as well as external expertise such as academic scholars from research institutions and universities.

- Make use of key tools in a merit- and position-based civil service system such as job evaluations, job descriptions and performance appraisals as a basis for recruitment, promotion, training and remuneration. Proper deployment of these performance tools would provide a more transparent and objective staff appraisal system, thus creating conditions that would encourage more motivation among civil servants and reduce opportunities for malpractice and abuse.

- Introduce competition into civil service training, especially in competence-based training, by opening up training activities to private service providers. Government agencies should be
encouraged to procure the best training services from both internal and external service providers.

Perhaps the two most critical and immediate reform steps are the institutionalisation of job descriptions as the basis for staff employment and setting performance targets as the basis for staff appraisals. Together they provide the foundations for all the other human resource functions in a merit-based system. The role and capacity of the line manager is another crucial element, not only in terms of assessing performances, but more importantly in relation to managing performances.

It is essential to realise that reforming the management of human resources within the civil service requires an integrated, systematic approach. That is, reform in one area can only be effective when all related human resource areas are taken into account. Therefore, reform of the civil service in the next 10 years should be based on an integrated human resource management and development framework that is underpinned by the principles of merit, performance and objectivity.

**Introduction**

Viet Nam’s economy has grown so rapidly in the last 10 years that it is expected to reach middle income status in 2010. In parallel with the economic reforms Viet Nam has made great efforts at public administration reform so that it is able to successfully manage the transition to a socialist-oriented market economy. However, as Viet Nam achieves the goal of middle income status it will face new challenges such as the scaling down of development aid, the higher expectations of its citizens and having to compete globally with other middle income countries. What further reforms are therefore needed to ensure that the Vietnamese civil service will be fit for purpose to manage its economy, its people and its resources for the continuing prosperity of the country?

The purpose of this chapter on civil service reform is therefore to analyse and identify options for the reform of civil servant management and development in the next 10 years, as Viet Nam moves into the middle income country category.

There are many lessons, both positive and negative, that can be
drawn from the experiences of civil service models around the world. As Viet Nam faces a middle-income future a pertinent question is what comparative lessons can Viet Nam learned from the civil service reforms of other developing countries that has transited from a low-income to middle income status. Also, since the Vietnamese civil service system contains some unique features not found in many other countries a careful review of the current system was also carried out to enable a better understanding of how further reform measures could be developed and applied. The ideas formed were then supplemented by interviews with central and local Vietnamese civil servants and counterparts\(^1\) as well as a workshop in the National Academy of Public Administration (NAPA) and a workshop with development partners. UNDP’s review of the draft final version, and comments from two peer reviewers at a March workshop convened in Ha Noi by the Viet Nam Fatherland Front (VFF).

This chapter begins with a brief description of the existing Vietnamese civil service system, an analysis of the Party’s policies regarding the civil service, a review of the reform trends in civil servant

---

1. List of interviewees include: Mr. Jairo Acuña-Alfaro, Policy Advisor Public Administration Reform, UNDP; Mr. Pan Suk Kim, Director, Institute for Regional Studies and Development, Yonsei University; Mr. Dao Viet Dung, Programme Officer, Economist, ADB; Mr. Vu Viet Thinh, Director International Cooperation, MOHA; Ms. Hoang Thi Viet Hoa, Director, ADB Loan Programme PMU, MOHA; Mr. Tran Anh Tuan, Vice-Director, Department of Civil Servants, MOHA; Mr. Vu Anh Xuan, Vice-Director of Training Department, MOHA; Mr. Nguyen Kim Hue, Expert, MOHA; Mr. Vo Kim Son, Dean, National Academy of Public Administration; Mr. Nguyen Dang Thanh, Vice-President, Ho Chi Minh National Academy; Mr. David Koh, research fellow, Institute of Southeast Asian Studies, Singapore; Mr. Nguyen Xuan Son, Director of Cadre Training and Retraining, Party’s Commission on Organization and Personnel; Mr. Vu Son Hai, Head of PAR Division, Mr. Pham Nam Hong, Vice-head, Mr. Phan Binh Minh, Vice-Head and Mr. Nguyen Van Khanh, Expert, DOHA Lao Cai Province; Mr. Nguyen Manh Hung, Head of PAR Division and Mr. Tran Quoc Khanh, Expert, DOHA Dien Bien Province, and Mr. Nguyen Van Su Director, DOHA Dak Lak Province.
management that started with Doi moi in the mid-1980s and an assessment of the implications of the new Law on Public Officials and Civil Servants of 2008. It continues with a review of comparative lessons and experiences from other countries, which includes a broad description of the strengths and weaknesses of the main types of civil service models available in the world and the main features of career-based and position-based systems, followed by a more detailed analysis of potentially useful lessons and reform features that may be relevant to Viet Nam.

This chapter then explores at the policy level, taking into consideration the political realities in Viet Nam, the critical success factors and the principles of merit, performance and objectivity that could provide the underpinnings of a possible reform framework for the Vietnamese civil service in the next 10 years. It also considers what overall approach can be taken to implement a merit based reform framework and the reform paths that should be taken. Finally, this chapter concludes with recommendations for the next steps in taking forward the ideas outlined here.

1. The Vietnamese Civil Service

This section describes the general features of the civil service in Viet Nam and a summary of reform efforts that have taken place. After that, it discusses the current situation and weaknesses of the civil service and ends with a discussion on possible implications of the new Law on Public Officials and Civil Servants.

1.1. General features of the Civil Service in Viet Nam

As a country in transition from a centrally planned to a socialist-oriented market economy it can be said that in-depth discussions about the Vietnamese civil service began only when “Doi moi” started some two decades ago. Due to its historical and cultural circumstances there are several unique features that have profoundly impacted on the Vietnamese civil service:

First, the civil service that developed from a century long colonial
period under the French emphasised a mandarin structure to rule society rather than a civil service to serve the general public. Then the thirty year long wars that followed prevented the nation from building a proper system with the characteristics of a modern civil service.

Second, Viet Nam underwent a long period of central planning more or less following the Soviet style, and the “cadre” system which did not clearly define civil servants from other public officials. Hence, the Vietnamese civil service is based on a “cadre system” (a term used to be deployed for mostly former socialist nations such as the USSR, the Eastern European countries, China, Viet Nam and Laos). There was no clear definition of the civil service and no concerted official effort to develop the concept in a systemic way. The overwhelming characteristic was that as there was little choice for employment in the private sector the main choice of employment was with the state.

Third, Viet Nam is a single party ruling country with the Communist Party of Viet Nam (CPV) as the leading force of the government. Most of the public officials are also members of the party and the notion of “civil servant neutrality” has never been applied. The personnel management system for the Party runs in parallel with that of the Government. Although there are practical benefits to this dual subordination system there are also disadvantages such as duplication of effort and sometimes tension between the needs of the Party (political imperative) and the requirements of the bureaucracy (impartialness and technical competency).

These three features are highly significant, as they underline the development and current status of the civil service system and will continue to have significant impact on how the civil service will develop and operate in the future. Even as Viet Nam becomes a middle income status country and the civil service needs to be reformed to meet new challenges these features and their implications should not be neglected when analysing the civil service system to develop policy options for its further reform and improvement. In particular, the third feature is highly significant:
“We can never separate between cadres and civil servants in Viet Nam as they have worked together in the history of the country. The significance is to improve their effectiveness and efficiency”.

According to the Law on Public Officials and Civil Servants, public personnel in Viet Nam are grouped into public officials (can bo), civil servants (cong chuc) and commune officials and servants (can bo, cong chuc cap xa). Public officials are those who are elected or assigned to a fixed term positions while civil servants work more or less on a permanent basis. Public officials and civil servants can work for the Party, socio-political organizations and administrative agencies. Commune officials and servants do not differ with public officials and civil servants but they work at the commune level. The law does not cover the “public employee” (vien chuc) group who work for public service delivery agencies and this group will be subject to another law.

There are no precise statistics of the number of public personnel. The estimated number of public officials and civil servants working at the central, provincial and districts levels is 300,000; the number of those who work in public service delivery agencies is 1,400,000 people and the number of commune officials and servants is 200,000 people.

Civil servants are also categorised into corps of “senior experts” (Group A), “principle experts” Group B) and “experts” (Group C) and “below expert” Group D). Advancement along this grade scale is mainly based on seniority and the results of corps promotional examinations. As a general practice it takes nine years to move from expert to principal expert level and six years to move from principal expert to senior expert grade. Officers at commune level are divided into “elected” officers (e.g.

---

1. From interviews with government officials.
2. Law on Public Officials and Civil Servants was passed by the National Assembly in 2008 and is going into effect on 1st January, 2010.
3. The term “can bo” is translated as “public officials” or “cadre”.
4. Data taken from “Regulatory Impact Assessment (RIA) report of the draft civil service law”, jointly done by MOHA, ADB and VNCI.
Generally speaking, the civil service in Viet Nam is largely organised as a career based system. Civil servants enter the civil service through a competitive recruitment process followed by a probationary period. After successful completion of the probationary period officers would generally expect to move up the grading scale. The achievement of a higher grade has great influence on career opportunities for management and leadership positions. For example, candidates for department directors must have principal expert level.

1.2. Reform Efforts in Civil Service Management since Doi moi

Viet Nam has a vision to build a democratic, clean, strong and modernised civil service. Since the start of Doi moi a number of initiatives have been taken to improve the civil service legal framework. The key milestones in developing the legal framework are:

- The Ordinance of Cadre and Civil Servants in 1998;
- The revision of the Ordinance on Cadre and Civil Servants in 2000 and 2003.
- The Law on Public Officials and Civil Servants which will come into effect on 1 January 2010.

Following the introduction of the Ordinance of Cadre and Civil Servants in 1998, policies and procedures for civil service management have been developed in a more systematic manner, compared with the previous period. Notably, the revision of the Ordinance on Cadre and Civil Servants in 2003 has resulted in improved classification and policies regarding the management of administrative civil servants and service delivery public officials.

The promulgation of the national Public Administration Reform (PAR) Master Programme (2001-2010)1 was a significant reform effort to

---

develop a socialist rule of law state; a democratic, clean, strong, modernised and professionalised public administration; qualified and ethical cadres and civil servants; efficient and effective state agencies relevant to socialist oriented market mechanism; and integration into the global economy to meet the country’s rapid and sustainable development.

One of the four components making up the PAR Master Programme is the improvement of cadres and civil servants. The aim was that by 2010, cadres and civil servants will be of reasonable number, professional and capable of discharging their public duties. This was to be achieved by reforming the management of cadres and civil servants; strengthening the capacity of cadres and civil servants; enhancing the accountability and moral quality of cadres and civil servants; establishing professional standards and norms and encouraging a sense of accountability and transparency in activities related to citizens. Another aim was to reform the salary system to ensure that the salaries of cadres and civil servants will be adequate to ensure a minimum decent living standard.

The PAR Master Programme has had some successes. Most of the technical human resource management functions have been decentralised to line ministries and local government. Policies and methods of recruitment have changed a great deal in comparison with those in the past. For example, civil servants, including commune officers, are recruited and promoted through competitive examinations following new regulations. Reforms have been made in remuneration with the purpose to gradually create a salary structure that is sufficiently differentiated to motivate and reflect personnel capacity and performance. Salary reform has increased the minimum salary from 180,000 VND in 1999 to 540,000 VND in 2008 and to 650,000 VND from May 1st, 2009. The ratio between the minimal salary level, the average salary level and the maximal salary level was raised from 1.0 - 1.78 - 8.50 to 1.0 - 2.34 - 10¹.

Greater financial autonomy through the use of block grants has

allowed state and public services agencies to manage their own staffing,
revenues and expenditures. Agencies can prioritize and reallocate
expenditure between line items (with some exceptions) and to reduce
staff numbers. Any savings that are made from both reduced salary costs
and administrative efficiencies, and from income generation in the case
of public service agencies, can be retained and used to top up salaries
from savings.

All administrative civil servants and cadres have received basic
training and the curriculum for the training and retraining in state
management, as well as the retraining curriculum for chairmen of
communal People’s Committees, has to varying degrees been renovated.
There is an increasing recognition that civil servants need to be competent
to do their jobs and to deliver results and that training should be more
effective in enabling civil servants to improve their job performance.

“Competency-base training is required to improve the quality of cadres and
civil servants. We have developed the frame curriculum, and will make a manual
for the process of courseware development for training and retraining”1.

However, the mid-term review of the PAR Master Programme2
pointed out several shortcomings in the implementation of civil service
reform during the 2001-2005 periods. Despite certain changes, the reform
of civil servant management, for example in recruitment, training,
performance appraisal and promotion, has made slow progress and
success fragmentary. Also, decentralization in personnel management
has been inconsistent and may not have gone far enough.

“At the present, DOHA is working in a vacuum with limited authority in HRM.
As the economy grows, we want to be able to solve specific issues in our
province”3.

1. From interviews with government officials.
2. See “Mid-term review of the PAR Master Programme” by the Government’s
PAR Steering Committee, April, 2006.
3. From interviews with government officials.
As the central civil service management agency, MOHA should focus on HR policy development, leaving operational matters to the sector agencies and localities to decide.1

Consequently, the current contingent of civil servants still do not meet professional competencies requirements and have poor ethical and accountability standards. In the second half of the PAR Master Programme (2006-2010) the stated actions for reform include further rearrangement and reclassification civil servants structures and the introduction of more vigorous performance evaluation systems and inspection regimes, as well as the development of incentives to attract talented people and reward performance.

Given the low progress of civil service reform, maintaining a competent contingent of civil servants continues to be a great challenge for the Government of Viet Nam, and further reforms are required to keep pace with new developments. There is a need to create a more effective regulatory framework that better supports the development of a more capable, professional, motivated and highly ethical civil service. Since the beginning of 2007, the government has been developing a new Law on Public Officials and Civil Servants, which was passed by the National Assembly in 13 November 2008 and will go into effect on 1 January 2010. The new Law will provide the principles and key directions for civil service reform in the next 10-15 years. This law will be discussed in more details at the end of this section.

1.3. Current Status and Weaknesses in Civil Service Management

Civil service management in Viet Nam is still subject to a number of severe shortcomings such as poor human resource planning, bribes and

1. From interviews with government officials.
frauds in recruitment, inadequate remuneration, unrealistic performance assessment, promotion not based on merit and systemic corruption. Although the reform efforts in the PAR Master Programme have produced some improvements the working environment in Government agencies is not generally characterised by trust, transparency, accountability and effectiveness. Whilst there have been enormous training and development activities, the current contingent of civil servants is still generally perceived as lacking the necessary competence, work ethics and motivation to meet the requirements of the country’s development.

Although varying to a considerable extent, corruption is perceived as fairly common in Viet Nam. The most common forms of corruption are soliciting bribes by creating obstacles, accepting bribes for favours and using public means for personal benefits. Low pay of civil servants is often mentioned as a reason for corruption in Viet Nam. Recently, the Government has emphasised more on positive, systematic approaches to reduce the scope of corruption. In contrast with the almost exclusively punitive measures employed before, the new approaches include fostering transparency, minimising bureaucracy and improving the accountability of government officials. The effectiveness of these measures is dependent on good human resource management practices such as human resource planning, job analysis and job description, recruitment and promotion, training, compensation and performance appraisal, including the capacity of line managers in carrying out personnel management duties.

1. For example, the fraud scandal in September 2006 led to a unit head being removed from her position. (Source: “Thoi chac truong phong vu tieu cuc tai Bo Giao duc va Dao tao”, at www.xaluan.com.vn on 29 June, 2006). Another example is the scandal in Bac Kan where the results of the recruitment exam were modified. Dozens of candidates having connection with government officials had higher marks while other candidates had lower marks. (Source: “Thi cong chac: Ha diem con dan, nang diem chau quan”, at www.dantri.com.vn on 20 May, 2005).
Human resource planning

There is as yet no proper systematic personnel planning within an overall organisation development plan, based on an analysis of the current situation, the aims of operation and predictions of personnel changes that may occur in the future, both in quantity and quality, to ensure that the needs and aims of the organizations are achieved. Human resource planning is based on “staff size” quotas, which mainly rely on proposals by individual agencies. These requests are not always based on actual real needs, resulting in unnecessary budget expenditure and the situation of shortage and surplus at the same time. There are no national statistics on this problem but, for example, the size of teacher surplus in Nghe An Province in 2006 was reported to be 3,400 people.1

Some aspects of personnel planning have been implemented in a number of ministries and provinces, for example the piloting of human resource development plans with the support of donors agencies (such as the DANIDA project in the Ministry of Aquiculture and the Sida SEMLA Project in the Ministry of Natural Resources and Environment). Some provinces and cities, for example, Ho Chi Minh City, Hai Phong, and Dong Nai have produced “macro” human resource development plans, which are actually labour force requirements to meet local socio-economic development targets, with civil servants development being one component of the plan.

Job analysis and Job Description

Job analyses and descriptions are carried out by state agencies but these are limited to defining the functions and tasks for general grades such as experts and principle experts and specialist scales such as lecturers and accountants. However, to support management activities such as staff appraisal and identification of training needs, more specific details of the

job are needed. The general standards based on grades need to be supplemented by specific standards based on the position, as well as the professional skills and competence needed.

Some attempts have been made, mainly with donor support, to improve job analysis and job descriptions. The main constraint however is the lack of a national framework to provide a consistent set of competencies needed for various categories of grades, post and job types. Competencies define not only the knowledge and skills needed to do a job but also the underlying attributes that lead to excellent behaviour and performance. A national competency framework for civil servants is essential to underpin the merit principle and provide the foundation for modern HRM practice and performance management.

Reinforcement and Promotion

The policies and methods of recruitment have changed much in comparison with those in the past. There is a movement towards merit based selection methods as civil servants, including commune officers, are recruited and promoted through competitive examinations. Recruitment is largely decentralized and public service agencies, if they are competent enough, can organize their own recruitment examinations as well. However, a weakness of the current practice in recruitment, as well as promotion, is that the examinations mainly focus on attempting to ensure fairness, openess and objectiveness. As the content of the examinations are not related to the jobs there is no means of selecting the best candidates according to the requirements of a job. In addition, nepotism is widespread in recruitment at both the central and local level.

1. For example: (1) the UNDP supported PAR Facility in the Ministry of Home Affairs piloted job analysis in Bac Ninh, Nam Dinh and Thai Binh provinces and (2) the Danida supported project for NAPA 2002-2006.

Also, the examination content tends to encourage candidates to learn by heart and mechanically remember knowledge, rather than understanding and making use of the knowledge creatively. A typical example of such type of questions is to ask the candidates to recall what is mentioned in legal documents. As a result civil servants tend to be academically qualified but lack practical administrative and management skills.

The Vietnamese civil service is increasingly having problems acquiring high quality job entrants. For example, only 17 out of 300 outstanding students graduated from universities in Ha Noi in the 2003 to 2005 chose to work for state agencies. State agencies are also facing increasing “brain drain” that hampers the operation of government agencies (Box 3.1).

**BOX 3.1: The “wave of leaving” government agencies**

During the 2003-07 periods, more than 16,000 civil servants voluntarily left government agencies. The total figure for Ho Chi Minh City is 6,400. The most competent state employees are leaving for private and foreign companies where they are much better paid. In the past, the leaving people were often job entrants and low staff level. Now managers, even seniors managers, are the prime group who leave state agencies. Some government agencies such as the State Bank of Viet Nam, Ministry of Finance and the State Security Commission are the worst victims of the “brain drain” as the demand for skilled labour in the finance-banking area of the public sector in Viet Nam has been on the rise recently.

A study on “public service career”\(^1\) conducted by the National Academy of Public Administration surveyed a sample of 500 civil servants working at the central and local levels. According to this survey, the main reasons for leaving government agencies of civil servants include ineffective remuneration and lack of incentives and opportunity for development. The most popular reasons for working as a public servant are the job itself and job security.

---

Chapter 3: The Reform of the Civil Service System as Viet Nam...

BOX 3.2: Bribery for getting promoted - The Ca Mau Scandal

In a meeting of the Party’s standing committee of Ca Mau province on 8th April, 2008, the Party Secretary of Ca Mau province handled in VND 100 millions, saying that it was the money for buying of positions. He added that he could get billions of VND if he accepted such bribes. A review of the organizational arrangement process by central government and Party agencies revealed that required procedures were not strictly followed, seriously undermining the transparency of the appointment process. Appointments were largely made on the basis of favouritisms, not job requirements and competencies of the candidate. Several candidates were found in the wrong positions. However, although the evidence of violation was substantial, the case of “position buying” in Ca Mau could not be confirmed. The Party Secretary was disciplined and eventually removed from his posts.

There have been recent efforts in reforming promotion, which aim to improve transparency and quality of recruitment. Attempts have been made to establish larger and more qualified pools of candidates for consideration. The procedures however appears open to interpretation, as illustrated in Box 3.3 below.

BOX 3.3: Reform in promotion: the case of Ministry of Education and Training

In June 2008 the Ministry of Education and Training (MOET) sent a letter to provinces and universities requesting for candidates for its vacancy of a deputy minister. Besides specifying tasks and requirements of the job, in this letter MOET nominated a candidate who was former rector of a national university. This unprecedented move sparked public debate on whether government agencies had started changing its way for selecting high-ranking officials. There was however disagreement within government agencies whether MOET had properly followed procedures. MOET argued that it still followed the regular procedure for appointment but just wanted to broaden the base of candidates and therefore increase the possibility of being able to select a competent deputy minister. MOET finally had a list of 13 candidates for the position, among them one provincial People’s Committee vice chairman, six university rectors, five departmental directors and one director of provincial department of training and education. However, the results of opinion polling showed the candidate previously nominated by MoET received overwhelming support and therefore was selected and appointed.

Training and development

The major types of training and upgrading programmes for civil servants are residential mandatory courses on politics and state management. These courses are designed to meet the general requirements of experts, principal experts and senior experts grades, hence the training content are, to a large extent, not related to the practicalities of the work environment and tend to resemble academic degrees. Foreign languages and computer application are also compulsory training courses.

Whilst change efforts are underway, current training and development of officials is largely ineffective. This is because the current training methods are overly focused on general theoretical and legal information in large lecture halls, rather than on developing work related skills and competences. In addition, within state agencies there is little or no culture of continuous learning. Long-term development activities such as continuous professional development and post-training follow up like mentoring and coaching is largely missing.

Salary

Each position or grade on a salary scale consists of a number of levels. Each level of a salary scale is corresponding to a coefficient. The salary that a civil servant earns is simply calculated by multiplying the minimum salary with the coefficient. The minimum salary that is used as the basis for calculating salary had increased 125 percent between 1999 and 2009 (see details in Table 3.1).

<table>
<thead>
<tr>
<th>Year of increase</th>
<th>Minimum salary (VND)</th>
<th>Percentage increase compared with the previous level (%)</th>
<th>Cumulative percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>180,000</td>
<td>-</td>
<td>17</td>
</tr>
<tr>
<td>2001</td>
<td>210,000</td>
<td>17</td>
<td>55</td>
</tr>
<tr>
<td>2003</td>
<td>290,000</td>
<td>38</td>
<td>76</td>
</tr>
<tr>
<td>2005</td>
<td>350,000</td>
<td>21</td>
<td>105</td>
</tr>
<tr>
<td>2007</td>
<td>450,000</td>
<td>29</td>
<td>125</td>
</tr>
<tr>
<td>2009(^1)</td>
<td>540,000</td>
<td>20</td>
<td></td>
</tr>
<tr>
<td>May 2009</td>
<td>650,000</td>
<td>20</td>
<td>145</td>
</tr>
</tbody>
</table>

1. The Government planned to increase minimum salary in January, 2009 but due to budget shortage this will be postponed to April, 2009.
Although the government has made efforts to increase salary levels, civil servants in Viet Nam generally earn a low level of salary that does not meet the cost of living. For example, a new entry civil servant with a graduate degree currently earns a monthly salary of around VND 1.300.000 (about US$72). The government is also attempting to create a salary structure that is sufficiently differentiated to motivate and reflect personnel capacity and performance, however the current salary system still emphasizes equality of income, at the expense of salary differentiation between grades.

Performance Appraisal

At present, staff appraisal is carried out according to eight criteria. These criteria, however, are general and broadly applied to all staff. Hence, the current system does not really assess the work that people do in a sufficiently vigorous way to enable meaningful assessment of actual staff performance. In fact, they are sometimes mistakenly used as a voting mechanism to select candidates for promotion opportunities.

“At the moment, the evaluation of civil servant performance is only a formality. The method and criteria for evaluation are inappropriate with no emphasis on the performance results and efficiency ... The civil servants evaluation system fails to assist the government to understand the working competency of each civil servant in order to use the right person in the right place...”

Recent reforms in personnel management have led to pressure for reforming the ways staff appraisal is carried out. For example, the greater autonomy given to service provision agencies has created an opportunity (as well as a requirement) that these units apply more

---
1. Decision No 11/1998/ QD-BTCCP - The 8 broad criteria are compliance with state’s law and policies, work results, compliance with work and organisation regulations, cooperation at work, truthfulness, ethics, attitude towards learning and attitude towards serving people.
2. RIA report on the draft Law on Cadres and Civil Servants, 2008.
effective methods of performance assessment. Public service agencies with income have more chance to encourage their staff with material rewards, as they are allowed to have award funds and independently decide how to use these funds. Some of these agencies, especially universities and research institutes, are already pioneering new and more effective methods of staff performance appraisals.

**Discipline**

The discipline of civil servants is well stipulated in Decree 35/2005/ND-CP. Disciplinary actions imposed on civil servant include reprimand, caution, salary reduction, grade lowering, demotion and forcible job severance. Enforcement however is problematic. Discipline tends not to be strict because of a cultural characteristic of not wanting to give offence. Also, career based lifelong employment system does not provide the ultimate sanction of removing personnel who are incompetent or who do not complete their tasks satisfactorily.

1.4. The New Law on Public Officials and Civil Servants and Its Implications

To be introduced 10 years after the Ordinance of Cadre and Civil Servants, the new Law on Public Officials and Civil Servants would be considered as a start for a new era or new policy-making cycle of civil service management. The new Law addresses the shortcomings discussed above by setting out the principles and key directions for civil service reform in the next 10 years but it remains to be seen whether this law can fulfil its intended mission. The most important points regarding the new Law and its possible implications are as follows (see Annex for further analysis).

The general aim of the Law is to contribute to the further completion of the civil service regime and cadres and civil servants management; ensuring transparency, openness and accountability in the operations of the civil service; and suited to the situation and specific features of Viet Nam.
Chapter 3: The Reform of the Civil Service System as Viet Nam...

The Law takes a major step forward by reducing the scope of the civil service to cover only public officials and civil servants and not cover the two remaining groups of public servants who work for public service delivery agencies and managers of state-owned enterprises. These two groups would be subjected to another separate law that will be established in the near future. This opens up possibilities for further socialisation of public service delivery agencies and more flexible human resource management practise. However, the top managers of these agencies would be classified as civil servants and the practical implications for human resource management when top leaders and the staff they manage are subject to different codes will need to be addressed. Otherwise, this would create constraints for personnel management practice in the public services organisations.

Another major step is that the Law defines public officials (cadres) and civil servants separately and provide different regulatory frameworks for these two groups. The Law also defines commune cadres and civil servants as a separate group that is distinct from those working at the central, provincial and district levels. The distinctions between these 3 groups opens the way for more targeted stipulations of rights, obligations, recruitment, training and other human resource management issues. Further regulations and guidelines on human resource management and development therefore need to be developed for each of these groups.

Regarding the structure and management of the civil service the new Law consolidates what have previously been in legal regulations. Compared with the Ordinance of Cadre and Civil Servants, the new Law further clarifies the principles of transparency, subjectivity, effectiveness and equality in recruitment and promotion. The exclusion of those working in public service delivery could pave the way for contract employment and other private sector human resource management practices in these agencies. There is also a recognition that the civil service should be organized as a combination of career-based and position-based arrangements. Further studies on what would be a
suitable combination are needed and further provisions on how and what could be applied would be required.

Obligations are emphasised and articulated in greater details and additional obligations and responsibilities are clarified for civil servants who have managerial and leadership positions. These obligations could be further developed to create a behaviour framework for civil servants or a code of conduct. More attention has been paid to performance appraisal and accountability and salary increases and opportunities for promotion are linked to performance.

“In the future, it is necessary to enhance political responsibility of the elected officials; apply some renovated ideas provided in the new law on cadres and civil servants, such as meritocracy, competitive entrance exams and promotion exams etc. to improve the civil service”.

Effective performance appraisal will require the systematic implementation of job evaluations and descriptions, competences and performance indicators. The Law does stipulate that standards and jobs profiles should be defined for each position, which provides a starting basis for developing a framework of competencies. Although “merit” is mentioned it is not prominent and central to the ethos of the civil service. There are however beginning steps, for example, the linking of the authority for recruitment with the authority for employment, the movement towards evaluating the capacity of a candidate to do the job in recruitment examinations and the emphasis on taking personal responsibility for performance. The principle of merit will need to be further strengthened until it becomes a key underpinning foundation of the Vietnamese civil service.

2. Comparative Systems and Lessons

This section considers comparative lessons that can be drawn from civil

---

1. Interview made in August 2008.
service models in other countries and compares the Vietnamese civil service system with countries from three major groups: the Eastern European countries represented by the Russian Federation, China and ASEAN countries (such as Malaysia, Indonesia, Philippines, Singapore and Thailand) in which Viet Nam is a member. The aim is to highlight similar weaknesses and what these countries have done to reform their civil service as well as areas that are different from Viet Nam but may provide useful lessons.

2.1. Basic Civil Service Models

As discussed earlier, the civil service of Viet Nam has evolved from a rather low developed basis, therefore, in the current reform process it is important to learn from the experiences of how other countries has developed their civil service and dealt with their shortcomings the lessons and experiences of other countries. One may argue that other countries are different in many ways including their geographical location, development level, population size, social, political and economic circumstances and so on, making general lessons difficult. While it is true that the civil service systems are not the same, they share general features and experiences in structure and operations that they may also exchange and learn from each other.

Basically, the various types of government in the world can be grouped into four major models based on European traditions (Loughlin 1994) and a fifth based on a cadre system:

- **Anglo-Saxon** (minimal state) based on a social contract between State and citizen, the separation of politics and administration and a high degree of decentralisation is very different from the Vietnamese system.

- **Continental European**: Germanic (organicist) based on a cooperative federalism model where the State and citizens is seen as an organic whole, where civil servants are personifications of the State and the State is a transcendent entity is somewhat closer to Vietnamese system.
- Continental European: French (Napoleonic) where the State is unitary, indivisible and has a highly centralised authority is perhaps closest to the current Vietnamese system.
- Scandinavian (mixture of Anglo-Saxon and Germanic), which combines the idea of the State and citizen as an organic whole with a participatory and local autonomy ethos.
- Cadre/Civil Servant system, based on a notion of “democratic centralism” that has developed and is continuing to evolve from some of the former socialist nations, such as China and Viet Nam.

The establishment of a civil service structure is generally determined by a country’s history and socio-political systems. For example, countries such as the United Kingdom, Denmark and Germany had a strong monarchical tradition, which initially meant that the civil servant directly served the sovereign. Over time, this developed into a culture of civil service management based on the principles of negotiation and contract, leading to the job or position system. However, other countries such as France, Spain and Greece had experienced revolutionary movements in the past and needed to set out statutory provisions for impartial, egalitarian civil services to guard against authoritarian political systems, resulting in the adoption of predominantly career systems.

Civil service systems can be described as either pre-dominantly career or positioned based. “A career system is “closed” in the sense that entry is usually to the lower ranks and more senior positions are filled from within the ranks. In position-based systems (also called job-in-rank systems), on the other hand, the emphasis is placed on selecting the right candidate for the position to be filled”.

The main features of the two systems are described in Table 3.2 below:

---

2. See UNDP Public Administration Reform Practice Note.
3. Adapted from Richard Lucking (2003).
### TABLE 3.2: Features of career-based and position-based systems

<table>
<thead>
<tr>
<th>Features</th>
<th>Career-based</th>
<th>Position-based</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employment arrangement</td>
<td>Life long</td>
<td>Contract</td>
</tr>
<tr>
<td>Stability</td>
<td>High</td>
<td>Lower</td>
</tr>
<tr>
<td>Flexibility</td>
<td>Less</td>
<td>High</td>
</tr>
<tr>
<td>Focus</td>
<td>Emphasise common values and consistency</td>
<td>Emphasise individual performance and results</td>
</tr>
<tr>
<td>Recruitment</td>
<td>Initial open competition at entry level</td>
<td>Open competitions at all levels based on job requirements</td>
</tr>
<tr>
<td>Promotion</td>
<td>Length of service and seniority</td>
<td>Competencies necessary for performance</td>
</tr>
<tr>
<td>Private Sector</td>
<td>Closed, little interaction with private sector</td>
<td>Open interaction with private sector and greater use of private sector HR practice</td>
</tr>
</tbody>
</table>

There is a growing consensus that the current predominantly career based system in the Vietnamese civil service is one of the major causes of the shortcomings of the system. The increasing interest in position based civil service systems is now reflected in the new Public Officials and Civil Servant Law. However, other than stating the need “to combine the career-based and position-based”, the new Law does not provide information on what and how to make the system more position-based.

The key features of the position based system that the Vietnamese civil service system should adopt into its career based and cadre /civil servant system are:

- recruitment and promotion of the right person with the right skills and qualification to the right job.
- recruitment and promotion criteria should be based on job requirements.

#### 2.2. Comparative Examples

*Scope and Legal Mandate*

With regard to the coverage of the civil service, except for the Philippine
system which covers the executive, legislative and judicial branches, the civil service systems in other ASEAN countries and most countries in the world cover largely the executive branch of their country’s government structure. However, the Vietnamese civil service is based on a “cadre system” and the newly adopted legislation governing the civil service is still called “Law on Public Officials and Civil Servants”. Under the Soviet system, for example, the personnel management function was subsumed into the nomenklatura system of cadre management. The association of personnel management with the nomenklatura system has had the effect of inhibiting development of normal personnel management functions and transferring into the personnel management function many of the characteristics associated with nomenklatura (secrecy, lack of transparency and accountability). The Vietnamese civil service also shares some of these negative characteristics.

Almost all countries have a civil service law the enforcement of which strengthens the effectiveness of state management and public service delivery. Within the ASEAN region, Indonesia’s civil service law was enacted in 1974 and revised in Law 43/99. In the Philippines the civil service is provided in the Constitution as well as the Administrative Code of 1987. In Thailand, the civil service act was issued in 1992. Some countries, like Singapore and Malaysia, have separate laws or acts for the central agency in charge of civil servant management.

Even for countries based on the cadre system the trend has been to establish laws to define the civil service and to separate civil servant management from cadre management. For example, in the Russian Federation, the Civil Service Law was developed and enacted in 1995 with some modifications in the following years. China established it’s Ministry of Personnel in 1998 on the basis of the 1993 provisional regulation on state civil servants and the civil service law of China was promulgated in January 2006. The new Vietnamese Law on Public Officials and Civil Servants of 2008 have some similarities with the Chinese Civil Servant Law in emphasising the rights, obligations and responsibilities of civil servants, conformation to the Party, covers a
wider range of public employees and provides less clarity on the role of central personnel management agency¹.

Civil Service Structures

Most of the ASEAN nations, like many of countries in the world, follow either a career or a position system. Like other countries the Vietnamese civil servants are generally categorised in a hierarchy according to the manner of work to be done and the requirements of a position or grade. The corps of experts, principal experts and senior experts in Viet Nam, for example, reflect the complexity of work, the requirements for those holding the position as well as the responsibility and accountability. Progression upwards is based on examinations but in reality is highly subjected to a patronage system lacking in transparency and resulting in abuse such as “buying positions”.

Generally, reforms in other countries have tried to mitigate the weaknesses of a patronage career based system by introducing different ways of appointing or promoting civil servants. For example, in Russia, some category A civil servants are appointed through elections and others directly nominated by the federal State organs. Category B comprises those civil servants who are nominated by institutions of category A whilst category C civil servants are nominated by other than federal state agencies². In some other countries, like the Philippine the civil service positions are classified into career and non-career service, each with their own entry and recruitment systems. The 2006 civil service law in China also provides specifications for non-career employees of the state.

Recruitment, Promotion and Retirement

The eligibility criteria to become a civil servant are fairly universal and normally covers nationality, the age requirement, educational attainment, physical and mental capabilities, experience, training and

¹ See Pan Suk Kim (2008).
² See Timo Aareevaara (1999), p. 34.
professional qualifications. For certain positions, other personal and moral qualities such as leadership, motivation, communication skills, aptitude and commitment are also considered. The main difference between Viet Nam and other successful middle income countries is in the way recruitment and promotion is carried out.

In the majority of these countries, the recruitment system is competitive and decentralised. The central civil service system provides the standards and guidelines for recruitment though the final decision for hiring rests on each government agency/department or local authority. In Singapore, for example, the Public Service Commission is an independent authority for the appointment of officers to the Administrative Service, as well as the appointment and promotion of officers to senior management ranks. Its role is to ensure that the right person is chosen for the job, and that the selection process is impartial. It is also the final board of appeal to provide a check-and-balance on the personnel decisions made within the civil service and to ensure that civil servants are treated fairly and consistently.

Viet Nam too has decentralised many of its civil servant management functions to line ministries and provinces, who in turn has decentralised some functions to line departments and districts. It also attempting to introduce open, competitive examinations for recruitment and purposes and there is a greater emphasis on results. However, implementation is hampered by the lack of human resource practice standards and guidance. An example of a quality standard on human resource practice is the “People Developer” in Singapore. This standard is a three-year certification scheme which offers public organizations a systematic process to review their people management practices, develop staff and improve training effectiveness.

There are compulsory ages for retirement in most of civil service systems. However, the age requirements vary between 55 to 65 years old and generally civil servants must render a minimum number of years of service to be eligible for retirement benefits. In Viet Nam, the age of retirement differs between male and female civil servants. While male
civil servants retire at 60, female civil servants retire at 55. The standard daily working hours also varies. In Cambodia, Viet Nam and the Philippines, civil servants are required to render eight hours of work per day, five days a week (from Monday to Friday), but civil servants in Thailand only have to accomplish 7 hours a day.

Salary

All civil services have a pay structure/wage scale on which they base the pay of the civil servants. The pay structure correspond to different factors, such as the salary grades indicated in their specific schemes, job classifications, current levels/rank of the civil servant in the pay structure. In Indonesia and Viet Nam, seniority is also a consideration. In the Philippines, the Constitution mandates the standardisation of compensation for the public sector. The range of salaries is provided under the Salary Standardisation Law or Republic Act 6758 which implements the constitutional provision.

With the exception of Singapore, salaries in the civil service are generally lower than the private sector. However, aside from their base salary, civil servants also receive allowances, which depend, not only on their level of pay structure, but on the function of their job as well. Aside from the basic salaries indicated in their financial structure, civil servants enjoy supplementary allowances-such as family support allowances, educational allowance (for teachers in Cambodia), structural and functional allowance (in Indonesia), overtime pay, and specific allowances for those in the managerial and different fields of specialisation. In the Philippines and Thailand, employees are also entitled to representation and transportation allowances when travelling. In addition, in the Philippines, Singapore and Thailand, the employees also receive non-financial benefits such as leave benefits (vacation, sick/medical leave, maternity and study leaves). In Thailand, civil

---

1. There are pros and cons about the differences in the retirement age between male and female civil servants in Viet Nam, however, up to now, the debate has not been fully addressed.
servants may also avail themselves of religious and military leave. In most countries, civil servants also receive health insurance, disability and housing loan benefits.

Countries like Lao PDR and Viet Nam practice an egalitarian pay structure where the differences between the lowest and highest paid is very small. For example, in Lao, “the salary structure for government civil servants is not closely tied to performance or distinction as to the “worth of the job”, and without a well developed job classification system and job description it is very difficult to compare civil service positions with “comparable” private sector jobs”¹. This is also the case in Viet Nam².

Performance and Competence

As improving the effectiveness of civil servants remains a concern in most civil services, encouraging better performance continues is a key reform feature in most countries. Many countries have incentive schemes such as performance related pay. For example, in Singapore, 25% of the pay of top civil servants and ministers are linked to the performance of the Singapore gross domestic product. For 2008, the performance bonus pay out ranged from 6 to 10 months for ministers (MR4) and 0 to 8.5 months for top civil servants (SR9). However, as the Singapore civil service practise a flexible salary scheme where pay can go down as well as up, the pay for these top grades are expected to fall 12 to 19 per cent in 2009 as a result of the recession³.

The success of a performance bonus system is critically dependent on the credibility of the performance appraisal system. If the system is not fair, transparent and based on merit a performance related pay system would quickly fail. There are many ways in which staff performance appraisal are carried out. For example, the Philippine and Thai governments undertake semi-annual performance evaluation of their employees based on specified standards. Both make use of the quality

². See also Nguyen Khac Hung (2006) for more details.
and quantity of the employees’ outputs as a measure of performance. Performance is measured vis-à-vis the targets set at the beginning of the year in accordance with rules and regulations prescribed by the personnel management agencies.

Viet Nam, like China, has recently introduced performance appraisal, however, in the absence of competencies and job related targets there are difficulties in setting a proper mechanism to conduct it. In Malaysia the Competency Based Human Resource Management Framework brings together recruitment, selection, reward, career development, training and performance management into one integrated HR system. It provides the foundation for staff appraisal to determine salary progression and job promotions. The competency framework makes clear what performance behaviours staff needs to demonstrate to be rewarded, thereby providing a better basis for career and succession planning. Thailand too has recently established a comprehensive competency framework to manage and develop its civil service.

**Human Resource Development**

All civil services place a high priority on developing the capacity of their civil servants. Since the civil service law was enacted in 1995, the Russian Federal Government has concentrated enormous efforts on HRD policies, particularly of training of civil servant. The definition of training was provided in the order (ukaz) No. 983 of the President of the Russian Federation of 2 September 1997 on “Complete methods for the training of State servants” including the professional continuous education, upgrading of qualifications and training overseas.¹ With the establishment of the China’s National School of Administration in 1998 and subsequently the rationalisation of training schools in each city and province, Chinese civil servants have been exposed to numerous types of training to improve performance. An element of competition was also introduced as beside state established civil servant training institutions,

---

¹. See Timo Aarevaara (1999), p. 43.
governmental organizations can also contract civil servant training from other training institutions as required.

In the Philippines, the major policies on HRD include: (i) One HRD intervention per employee per year; (ii) Decentralisation of some HRD functions to head of agencies, i.e. the head of agency becomes responsible for some HRD decision points like training, scholarship, career development of employees; and (iii) Allocation of 5% of agency annual budget to HRD activities. The Thai Cabinet issued civil service training and development policy in 1996 including important considerations such as systematic and continuous training and development must be provided and training and development must be geared toward equipping civil servants with up-to-date knowledge, skills and appropriate attitudes to effectively serve the people. In order to effectively implement this policy, the Civil Service Commission issued manuals detailing measures to be taken by the ministries and departments in preparing their own civil service development plans in accordance with the policy statement with budget from the government.

In Malaysia, training and development is closely related to the Competency Based Human Resource Management Framework. The aim is to reduce cost associated with random training and to focus training on those competencies that leverage most job improvement. The overall training framework guiding learning objectives, curriculum design and training delivery is based on Bloom’s taxonomy of education objectives. For example, the managerial and professional group of civil servants are expected to achieve 6 levels of competency (knowledge, comprehension, application, analysis, synthesis and evaluation). Evaluation of the impact of training is based on Kirkpatrick’s 4 levels of evaluation (reaction, learning, behaviour and results).

2.3. Reform Strategies

Generally, reforms in the civil services of most countries are in the direction of enabling socio-economic development, improving services to the public, encouraging citizens’ participation and enhancing transparency and accountability. Although the success of many of the civil service reform programmes and strategies described below may be limited, nevertheless,
they share many common characteristics and as Viet Nam began its renovation rather late, there are great opportunities for the Vietnamese civil service to learn, adapt and adopt from ideas, success and failures of these countries.

For instance, in Russia, the civil service reform that started in 1998 and 1999, aimed to turn the civil service from “service to the sovereign” to a bona fide civil service. Detailed measures for administrative and civil service reforms included: a clearer differentiation in the status of career civil servants and of political appointees and the formulation of a government apparatus based on merit. This led to selection primarily on a competitive basis, promotion and retention of the most highly skilled, management on the basis of competence and assimilation of modern management technologies. Civil servants were made more accountable, while offering them legal protection against arbitrary and incompetent officials and the mass media. The cost of the civil service as streamlined and measures were taken to decrease the use of indirect incentives and “secret” perks.

The Chinese civil service, which consists of government departments, Party departments, State-owned non-profit units and government-led social associations, has a total of 105.3 million people. Initial reforms in the 1980s have concentrated on restructuring and rationalisation of functions. More recent reforms have focused on the personnel system, such as, institutionalising meritocracy into public personnel management to promote efficiency and alleviate the problem of secrecy and nepotism. The major dimensions of reforms are the transition from cadre management to civil service system, i.e. a process of professionalism, administrative downsizing, retained the capable and compliance with job requirements. Staffing reform includes competitive examinations used to recruit civil servants with the right job-related knowledge, skills and educational level, as well as the adoption of performance appraisal.

There is greater emphasis on management according to law and accountability has been enhanced through the introduction of practices such as the “chief executive accountability system,” “service delivery promise system” and “accountability investigation system” at various levels of governments. Transparency has also been increased through the establishment of a “national leadership task force for opening to the public administrative affairs”, “opening to the public policies system”, “information opening system” and “system of government spokesmen”. At the local level, administrative agencies are also testing more organisation and job specific staff appraisal systems. However, a key strategic constraint is the need to balance the pace of administrative reform, which is behind economic reform, and the need for social stability. Hence, reform has been and will continue to be implemented step by step within an overall goal. Although administrative reform of the past 20 years “put tens of millions of Chinese people’s interest at stake, and left several million people separated from their jobs, we have been able to maintain social and political stability, and ensured an orderly administrative reform”\(^1\).

In the Philippines, for the past five years, reforms in the civil service have focused on innovation and enhancement of the career service examination system; institutionalisation of performance commitment system; attitude change through mainstreaming of gender and development concerns; and fighting corruption with integrity testing and lifestyle checks. In Thailand, a five-year strategic plan that started in 2003 aimed to improve the quality of public services, to right size government bureaucracy, to increase competencies of public sector employees and to ensure responsiveness to democratic governance through seven major strategies, involving process re-engineering, restructuring the framework of administration of public organizations, reform of financial and budgetary systems, review of the human resource management and compensation systems, introducing new change management paradigms, culture and values, modernisation through e-government system development and enlisting public participation in the work of the government system.

\(^1\) See Xu Songtao (2005).
Chapter 3: The Reform of the Civil Service System as Viet Nam...

An important point to note is that civil service reforms are usually carried out in phases, with certain mutually reinforcing themes and a driving mechanism, as illustrated in Box 3.4 below.

BOX 3.4: Public Administration Reform in Malaysia

The first phase of public administration reform began in Malaysia in 1966 with the aim of improving “the administrative system and achieve efficiency and administrative leadership in the public service to meet the needs of a dynamic and rapidly developing country”. The key reform actions were the creation of the Development Administration Unit (DAU) staffed by professional management analysts in the Prime Minister Department, improvement of the government in-service training and education system and the strengthening of the professional competence of the civil service. Reform activities were focused on 7 bureaucratic “deadly sins” that slowed down economic development, especially in rural areas.

By the mid-1970s, emerging needs began to eclipse the original mandate of the DAU. Therefore in 1977, during the second phase of reform, the Malaysian Administrative Modernization and Manpower Planning Unit (MAMPU) was established to drive reform by providing consultancy services, strengthening administrative capacity and coordinating human resource planning and development.

The third phase of reform began in the 1980s with the introduction of business management modalities, privatisation and an emphasis on the core values of quality, productivity, innovation, integrity, discipline, accountability and professionalism. A permanent committee called the Panel on Administrative Improvements to the Civil Service, chaired by the Chief Secretary to the Government, was established to generate ideas and identify concrete measures to bring about improvements in public administration.

In the 1990s, total quality management was adopted and MAMPU was assigned to promote and monitor the progress of Quality Control Circles at all levels, whilst the National Institute of Public Administration (INTAN) concentrated on training. A client charter was also introduced as a quality assurance for government services.

There was also a focus on reforming counter services and the culture of counter service staff to become more responsive to the needs of the public.

---

An exception is Singapore, which does not appear to have a formalised programme of public administration reform\(^1\). Instead it has always emphasised the importance of performance of the public sector. Public complaints act as a spur to improvements as letters to the press complaining about service standards are scrutinised even by politicians, including the ministers. There is a continuous emphasis on the use of performance tools; high civil service salaries with rewards tied to the performance of the economy; scholarships to attract and retain the best brains at the civil service and most crucially a strong political will.

3. Strategic Reform Options and Directions

This section highlights the factors that would be critical when formulating the policies for the reform of the civil service in the next 10 years as well as the set of principles to underpin the development of reform policies, followed by a discussion on the approaches and reform paths to take.

3.1. Critical Success Factors

As the 2001-2010 PAR Master Programme comes to an end, there are many views as to how public administration reform should proceed and how the Vietnamese civil service should develop as Viet Nam becomes a middle income country. Essentially, the reform framework for the next 10 years needs to set out the rationale for how civil servant management can transit from just providing “personnel administration” in a bureaucratic way to “human resource management”, where civil servants have the capacity and the practical management skills to enable Viet Nam to develop sustainably in an increasingly competitive global environment. There are no easy answers however in our view the following factors are critical.

Firstly, civil service reforms involve complex social, cultural and political issues\(^2\). This means that the development of civil service reform

---

Chapter 3: The Reform of the Civil Service System as Viet Nam...

policies need to be based on a real analysis and recognition of the socio-political context and the desired pace of reform in order to determine what is realistic. It will be necessary to acknowledge the pre-eminent role of the Communist Party of Viet Nam, as administrative reforms must be carried out on the basis of the party resolutions and principles and must have the desired outcome of furthering the development and legitimacy of the Party.

Secondly, it is necessary to be realistic about the time it will take to get significant results and to identify starting and sequencing issues, that is, what are the basic reforms that are needed to address initial situations, thereby laying a foundation for further reform efforts. It is also important to realise that modest and partial successes can provide the basis for later progress or gradually add up to a tipping point of change. The framework to guide civil service reform in Viet Nam over the next years will need to combine both incremental and opportunistic improvements within an overall implementation strategy. Reform is needed but at an acceptable pace that does not create instability.

Thirdly, a successful civil service reform programme requires a vision big enough to disturb and re-frame how the status quo perceived its interests. The vision then needs to be supported by a coherent implementation strategy that defines measurable targets, identifies the critical paths, establishes a driving mechanism and provides good diagnostic and process tools to appraise and implement reform actions. It will also be necessary to address the conditions that will sustain

---

1. Resolution No. 17/2007/NQ-TW states that the Party wants to “make the system of state agencies function efficiently in line with the socialist oriented market economy regulations and global economic integration (and) better meet the requirement of rapid and sustainable development of the country”. It aims to achieve its reform policies by building a contingent of cadres, civil servants and public servants to have “good political attitude, professional capacity and responsibility to dedicatedly serving people”, as well as “promote democracy in social life; mobilize and use effectively resources and increased participation of every citizen in the process of the country development”.
reform efforts. This would involve strategies to address and remove resistance to reforms, as well as the need for balance between the development of reform policies and the capacity to implement. A policy no matter how well formulated will quickly lose credibility when it is implemented badly or very slowly.

3.2. Recommended Reform Principles

It is highly recommended that the Party and the Government of Viet Nam consider using the principles of merit, performance and objectivity as the underpinning principles to form the civil service reform framework for the next 10 years. These three principles and how they might inform the further development of civil service reforms is further discussed below.

Principle of Merit

Perhaps the most important factor for an effective civil service is the merit principle, which means, “The person most able to do the job gets the job”. A merit system based on non-discriminatory practice and equality of access to public office would promote neutrality and professionalism in a civil service and is more suited to a rights-based approach in civil service management. Without the merit principle, an organisation or institution would become inefficient and dysfunctional as the wrong or incompetent people are recruited, rewarded and promoted.

However, most countries would also practice a patronage system of political appointments, which allows the establishment of a cadre of loyal civil servants, especially the top senior civil servants, to deliver the policies of the ruling party. In the case of Viet Nam the political patronage system is augmented by the dual systems of cadre and civil servant management by the Party and the Government. All civil servants are also encouraged to become party members and promotion, especially for middle ranking positions and upwards, would to a high degree be subjected to acceptable political credentials. A further complicating factor is the practice of “buying posts”, which is detrimental to the building of a meritorious civil service.
Chapter 3: The Reform of the Civil Service System as Viet Nam...

Rather than attempt to radically transform the Vietnamese civil service into a merit based system a more realistic policy line for the medium term is to introduce checks and balances to limit the powers of individual party and government leaders over recruitments, rewards and promotions. A further step is to link the political patronage system to methods of merit selections; so that the most competent politically acceptable person gets the job.

In the longer term, the further strengthening of the principle of merit in the Vietnamese civil service would require the gradual introduction of the following:

- The principle of merit needs to be reinforced by gearing the whole administrative apparatus towards supporting merit. For example, open and fair recruitment process would only be successful if personnel officers, line managers and other leaders are familiar with preparing job descriptions and the development of criteria for evaluating candidates and trained in how to conduct and evaluate job candidates. In other words, the principle of merit needs to be built into all HRM systems and processes.

- The principle of merit needs to be underpinned through a transparent civil code or code of conduct that sets out the desired values and behaviour of civil servants, including what is not acceptable. The code of conduct must be deeply embedded into the organisation culture of the civil service and enforceable with clear disciplinary procedures. However, an independent appeals mechanism is needed to prevent abuse and allow appeals. This is further discussed below.

- The principle of merit needs to be defended through independent appeals mechanisms to oversee, scrutinise and prevent abuse. It will be necessary at some stage, if the Vietnamese civil service is to be become merit based, to set up an independent commission, tribunal or body for individuals who feel that they have been unfairly treated to appeal or bring their grievances to.

Principle of Performance

The next most important criteria is the principle of performance because the role of government has changed considerably from bureaucratic application of regulations to developing enabling regulatory environments that encourage citizens’ participation and support equitable, sustainable economic growth. There is a focus on public service delivery and achieving results. However, this focus on delivery of results is only possible if the principle of merit is closely linked to performance management. In other words, the planning system within an institution, which sets goals, identifies outputs and allocates work, must be well connected to the human resource management system that ensures there is a contingent of capable staff to do the work.

The key critical point that connects the performance planning system and the human resource management system is the staff appraisal process. Three essential factors defining the staff appraisal process are:
- the competence required to do the job;
- the performance outputs and indicators;
- the annual targets.

Competence defines the range of knowledge, skills and attitudes needed to deliver the job requirements of a particular post; whereas performance outputs and indicators define the work that needs to be done and the annual targets set the level of achievement. Together they underpin the staff appraisal process to identify training needs, rewards/discipline and promotion. They also provide the foundation for establishing job descriptions, which in turn provide the basis for recruitment, training and setting salary scales.

A performance oriented system is only credible if the principle of merit is not violated. For example, the staff appraisal system would have a negative impact on staff motivation if people feel others are being rewarded for non-merit reasons. Performance suffers when high standards of transparency, accountability and probity are not maintained.

Principle of Objectivity

Civil service reform efforts around the world have all tended to increase
the de-politicisation of the civil service and stressed the ideal of not just a merit based but also a neutral civil service. This is to ensure that civil servants focus on the business of providing sound, objective advice to deliver the stated policy goals of the government.

In almost all countries, the systems for managing staff in political parties are independent and separated from their civil service. The unique feature of Viet Nam, and a small handful of countries, is that the personnel management system for the Party runs in parallel and is intertwined with the Government civil servant management system. This dual system has the benefit of giving the Party considerable control in ensuring its policies are effectively delivered. It also allows an individual to gain experience by being promoted through both party and government systems.

There have been debates within both Government and Party whether there should be a separation of the two human resource management systems. However, given the reality that civil servants are obliged firstly to be faithful to the Party, followed by the Government and then the people any fundamental separation between the two systems would be difficult and will take a long time. In the meantime, as the civil service adopts more merit based and position based civil service practices some separation or at least transparent clarification of roles between the two systems will be required. In the longer term, further reform steps could consider the separation of a Law on Public Officials from the current new Law on Public Officials and Civil Servants.

The need for checks and balances to limit the influence of individual party leaders on HRM processes, such as recruitment and promotion, has been mentioned in the above discussion on merit. In addition, some of the dysfunctions arising from dual subordination should be addressed. For example, although Party imperatives are pre-eminent and civil servants must comply with and execute the policies of the Party, for Viet Nam to compete successfully for investments and develop effectively in the global environment, the need for sound, impartial, technical advice is also paramount. Hence, over time the principle of objectivity and impartiality should take precedent. However, in the
longer term, whether the Party and Government systems will become fully separated and independent of each other or whether the dual cadre/civil servant system evolves into a viable and effective civil service system remains to be seen.

3.3. Reform Approaches

There are several ways the reform framework and principles outlined above can be implemented. One approach would be to take the least change or incremental change scenario. The aim would be to gradually improve the efficiency and effectiveness of the system, possibly by incorporating some new public management elements without fundamentally changing the basic shape and structure of the existing bureaucratic system. The rationale for this approach is that a journey of a thousand miles begins with taking a first step and that a tipping point can be reached when change becomes inevitable. Proponents of this approach tend to emphasise small scale pilots, persuasion, training and re-training.

On the other hand, critics point out that the scale of change needed to overcome deep seated cultural resistance in order to move from a bureaucratic system to a performance oriented culture requires a fundamental re-engineering approach. A big change is needed to provide an initial shock that can begin to change the dynamics of how the system work and to re-frame the way civil servants begin to perceive their interests, which in turn opens the way for further change. Civil service reform in many countries began with the adoption of all or some aspects of the “new public management”.

A fundamental shift from a bureaucratic system to the “new public management” or “rights based governance” would require radical change in the ethos underpinning the civil service and the way it works. For instance, the citizen-state relationship would change from being subservient to the state to entitlement for certain rights and services. Civil servants would become accountable to the public or service users.

1. See Alex Matheson (2000).
The focus of administrative processes and criteria for success would change from just ensuring compliance to regulations to producing results efficiently and effectively and in protecting the rights of citizens.

From a policy perspective, the 2001-2010 PAR Master Programme did contain many elements of the new public management (such as restructuring, decentralisation and the adoption of modern management practices) and some elements of a rights based approach (for instance, the principles of “people mastery” in supervising local government set out in the Grassroots Democracy decree). However, implementation has been based on the bureaucratic approach and successes have been patchy. Given the existing cadre/civil servant structure a full blown adoption of a radical approach that would fundamentally change the Vietnamese civil service in the 10 years would not be realistic.

Continuing along a conservative bureaucratic approach in the next 10 years could mean that civil service reform in Viet Nam appears similar to the last 10 years, that is, slow fragmentary progress here and there. However, it may be the only realistic way forward given the political reality in Viet Nam. If this approach is adopted, its effectiveness can be enhanced if the direction of reform can be expressed in a merit based framework that identifies starting and sequencing issues, as well as sustaining conditions, within a broad timeline. This would provide a better rationale for enabling the gradual build up of the foundations or tipping points that can lead to further reforms.

3.4. Recommended Reform Paths

The key principle that the career based system Vietnamese civil service system should adopt from the position based system is “the right person with the right skills, qualification and experience do the right job”. If this is the case then the following reform paths, taken together in roughly the sequence presented, would over a period of 10 years provide a solid foundation for an effective Vietnamese civil service that is fit for purpose.

Firstly, introduce and promote merit and performance based principles and make this an overarching principle. Applying the principles of merit and performance would require structures and
systems that align policy goals and targets to jobs, competency requirements, performance indicators and staff appraisal processes. To start, the merit principle needs to be clearly articulated and a mechanism to protect the merit principle need to be installed. It will be necessary to have independent system of performance audits to provide assurance that minimum standards are met.

Secondly, develop a national civil servant competency framework to provide the foundation for a merit based modern civil servant management practice and performance management. The national competency framework should also set out the competency levels for progression up the hierarchy to provide a clear path for career development, promotion and training. The current practice of performance appraisal needs to be linked into the competency framework and appraisal practices need to be developed for specific work settings rather than applying a single procedure for the whole civil service.

Thirdly, continue to develop relevant policies and practices for right-sizing and managing specific groups such as those working for the Party and socio-political organizations, administrative servants and those who work for service delivery agencies and managers of SOEs. The dual subordination issue needs to be addressed with clearer and transparent differentiation between Party “oversight” and Government “execution”. One possible way to deal with this issue could be to pass a separate law on cadres in the future.

Fourthly, enhance the capacity in policy formulation and implementation and improve the oversight of civil servant management and development. Besides strengthening MOHA to undertake both roles another option is to establish an independent body for the oversight function of monitoring, evaluation and safeguarding the merit principle. Ideally, this body should be directly under the Prime Minister or chaired by the Prime Minister. Members of the body could include those who have been involved in the process of making policy for civil servant management and external expertise such as academic scholars of research institutions and universities.

Fifthly, make use of key tools in a merit and positioned based civil service
system including job evaluation, job descriptions and performance appraisal as a basis for recruitment, promotion, training and development and remuneration reform. Proper deployment of these performance tools would provide a more transparent and objective staff appraisal system, thus creating conditions that would encourage higher motivation for the civil servants and reducing opportunities for malpractice and abuse.

Sixthly, introduce competition into civil service training, especially in competence based training, by opening up to private service providers. Government agencies should be encouraged to procure the best training services from both internal and external service providers.

In terms of human resource management practice, adopting the reform paths above would lead to the systematic implementation of the following concrete reforms actions:

- Change human resource planning from standardised formulas to meeting the demands of actual job requirements.
- Develop system of competencies, job analysis and job descriptions.
- Change recruitment criteria from general grade standards and general qualifications to more specific job requirements.
- Change promotion/advancement criteria from seniority to competency and performance.
- Change focus of performance appraisal from compliance with rules and regulations to work results.
- Provide better remuneration and other incentive to encourage better performance and retention of capable staff.
- Change the focus of training from meeting grade criteria to improving job performance.
- Strengthen the role and capacity of the line manager in human resource management practice.
- Provide training in modern human resource management for those who are working in the area of personnel management in government agencies.
- Strengthen disciplinary and enforcement procedures, as well as appeal mechanisms.

Amongst the range of concrete actions listed above perhaps the two
most critical reform items is the institutionalisation of jobs descriptions as the basis for staff employment and performance targets as the basis for staff appraisal. Together they provide the foundation for developing all the other human resource functions as illustrated in the diagram below.

Writing good jobs descriptions would require demand led job analysis and human resource planning, resulting in the definition of core and functional competencies that are appropriate to a job. A well specified job description will provide a good basis for selecting suitable candidates in recruitment and promotion. It will also when combined with performance targets provide the basis for a performance oriented staff appraisal system. The role and capacity of the line manager, not only in assessing performance, but more importantly in managing performance is another crucial element.

It is very important to realise that reforming the management of human resources in a civil service requires an integrated, systematic approach. It is not enough to change a bit here and there as reform in one area can only be effective when all related human resource areas are taken into account.

4. Conclusion and Next Steps

Many of the reform policies and actions discussed in this chapter can be found in Party resolutions and are extensions of reforms already being
carried out in the 2001-2010 PAR Master Programme. Many of them can also be seen in the new Law on Public Officials and Civil Servants of 2008. The key point that this chapter is making is that the programmes for civil service reform for 2011-2020 is based on an integrated human resource management and development framework that is underpinned by the principles of merit, performance and objectivity. Getting the staff appraisal system right and making it effective in assessing actual performance is a critical step. However, effective staff appraisal is in turn dependent on having properly specified jobs descriptions, as together they provide the foundations for all the other human resource functions in a merit based system.

An interesting point to note is that as employees in public service delivery agencies will be managed under another law, it may be necessary to consider civil service reform and public service reform separately. Although many of the issues around the application of merit, performance and objectivity are similar public services are generally more exposed to public scrutiny compared to the administrative civil service. Hence the demand for effective services, transparency and accountability will be more acute in public service agencies. The separation of public services from state management can therefore open up opportunities for more flexible, demand led human resource management and development systems.

The next step if the ideas proposed in this chapter are accepted is a systematic review of the capacity required to develop the reform programmes, coordinate implementation and monitor the results. Currently, there is little capacity at both central and local levels to effectively support the systematic implementation of civil service reforms. The review will need to identify how this capacity can be established and supported, who will be responsible, when it is going to be done and what resources are needed. In particular, the role of government training academies, provincial political schools, universities and private training agencies in disseminating information and building capacity should be considered.

Another key step to take is to identify and carry out a programme of pilots in both civil service and public service agencies that together will
provide a body of experience and evidence to develop a systematic national human resource management and development framework, as well as guidelines for ministries and localities to implement. Such a programme would require considerable commitment of resources over a period of at least 3 years.

Lastly, civil service reform should not be addressed in a vacuum. The effort should be closely coordinated with other aspects of public administration reform in the country including institutional, organisational and public finance as well as the fight against corruption. Again, one needs to see these reforms in a wider picture of on-going state and political system reforms (including the National Assembly, the Government, the People’s Court and Procuracy) that started with the Doi Moi renovation process, developed over the past two decades and will continue in the years to come.

**Annex: Possible Implications of the Law No. 22/2008/Qh12 on Public Officials And Civil Servants**

The table below provides an analysis of some of the possible implications of the new Law on Public Officials and Civil Servant on common civil service reform features.

<table>
<thead>
<tr>
<th>Reform Features</th>
<th>The New Law on Public Officials and Civil Servants</th>
<th>Wider Issues</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Implications</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Scope of the civil service</strong></td>
<td>Reduced, as the new civil service law exclude most of those who work for public service delivery agencies such as hospitals and schools. Only top managers of these agencies are classified as civil servants.</td>
<td>A separate law on public servants is required. What are the practical implications for human resource management when top leaders and the staff they manage are subject to different codes?</td>
</tr>
<tr>
<td><strong>Structure of the civil service</strong></td>
<td>The new law differentiates cadre, civil servants and commune servants.</td>
<td>Different regulations to be developed for corresponding groups.</td>
</tr>
</tbody>
</table>
## Reform Features

### The New Law on Public Officials and Civil Servants

<table>
<thead>
<tr>
<th>Implications</th>
<th>Wider Issues</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regarding grades and position the new Law consolidates what have previously been in legal regulations. The Law mentions the term “personnel structure of the organization/agency [co cau cong chac cuu co quan, don vi]”.</td>
<td>Further rationalisation of the civil service structure will be needed if more position based elements are adopted.</td>
</tr>
</tbody>
</table>

### Obligations of public officials and civil servants

- Obligations are emphasised and articulated in greater details. Additional obligations are clarified for civil servants who have managerial and leadership positions.  

### Recruitment

- Compared with the Ordinance of Civil Servant, the new law provides principles of recruitment such as transparency, subjectivity, effectiveness and equality, i.e., appointing qualified people by competitive selection methods.  

### Salary and Compensation

- Link compensation to performance, for example, pay increases for the best performers.  

There is a move away from the universal salary scales, for example, the recent introduction of a new salary scale for managers of SOEs and HCM City paying its employees some supplementary allowances to partly compensate for high inflation.
### Reform Features

<table>
<thead>
<tr>
<th>Promotion</th>
<th>The New Law on Public Officials and Civil Servants</th>
<th>Implications</th>
<th>Wider Issues</th>
</tr>
</thead>
<tbody>
<tr>
<td>Promotion up the grades is based on examinations in a career system.</td>
<td>Moving towards a position based system will require even greater open and competitive approaches to promotion.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| Training and learning | No clear signal of breaking away from the existing way of planning, managing and delivering training. | In-service training will need to change its focus to developing skills and competences and be demand led. |  |

| Performance management and assessment | More attention to performance appraisal and accountability. Look for better ways for performance appraisal. | Effective performance appraisal will require the systematic introduction of job descriptions and performance indicators. |  |

| Competence and merit | The law mentions “nang luc” several times. Competence is normally translated as “nang luc”. But in Vietnamese, nang luc can be understood differently and not necessary means knowledge + skills + attitudes. Although “merit” is mentioned it is not prominent and central to the ethos of the civil service. | The Law provides some beginning steps that can lead to merit becoming a key underpinning foundation of the Vietnamese civil service. A comprehensive system of competencies should be developed sooner rather than later. |  |

| Gender and Affirmative Action | More attention to gender issues. | To ensure fairness affirmative action practice should sit in a merit context. |  |

| Separation of party and administration | The distinction between public officials [party and socio-political organizations] and civil servants may suggest the beginning of a separation between the two systems. | There are indications of some possible release of the Party’s control over personnel matter in the future, for example, in the case of open recruitment for CEOs of SOEs and the proposal for direct voting to select commune chairs. |  |
References

10. Le Minh & Duy Tuan (2008): “Tuyen thu tuong co the ap dung o nhieu bo” (Recruitment as MOET is doing can be applied in other ministries), VTC, 26 June, http://vct.vn/xahoi/giaoduc/tuyen-thu-truong-co-the-ap-dung-o-nhieu-bo/183727/index.htm
17. MOHA, ADB and VNCI, 2008: “Regulatory Impact Assessment (RIA) report of the draft civil service law”.
24. Strengthening Elements of a Position-Based System
33. Vietnamnet (2008): “Chi tang luong khong gui noi cong chac” (Salary increase only is not enough to retain civil servants), www.vnn.vn, 12 August.
CHAPTER 4
GOVERNMENT ORGANIZATION STRUCTURE AND EXCELLENT PUBLIC SERVICES: THE CASE OF VIET NAM AND SOME RECOMMENDATIONS FOR CHANGE
DAVID KOH, DANG DUC DAM AND NGUYEN THI KIM CHUNG

Summary

The ultimate purpose of public administration reform is to enhance the performance of a government. As such, designers of such reform processes have to ask themselves whether the results of their reforms would provide satisfactory answers to at least the following two questions: what is good government for, and how does one measure good governance? The job of a government has always been to procure common or public welfare for its people, and excellence in governance is measured by achievements of that objective. Governments of all ideological persuasions claim their systems are better in this pursuit than others. What separate the pretenders from the achievers is measurable and apparent economic and social development, as well as the standard of living that the people enjoy. This is also the reason why the UNDP’s Human Development Index (HDI) has become an important measure of how well governments around the world perform.

If public services to a large extent determine a population’s standard of living, then excellence in public services is a signpost of good government. Public services impact significantly on daily livelihoods and the definition of such services can be both broad and narrow -
almost anything done by the government in the service of the people could be considered public services. Hence, in some countries the singular term “public service” also means the government bureaucracy. The narrow definition refers to the goods and services that the government is obliged to provide or whose provision it must oversee at a satisfactory level. There is no debate regarding whether the government has a role; the debate is rather what the government should or should not do. In an era when privatisation for efficiency and effectiveness are the dominant norms, the inclination is for designers of public administration reform to urge governments to use market solutions where possible, and find ways to effectively perform the portfolios they choose to retain.

The major challenges being posed in the provision of public services in Viet Nam are manifold. There is, first of all, the problem of low quality or low satisfaction, especially in the areas of key public services such as water, electricity, urban and inter-provincial transport, primary and secondary education, housing, and major administrative tasks that residents have to fulfil for the state. Overarching many of these low-quality public services is the issue of whether they are based on an appropriate model of provision.

During the last decade, Viet Nam has been moving towards the socialisation of many public services. This has involved taking public services out of government departments and allowing new corporate entities to charge higher prices for public services than when they were provided by the government. There is good reason for such a shift, primarily the need to move from a purely state-funded model to a partly user-pay principle because the state could no longer afford to bear the enormous financial burden involved. But this move, or the lack of it in some sectors, has not been without its attendant problems. The issue of equality constantly informs the debate over the degree of public services socialisation, as privatised companies tend to raise prices to reflect costs and profits. This has increased the burden on all families and is hitting the poor especially hard. Then comes the issue of quality, where price increases have not necessarily led to better quality services. To
exacerbate the issue, sometimes there have been interruptions or non-supply of services such as frequent power cuts.

A third problem is the corruption and incompetence in the bureaucracy, part of which still provides some services. When public services remain in state hands, there has public suspicion and great dissatisfaction, rather than confidence, in the decisions of the bureaucracy. For example, one major area is land requisition for investment, redevelopment and resettlement. Complaints regarding this area have delivered, for many years, the most denunciations and petitions to the National Assembly, with authors complaining about the opaqueness, unfairness, and corruption of bureaucrats.

Considering the experiences of other countries, it would be fair to say that meeting the challenges of public service provision requires some degree of privatisation. If privatisation is a sufficient measure, however, the net effect should only be the transfer of ownership from the public (the government) to the private. However, ownership transfer cannot be implemented in isolation from other measures. Given that the private sector seeks to maximise profits, massive market failures can result from such a trend. The missing element here is the continuing hand of the government in guiding and monitoring the private sector in its provision of public services. In particular, the government should and must set standards of service that will see a sustainable balance between profits and public welfare. A strong government role in setting and keeping standards, therefore, requires an appropriate restructuring of the government and a reorientation of its goals where the provision of public service is concerned.

Since 1986, the government in Viet Nam has repeatedly reformed its structure, chiefly through economization and rationalisation measures. The number of ministries has been reduced significantly from over 30 ministries to the mid-20s. This has also involved rearranging and reallocating portfolios, moving towards larger ministries that - in principle - would facilitate coordination. Many public services have been farmed out to the private sector, or at least given to state companies that have been corporatised and are no longer run as government departments.
Viet Nam has obviously rationalised its government structure, as well as adopted the mantra of public services privatisation to improve the efficiency of their provision. The low levels of public satisfaction, however, indicate that these are necessary but not sufficient measures. The middle ground between social obligation and the profit maximisation motive of the private sector may not have been reached. It may be that rationalisation could have reached a quantitative end, and it is time to reach for qualitative changes that could be supported by a different sort of structure. Furthermore, it is logical to demand that the model of management by the government must be conducive to the better provision of better public services, which would require the government to look inwards to how it is structured and run. This introspection and reform could involve erecting a model for public services management that promotes such a process through two elements: competition in the private sector; and constant and close government supervision of the quality of public services delivered.

Viet Nam has been moving towards corporatising public services that were in the hands of the ministries. While market competition is not a panacea for all issues, some degree of competition could be healthy for promoting the efficient use of resources by service providers. At present, competition in public services provision is on the margin in Viet Nam. The necessity and benefits of competition, however, should be separately assessed for every sector to ensure the viability of the firms involved.

Perhaps the more important element is the constant and close government supervision of the quality of public services delivered. In the past, ministries delivered public services and naturally it was difficult for them to be objective in their control and assessment of the providers. The current model of corporatisation detaches service providers from ministries, but apron strings remain as the ministries and party chapters retain control over top personnel appointments. While control is not undesirable, control without correct and objective performance assessments creates the grounds for nepotism, especially if negative public feedback leads neither to personnel changes nor changes in the quality of public services.
As part of any sweeping changes in public services management, it is recommended that the government establish specialised agencies to oversee standards and implement government development strategies. The government should only appoint a governing board for each sector and allow this board to have independent powers. The agency should have the power to dictate standards to corporations providing public services, and to mete out punitive measures to corporations when standards deteriorate. This is a useful model that can be applied to public services, with or without the element of competition among corporations, because standards are needed regardless of whether the market has or lacks competition. These agencies should also have the power to ensure that the master-plans for each sector are implemented and followed through.

A remaining question is how does one know if such a model of management has achieved its purposes? What would be the criteria for assessment? In establishing the agencies and boards, the ministries concerned should make the mission of the agencies clear in Terms of References that the board must oversee. The boards and ministries should then rely on periodic, regular, and frequent assessments of the public services provided, as well as examine if the goals articulated in the agency’s mission are met. These assessments can be achieved by hiring respectable institutions to conduct independent and covert surveys of users.

Introduction

Excellent public service is neither an impossible dream nor a reality that can only be afforded by rich countries. Given adequate resources, proper structures and organization, fused together and operated by a worthy mission, bureaucracies of developing countries and their partners can deliver excellent public services. In a system that has gotten used to state-centric views, a civil service culture geared towards excellence in public service provision - placing the people at the centre of policy designs - will take decades to develop. Towards this end the structure of a government can impede or facilitate the development of this culture.
Consequently the structure of the government requires constant reform to focus energies on the task of excellence in public service provision. That is possible and good if the tasks are delegated to specialized agencies that would be given adequate powers to do the job, and mechanisms exist to assess the work of these agencies.

The objective of this chapter is to analyze how the organizational structure of Vietnamese government has been reformed and how it is contributing to better public services. It will also propose some measures to reform this structure for excellent public services. This chapter will examine Vietnamese views of the structure of their government. A series of interviews and meetings were also held with Vietnamese officials, and the writings of a few of these interviewees and others were also consulted.

The structure of this chapter is kept simple. Part one will seek to understand the process and the rationale for PAR reforms in general and changes in the structure of government in particular. It will also seek to understand the reasons for reforms to public services provision. Part Two will make an assessment of the present situation of government structure and public services provision in Viet Nam. Part Three will contain five clusters of recommendations on the areas of public service that could see improvement, and how some government structures might be tweaked to achieve them.

1. List of interviewees include: Nguyen Dang Dung, Director of Research center for human rights, Law faculty, Ha Noi National University (October 17, 2008); Vo Kim Son, Faculty of Organization and Personnel, NAPA (October 18, 2008); Thang Van Phuc, Former Vice Minister, MOHA (October 20, 2008); Vu Minh Giang, Vice President, Ha Noi National University (October 20, 2008); Dang Xuan Phuong, Vice Director, Department of Organization and Personnel. General Department of Sea and Islands. MONRE (October 22, 2008); Nguyen Duc Chien, Former Director, Department of Organization and staff. MOHA (October 23, 2008); Le Chi Mai, Dean of Public Finance Faculty, NAPA (November 14, 2008); Tran Viet Phuong, Research fellow, Institute of Development Studies (November 15, 2008); Duong Quang Tung, Former Vice Director of ISOS, MOHA (November 17, 2008); and Nguyen Quang A, President of Institute of Development Studies (December 20, 2008).
In particular, the first cluster recommends establishment of regulatory authorities for overseeing provision of public services, and these regulatory authorities would also ensure a balance between competing needs of competition and social equity, especially where basic public services involving necessities are concerned. Following this line of reasoning, a second cluster recommends the establishment of a new agency within the Office of the Government that will lead in structuring and mandating ways and means to install, sustain, and reward excellence in public service provision. Another cluster focuses on the rural areas, where approximately 70% of the population lives and where urbanization and global competition might hollow it out. We recommend important measures on land management and other public services for the rural areas to prevent political discontent from festering in the rural areas. The next two clusters focus on municipal management, public housing for the urban poor, and education and labour training issues.

1. Public administration reform: Rationale for past changes and the next step

Effectiveness of governance requires that the government constantly reviews its own work, including how its various departments are structured, organized, and operated; including the degree of fruitful coordination among its different agencies. Public administration reforms (PAR) is constantly required because of constant socio-economic changes in the wider society that public administration should serve or support. Long term economic growth is not sustainable without accompanying PAR. This is the key reason why international organizations spend much time observing and measuring governance of all countries. Globalization just makes this requirement much more urgent than a less connected world.

Public services that are much less than ideal may not be a problem that is peculiar to the socialist system. In Viet Nam, heroes of public service provision can be found over the past years, but these are the few rare gems. There is an overwhelming number of reports and anecdotal evidence about
the avarice and malignance of some public officials in basking in the glory of the power it exudes over the people, and the indifference and incompetence of quite a few public officials that have become its middle name. For instance, a simple piece of administrative procedure that should require one visit to a government office often results in a multiple of trips and a long time delay to resolve matters. The idea of “public servant” risks becoming “the public is servant” to the whims and fancies of the bureaucrats, irrespective of the intention of Vietnamese political leaders in reforming the public administration system. Borrowing Martin Painter’s term, a “civil service culture” is the one that puts the welfare of the people in the first place, not just in terms of formulating broad policies but also in terms of the daily provision of public service.

1.1. Slowing momentum of PAR in Viet Nam

After more than two decades of Doi moi, and almost one and a half decade of having an official PAR, there have been many changes to the way the Vietnamese public administration system works. Documentation of every step forward and any other step backward is not the objective of this chapter, and a general assessment is sufficient. This can be obtained from written and orally-expressed views from society, from government and Vietnamese Communist Party officials, and from foreign and independent observers. The majority view is that Viet Nam needs to capture a new momentum in its PAR. In particular, the public administration system is still ridden with systemic corruption and red tape that adds on to the costs of transaction. It also could be


seen that in general a credibility gap exists that reflects a differential between what top political leaders desire in terms of PAR and other reforms in general, and the capacity and willingness of the bureaucracy to deliver.

Contrary to the need for constant reform, the speed at which the public administration system is able to keep up with the wider socio-economic changes in Viet Nam, fairing better perhaps in the urban areas and at places where there have been strong policy champions (Binh Duong in the 1990s, and Da Nang in recent years are good examples of change led by strong policy champions), and not doing so well in rural areas. Economic success in Viet Nam in the past seven years, from 2000-2007, particularly in 2006-2007 that saw new peaks in FDI and in GDP per capita, and after the country overcame the 1997 Asian Financial Crisis, might have blunted even further the lack of urgency seen in PAR beginning in late 1990s.

A reasonable approach requires the government to identify constant and long term aims of the public administration system and the necessary elements of the public administration system to fit those needs. The process needs to start with a strong cognitive goal, an ideal, and a mission statement about the basic goal of its work, about what public administration is for and how it should work. In this vision, public or common welfare should be the ultimate goal that the bureaucracy tries to procure. An excellent civil service holds the key to the extent of success at which a government can procure public welfare.

This chapter therefore recommends the government adopting the attitude that public services provision can always be better and it must be in a mode of constant reform to try and better the system today. But who and for what purposes would “better” serve? In terms of public services provision, the goals should be a level of satisfaction on the part of the users of public services, which should be constantly gauged and detected and whose evaluation should be based on a collection of criteria, such as service excellence, affordability, and whether different sections of the population who have different needs are taken care of. Among the considerations to constant improvement of services would be
the question of whether the model of provision and therein the structure of government is conducive to the success of that model. This would be the reason, from the point of view of the provision of excellent public services, why government structures should be examined, given that it is a part of the model of public service provision.

1.2. Basic principles for government structure and public service delivery standards

One question one could ask is: what is an ideal government structure for the effective delivery of public service? To consider this question, we should first consider what the nature of government structure is, and what demands different public services put on government structure.

Government Structure

Structures of governments vary across countries. Except for a few too tiny in size, most countries pursue the time-tested practice of structuring governments according to either functional or geographical principles, but mostly a combination of both. In the former, ministries are formed on the basis of specialization, whereby matters beyond general administration would require different skill sets specific to the area of specialization. This in turn requires different people who are specialists in those fields to be in charge of different ministries professionally. This functional division of labour exists in parallel with the geographical division of labour, but countries of smaller sizes or which subscribe more to the idea of centralization than decentralization would tend to emphasize division according to function over division according to geography. What this means is that ministries (or sometimes called departments) must exist regardless of the size of country, whereas geographical subdivisions vary in scale from place to place. Witness, for example, how a small country like Singapore can still have more than fifteen ministries, which is not much less than the number of ministries in Viet Nam, a country about 500 times bigger in size and 20 over times bigger in population. Except for one or two agencies, Singapore has no sub-departments or branches of ministries located in local areas because
it is too small in physical size. The number of ministries, further, is also
dependent on how the work is rationalized and divided. Rationalization
and frugal approaches may organize various related functions under
only one ministry, but otherwise they may belong to a few different
ministries. For a government that operates completely in an urban
setting, the number of ministries it requires is likely to be less than one
that has rural aspects to take care of as well.

Where both geographical and function divisions of labour are
necessary, the exact division of labour between the lower level ministry
agents and the geographical head poses problems of turf battles1. A way
out is often to delineate in basic political and legal documents the roles
and powers of both, and to eradicate agency overlap when designing
these roles and allocating these powers. Such division of labour
containing a mixture of sources of power and authority may vary from
function to function, but the key point is that such division of labour
should be clearly spelled out in documents on this particular division of
labour, so that no one is left in doubt in the end about who is responsible
for which task. In emergency services, such as fire fighting or policing,
clarity is absolutely essential.

In unitary states, each ministry may have its own branch offices in
localities. These branches of ministries symbolize the unity of the state;

---
1. An example of “turf battles” that is easy to identify is the area of public
finances management in local authorities. In every province, there is a Public Finance
Department that is a component of the People’s Committee of the Province. This
department is supposedly responsible for managing public finances, but other than
this department, every province also has other agencies that manage aspects of
public finances. Two cases in mind are the taxation department, and the provincial
branch of the state treasury, both of which do not answer to the People’s Committee
directly but are organized as local representatives of the Ministry of Finance. These
agencies are the real managers of the specialized areas, and their powers are
delegated from the Ministry of Finance. The heads of the Public Finance Department
often complain that their departments do not have the power to decide on all aspects
of public finance of their provinces, and in reality they are only responsible for the
state expenditure in the budget of their provinces.
they are solely responsible for work in their special areas and they may or may not be under the nominal supervision of the local authority. Plans of the specialized areas of work conform to the national planning process, which is done at the central level. The central authority is the source of appointments for most personnel at the branches that disregard to a certain extent the origin of the personnel in relation to the place of posting. Local authorities could also exist and could be elected independently of the ministries and the central government. Unitary states, however, would tend towards the principle of centralization. Non-unitary states, such as federations or confederations, tend to take the principle of autonomy and decentralization as the primary organizing ideal but slots in the role of the central government and its ministry through the exact delineation of roles and tasks. Some areas of work that represent the state, such as the military and foreign relations, do not lend themselves easily to the division of power according to geography, because of command and control reasons, and therefore would not have powers delegated or decentralized.

What have been described above, however, are basic principles of modern government structures, from which variations are aplenty. Viet Nam is one such variant, and will be elaborated upon later on in the chapter. Generally there is a basic structure of government that most states adopt, by cutting up government functions into clear-cut pieces like a plate of pizza, and to let each department have a piece. The question, thereafter, is how one cleans up the mess when there are clumps of melted cheeses and others like meat and bacon that cannot be cut so neatly by a pizza cutter. The knife of the organizer that structures the structure, therefore, must be sharp and should be able to leave nobody in doubt about the boundary of each cut piece.

The nature of Public Service

Public goods and services in their nature are distinguished from private services by the obligation on the part of the government or its appointed agents in giving access to these services to everyone, irrespective of class or status. Due to their nature as public goods, the private sector as a
profit maximizing entity is unsuitable to be the only provider of public services. If it were left purely to the private sector, the poor may not be able to obtain the service, which leaves society hugely unequal and thus nullifies the role of the modern state. Sometimes these services are daily necessities of human survival, such as water and electricity in the cities. The second area of public service that has been provided by the state is the performing of necessary public administration tasks such as registration of birth and deaths, armed forces enlistment, registry of marriages, passport and identity card issuance, licenses, patents, permits for activities relating to public order, and the list goes on. Whatever the state deems essential to know, to manage, and to control, the state would have to require people to perform administrative tasks related to these areas. On the part of the people, they would wish to have these types of tasks minimized, or to be able to perform them with minimum hassle and costs.

With the switch to user-pay and outsourcing being in vogue, the line between public service and private service has become thinner than before. One good example is postal service, which in the earlier part of the 20th century is a public service provided by the state in most if not all countries. Banking services under socialism was a public service because all banks were owned by the state. Now that most banks in transitional countries are privately owned or are publicly owned through listing on the stock market, banking services have become private services. Yet, in an economy whereby financial services are matured, the availability of banking services to everyone has become so essential that governments like that of Singapore have found it necessary to cajole banks to provide as many kiosks and branches as possible, while at the same time mandating and enforcing competition among banks to give a commercial reason for such extensive services. Or take the matter of internet as the pivotal part of the knowledge economy. The Singaporean and Korean governments have taken the lead in laying out master plans for internet usage and to take the lead by persuading service providers to make access ready and cheap. Starting with services in the airports, wifi internet services are available free of charge as a public service. In
addition, special agencies are created to have full overview and powers over the master-plan and its implementation, and these agencies are placed outside ministries for flexibility and quick action.

A big question that is often asked is, when commercial entities are established by the government to provide public services on a user-pay principle (as part of the small government initiative) should these entities make profits, and how huge a size this should be allowed. In Singapore, services such as retail banking, postal services, public transport, and basic utilities have over time become detached from government ministries, from state provision, and have become private commercial entities. Many such commercial entities have become huge companies (some in monopolistic while others in oligopolistic business models) listed on the stock exchange with primary obligations to their shareholders. The government on the other hand has also strategically established regulatory authorities to oversee the activities of these companies and among other things consider if the prices being charged were too high, especially if the business model is oligopolistic. Generally, the Singaporean government has refrained from dictating prices to these commercial entities, and the government chooses to alleviate the burden of increased prices on the public using these services through monetary grants, but giving much more to needy households. The purpose of this is not to allow government intervention to distort the market prices, and economic efficiency. On the other hand, where possible the government also created competition among service providers by granting multiple licences to provide the same public services, and this helps to keep prices down. Obviously, the Singapore government’s answer to the question of profits of such enterprises is, as far as possible, one of free market for production and distribution, and has the government giving people, rather than the company, direct subsidies. This formula, however, is not used across the board for all types of public services. There are in some cases where the government has intervened (but usually through regulatory authorities) to urge private entities in oligopolistic competition (such as banks) to cooperate in making widely available (and in fact banks subsidizing) key services such as automatic money
withdrawal kiosks. In other words, the model of operations providing public services depends on the type of industry and the nature of the public services in question, relating to the ideal situation that the government sees for each arena of public services.

Public service delivery, therefore, has everything to do with the fundamental question of how best to organize the government to provide public services at the level of excellence? Given that socialist Viet Nam now believe in a free market that should govern the distribution of resources, the basic principles of public service delivery should lie somewhere within those political and economic boundaries. They would and should manifest a balance between free market, use-pay principles, and the need to cater to market failures where social responsibility and obligation on the part of the state towards the disadvantaged must be emphasized and fulfilled. The best example is that of providing bus services to remote areas where a free market of competing bus companies would not be willing to cater to because of the route being non-viable. The state has an obligation to see that such services are provided at a fee that is reasonable and no market failure should be allowed to disadvantage any member of the population. Furthermore, to ensure that service providers are on their toes, government departments must continuously monitor public service delivery. Plus, the public must be able to seek redress when private providers are unable to meet the expectations that have been set out by the government.

The shortcoming of government does not give its employees the incentive to do their best. All over the world, government salaries are typically low, or more important, could be below the level of cost of living. This encourages government employees to go into corruption, or to moonlight, and discourage them from dedicating themselves wholly and professionally to their work, let alone pursuing a vision of service to the people. Therefore, direct provision of public services by the state face the obstacle of inertia. On the other hand, the market comprising of mainly private firms would want to maximize profits and ignore the plight of those members of the public who have been disadvantaged for
several reasons which may not be their fault, such as that of geography. There is an inherent need for the government to play the role of balancing the needs of the disadvantaged areas and those of the service providers, and the role of an enabler for the disadvantaged and the market.

Given these important obstacles, it is apparent that profit-maximizing private sector cannot be relied upon as the only entity to provide these services. Under the free market economy there is no legal or ideological basis for any government or state to order any company to provide these services at a loss, unless these are state companies, or a commercial entity is given a profitable contract to provide such public services, assuming economy of scale. The savings from the profitable areas could then be used to subsidize the rural areas.

Therefore, markets are usually a good but not always the better option than the government in the provision of public service. The key issue is really what form of production and distribution are best suited to the situation that is defined by the net assessment by the state based on two key variables: the political importance of provision, and the cost of provision, where the cost of provision by the state is compared to the cost of doing so in the private sector. One is encouraged, however, by the fact that in reality a mixture of approaches is available to any government.

In addition, creative solutions can also be thought of for rural areas or areas spanning a vast space, which makes it difficult to provide public services to every cluster of residential population individually. For instance, Australia is a continent and in many parts of its territory, public services such as basic medical care, veterinary services for farmers (for sheep rearing, an important industry) or fire fighting (bush fires) cannot be individually provided at a low cost to individual towns, which may number only a few tens. Such service providers therefore fly in (if much of the terrain is flat) at fixed schedules or on emergency. At other times when non-emergency services are needed, residents are supposed to be equipped with the basic knowledge to self-help. Advice or larger scale help could just be a phone call away. Conditions of good transport infrastructure are assumed in this case.
Given the myriad nature of public service provision, therefore, it is imperative that the government of the day design specific structures and institutions to ensure effective and efficient public service provision. Governments can and do go beyond the safe practice of organizing itself along functions or geography; but for efficiency and effectiveness, it may be time to go beyond ministries (functional) and people’s committees (geographical) to evolve bodies that are specialized and focused, and which would not be incapacitated by being a core part of the government and therefore subjected to the natural inertia in the government. Ministries and people’s committees have too many rules that inhibit effectiveness and they are also too heavily loaded with too many portfolios, as super ministries are apt to suffer from.

2. What do government structure and public service mean in Viet Nam?

“Government” in the Vietnamese context means the executive tasked with the implementation of policy lines set down by the communist party, which are more or less codified in laws by the National Assembly. According to the Law on Organization of Government, the Prime Minister is elected by the National Assembly and shall submit to the National Assembly for ratification proposals on the appointment of deputy prime ministers, ministers and heads of the ministerial-level agencies. Based on resolutions of the National Assembly, the State President shall appoint the deputy prime ministers, ministers and heads of the ministerial-level agencies. The Prime Minister, deputy Prime Ministers and ministers and heads of ministerial-level agencies are thus part of the Government (Chinh phu). There is a second meaning to “government” in Viet Nam. The Government also comprises the ministries because the ministers are heads of ministries. Therefore, the Government in the second meaning refers to the collection of the ministers and/or the entire government set up at the central level, excluding the local people’s councils and people’s committees. Thus, when local councils are discussed, usually the term “local government” or “local authority” is used (which is translated from chinh quyen dia
Chapter 4: Government Organization Structure and Excellent... 269

*phuong*. What this means is that the term “government” is specifically used to refer to the executive at the central, ministerial level, rather than used to denote the entire, national system of state executives.

The discussion on what “government” and “local government” mean has important implications for locating the agents that are responsible for provision of public service. Between the government and the local government there is a division of labour. The Government (including ministries) makes the policies for the country and leaves the implementation and enforcement to the local governments at each level. Theoretically, the government is supposed to carry out the provision of public service. In practice, however, it is the local government, the local agents of the government, which had been or are delivering service to the public. Therefore, in terms of public service delivery in Viet Nam, while the central government makes polices by setting up the regime of public service delivery, in fact the delivery of these services are delegated to lower levels of administrative or governmental authority, which then establish their subordinate commercial entities to deliver public services. For instance, there is a waste collection company for every city or province. Or for the matter of electricity provision, while the EVN is responsible at the national level for the manufacture and wholesale of electricity, it is the local company in provinces that bring electricity to the households, and now charges them for it. Or take the matter of airport services. While not every province has an airport, airports in a region are grouped together and are managed as a group, but the services to be provided for each airport is given to the commercial entity of ground services of that airport. Essentially, there is a myriad mix of government authority and commercial entities of the central and local authorities that are delivering most of the public services in Viet Nam today.

In addition, although this is a minor point, “public services” in Viet Nam is often taken to be the umbrella term for two terms of services - the first has to do with the administrative tasks the state perform, and the second has to do with services in the provision of material needs.
Examples of the first type include registration of births and deaths, and similar exercises that require people to fulfil administrative requirements of the state. Examples of the second type are the provision of water and electricity and other higher than basic services whereby the government sells the services directly or mandates commercial entities to do so.

2.1. Present assessments of government structure in Viet Nam

The structure of the central government in Viet Nam, given a relatively long history of state organization, had fattened up and leaned down over the years. Table 4.1 provides a snapshot for the number of government ministries and agencies throughout 1945-2011 (17 tenures of government). The number of ministries peaked during the tenures of 1976-1992. In terms of provincial authorities, the number of departments there was reduced from between 35-40 in the year 1986, to around 20-25 after 2001; rural districts from 20-25 to 10-15. From the late 1990s, the structure of government was further reshaped when the role of policy making of the government was differentiated from the everyday tasks of provision of administrative services and public services. The size of government, as seen through the number of ministries, was reduced further in an exercise in 2007, down to 22.

The intention behind reductions in the size of government since 1992 has been to reduce the scope of oversight of ministries over enterprises and entities that provide public services directly, so ministries and government agencies can concentrate on policy making. As such, enterprises or agencies that had the function of

1. Tran Van Tuan: “Tiep tuc doi moi to chuc bo may nha nuoc va xay dung doi ngu can bo, cong chuc trong tinh hinh hien nay”, Tap chi Cong san, 28 November 2007.

2. Dang Duc Dam: “Doi moi to chuc bo may quan ly nha nuoc nham thuc hien tot cac chuc nang quan ly nha nuoc ve kinh te”, unpublished and undated paper given by the author, p. 1. This differentiation was decided by the Resolution of the 7th Plenary of the 8th Party Central Committee, tenure from 1996-2001.
providing services directly to the public were either pushed out of ministries’ direct control, or were reorganized so that they do not sit directly under the control of the minister and/or the ministry. The latest reduction, in 2007, in the size of the government may or may not be the last, as there are still questions of whether the size of the government in terms of ministries can be further reduced. After all, there is a need to consider how oversized ministries can reduce effectiveness. Indeed, the next area of cuts may not come in the number of government ministries, but instead in deeper cuts to the number of employees directly or indirectly under government employment. According to Dr. Nguyen Quang A, the government machinery is too huge for the functions that it is supposed to perform. Low salaries accompany the high head count and more important, effectiveness is severely lacking. His view, which is shared by many others, is that two-thirds of the current number that have proven to be ineffective in their work could be retrenched and the amount of money saved could be used to pay the remaining one-third who is supposed to be effective in their work. In this way, there would pay increases, and the effectiveness of the government could be raised by a few bars.

In Viet Nam, therefore, what we have seen is the long term trend over the last twenty years of reduction in the number of ministries and agencies, and to rationalize functions so that fewer agencies can have the powers of meddling, but at the same time designating the responsibility for every area to one or fewer agencies. It remains difficult, however, to consider the effectiveness of these changes because of the lack of availability of detailed analysis.

# TABLE 1.4: Government structure of Viet Nam

<table>
<thead>
<tr>
<th>Government Term</th>
<th>Number of Ministries</th>
<th>Number of ministerial-level agencies</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provisional government on September 2, 1945</td>
<td>12</td>
<td>0</td>
<td>12</td>
</tr>
<tr>
<td>The Provisional coalition government (established on January 1st, 1946)</td>
<td>13</td>
<td>0</td>
<td>13</td>
</tr>
<tr>
<td>The Resistance coalition government (established on March 2, 1946)</td>
<td>10</td>
<td>0</td>
<td>10</td>
</tr>
<tr>
<td>The new government (replacing the resistance coalition government, submitted by President Ho Chi Minh and adopted in the second session of the 1st National Assembly on November 3, 1946, and continued to be supplemented till 1955)</td>
<td>13</td>
<td>1</td>
<td>14</td>
</tr>
<tr>
<td>The Enlarged government (adopted in the 5th session of the 1st National Assembly on September 20, 1955 following President Ho Chi Minh’s proposal, and continued to be supplemented till the 10th session of the 1st National Assembly on May 27, 1959)</td>
<td>18</td>
<td>2</td>
<td>20</td>
</tr>
<tr>
<td>The Government under the IInd National Assembly’s tenure (1960-1964)</td>
<td>18</td>
<td>7</td>
<td>25</td>
</tr>
<tr>
<td>The Government under the IIIrd National Assembly’s tenure (1964-1971)</td>
<td>23</td>
<td>10</td>
<td>33</td>
</tr>
<tr>
<td>The Government under the IVth National Assembly’s tenure (1971-1975)</td>
<td>21</td>
<td>10</td>
<td>31</td>
</tr>
<tr>
<td>The Government under the Vth National Assembly’s tenure (1975-1976)</td>
<td>19</td>
<td>9</td>
<td>28</td>
</tr>
<tr>
<td>The Provisional revolutionary government of the republic of south Viet Nam (elected by the southern National Congress held from June 6 to 8, 1969)</td>
<td>8</td>
<td>0</td>
<td>8</td>
</tr>
</tbody>
</table>
### Table 4.2: Number of Ministries and Ministerial-level Agencies

<table>
<thead>
<tr>
<th>Government Term</th>
<th>Number of Ministries</th>
<th>Number of ministerial-level agencies</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Government under the VIth National Assembly’s tenure (1976-1981)</td>
<td>28</td>
<td>9</td>
<td>37</td>
</tr>
<tr>
<td>The Government (Ministries’ council) under the VIth National Assembly tenure (1981-1987)</td>
<td>29</td>
<td>8</td>
<td>37</td>
</tr>
<tr>
<td>The Government (Ministries’ council) under the VIIth National Assembly’s tenure (1987-1992)</td>
<td>25</td>
<td>12</td>
<td>37</td>
</tr>
<tr>
<td>The Government under the IXth National Assembly’s tenure (1992-1997)</td>
<td>21</td>
<td>7</td>
<td>28</td>
</tr>
<tr>
<td>The Government under the Xth National Assembly’s tenure (1997-2002)</td>
<td>17</td>
<td>8</td>
<td>25</td>
</tr>
<tr>
<td>The Government under the XIth National Assembly’s tenure (2002-2007)</td>
<td>20</td>
<td>6</td>
<td>26</td>
</tr>
<tr>
<td>The Government under the XIIth National Assembly’s tenure (2007-2011)</td>
<td>18</td>
<td>4</td>
<td>22</td>
</tr>
</tbody>
</table>


Nevertheless, the essential point is about the relationship between the structure of government and the quality of the operations of the government. The size and rationalization of structure of a government does not necessarily always lead to better quality operations in service of the public (through public services). Frugality can mean doing less and not doing enough to meet minimum standards, although there could be initial positive impact. Viet Nam has changed its structure and to the size of government so that functions are rationalized, and ministries have become multi-tasking environments (see Table 4.2 for instance), moving away from one function-one ministry ways of the past. There have also been improvements in the quality of operations of the government,
opening up access and reducing a tremendous amount of red tape over the years. But standards have been a different issue, which we will touch on later.

**TABLE 4.2. Some key changes in government structure, from 1992 to now**

<table>
<thead>
<tr>
<th>From Term 1992-1997</th>
<th>To Term 1997-2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>+ Ministry of Energy</td>
<td>Ministry of Industry</td>
</tr>
<tr>
<td>+ Ministry of Light Industry</td>
<td></td>
</tr>
<tr>
<td>+ Ministry of Heavy Industry</td>
<td></td>
</tr>
<tr>
<td>+ Ministry of Agriculture and Foodstuff Industry</td>
<td>Ministry of Agriculture and Rural Development</td>
</tr>
<tr>
<td>+ Ministry of Forestry</td>
<td></td>
</tr>
<tr>
<td>+ Ministry of Water Resources</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>From Term 1997-2002</th>
<th>To Term 2002-2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>+ General Department for Land Administration</td>
<td>Ministry of Natural Resources and Environment</td>
</tr>
<tr>
<td>+ General Department for Hydrology and Meteorology + Viet Nam Agency for Environment (under the Ministry of Science, Technology and Environment)</td>
<td></td>
</tr>
<tr>
<td>+ Department for Geology and mining (under Ministry of Industry)</td>
<td></td>
</tr>
<tr>
<td>+ Unit responsible for water resources management of Department for Hydraulic Works and Water Resources Management (under the Ministry of Agriculture and Rural Development)</td>
<td></td>
</tr>
<tr>
<td>+ Committee on Personnel Organisation</td>
<td>Ministry of Home Affairs</td>
</tr>
<tr>
<td>+ National Academy of Public Administration</td>
<td></td>
</tr>
<tr>
<td>General Department for Post</td>
<td>Ministry of Post and Communications</td>
</tr>
<tr>
<td>From Term 2002-2007</td>
<td>To Term 2007-2011</td>
</tr>
<tr>
<td>---------------------</td>
<td>-------------------</td>
</tr>
</tbody>
</table>
| + Committee for Population and Family Planning  
  + Committee for Child Protection | Committee for Population, Families and Children |
| + Ministry of Finance  
  + General Department of Customs  
  + Government Pricing Committee | Ministry of Finance |
| + Ministry of Communications and Transport  
  + Department of Civil Aviation Viet Nam | Ministry of Communications and Transport |
| + Ministry of Culture and Information  
  + General Department for Tourism  
  + Committee for Sports  
  + Unit in charge of families (Under Committee for Population, Families and Children) | Ministry of Culture, Sports and Tourism |
| + Ministry of Agriculture and Rural Development  
  + Ministry of Fisheries | Ministry of Agriculture and Rural Development |
| + Ministry of Industry  
  + Ministry of Trade | Ministry of Industry and Trade |
| + Ministry of Health  
  + Unit in charge of population (Under Committee for Population, Families and Children) | Ministry of Health |
| + Ministry of Post and Communications  
  + Unit in charge of information (under the Ministry of Culture and Information) | Ministry of Information and Communications |
| + Ministry of Labour, Invalids and Social Affairs  
  + Unit in charge of children (Under Committee for Population, Families and Children) | Ministry of Labour, Invalids and Social Affairs |
| + Ministry of Home Affairs  
  + Government Committee for Essential | Ministry of Home Affairs |
In terms of the government authority, elements of the unitary model form the fundamental of state and government structure in Viet Nam, within which local authority is delegated more not just in policies emanating from central ministries and pertaining to the local area, but also with regards to personnel appointment of key positions in the local administration. Viet Nam is not a federal model in practice but neither does its supposedly unitary model reserve enough power for the central level to always act according to its wishes. There are powers for central level to override the local level, but the process is cumbersome and usually not preferred due to an emphasis on consensus building. Thus, as have always been heard, the comments of “phep vua thua le lang” (the law of the king is secondary to the customs of the village) and “chinh quyen dia phuong la nha nuoc nho” (every local authority is a state in itself).

The positive changes in government structure have, however, gradually lost their momentum, stunting the ability of the system to self-generate further momentum or steps to be taken for next stage changes. The net status of how the bureaucracy performs is aptly summarized by this Vietnamese view: “From the angle of enthusiasm, the attitude of government departments and public officers at the moment, the public
administration system has many manifestations of being distanced from the people, presenting difficulties more than creating conveniences and facilitating the people in exploiting their potential to the full. Many government departments and public officers still see themselves as above the people, giving favours, bullying, and troubling the people. After 15 years of reform, the lesson of looking upon people as the fundamentals … has not been learnt well, and instead could have been partly forgotten’

In general the effectiveness or the lack of it on the part of the Vietnamese government can be attributed to several important logical, structural weaknesses that are the historical legacies of old thinking of a previous era. In the first instance, due to the legacy of central planning, the government while it has recognised the need to strengthen the role of the market, is unable to completely shake off that legacy quickly. This can be explained by the presence of interest groups; yet the reality of multiple power centres lies at the heart of the effectiveness of interest groups and thus slow reform. State-owned enterprises for instance would prefer to stay state-owned because easy access to state funds is preferred over the discipline of the market, and it is not difficult for the enterprises to peddle their influences or to state their interest in the rhetoric of a role of the state in a socialist market economy. Ministries that have control over the biggest and most important enterprises (through personnel appointment), even if they have been corporatized, exudes tremendous influence and a big calling card in politics.

Second, the multiple power centre situation in Viet Nam is complemented by a bureaucratic culture of mistake avoidance while at the same time taking risks when there are significant material gains that could be realized. Allowing implementation to be delegated to lower levels of authorities, in this culture, has meant that local authorities take risks when there are attendant interests to be secured and very little danger of getting caught if the over-step the limits of their authority, and pass on the buck to upper levels when significant risks are attendant to

decisions that legally they have sufficient authority to make. Government ministries and the Prime Minister in particular often find their directives to correct *ultra vires* action ignored, and spending too much time to decide on matters that rightly should have been decided by lower levels. No doubt the latter is compounded by the lack of trust in the good faith of local authorities.

Third, the misplacing of the sense of individual responsibility has been enhanced by the conflation of individual responsibility with collective responsibility. It is often difficult to remove someone from a position of decision making after a wrong or costly decision has been made. The reason is that decision making processes often involve too many stakeholders who are asked to give input and are given too much say; decisions often come out, especially in the style of official documents as bland self-contradictory because they often had to reflect every opinion that often contradicted each other. When the responsibility is being traced, it often led to a group for which no one would be taking responsibility, and leaders of ministries and agencies often lacked the power to dismiss incompetent people outright unless a clear wrong in the eyes of the law has been committed.

### 2.2. Public services provision in Viet Nam

In socialist countries, state provision of “public service directly reflected the relationship between the organs of authority of the state and the people.”¹ In the past, public services were not only accessible, but also provided either free of charge, or at a price that was way below cost. A review of the reform process in public service provision in Viet Nam would show that the situation in the 1980s, when *Doi moi* began.

The circumstances of the 1980s demanded that the government unleashed the potential of societal production forces, reducing central planning and control. On the other hand, the shortage of government

---

resources (given low tax revenue, low profits or losses by state enterprises) hampered provision of public services by the government, and the right to state provision of goods under socialism created huge expectations that were difficult to meet. It required the government to tap resources outside the government, and outside the state sector, to make sure that those services were still available. That was essentially the driving force behind “socialization” of public services that shifted the burden of paying for public services partly onto the shoulders of society, meaning the people. This “smaller state, bigger society” was part of the global trend that began in the 1970s (otherwise known as Thatcherism or Reaganomics) of reducing burdens on states and to gravitate towards emphasizing the user-pay principle for optimal operation and usage of national economic resources. Furthermore, people who can afford it can now opt for better services in a number of other areas such as public health, tertiary education (which one could argue was not a public service), and public transport. In fact, while on the surface public service in most areas remain slow and bureaucrats lackadaisical, better quality public service in reality can also come through the payment of bribes to speed up processes, or the payment of openly-stated higher set of fees for a speedier process in areas such as passport control or one-stop services in municipal authorities. Such practices go against the ideal of the rights of citizens because public services are supposed to be rendered on terms of equality regardless of class or status.

The failure in provision of excellent public services is attributed to the difficult financial situation given the limited options in terms of hardware and human resources. From the late 1980s as well, the urban areas of Viet Nam in particular Ho Chi Minh City and Ha Noi were growing very quickly and its official number of residents was much lower than the actual numbers; new areas of self-help housing built by people themselves began to grow in the peri-urban areas. This increase in urban population and the consequent stress put on public services brought the situation to a breaking point, which had to be overcome by paradigmatic changes in the way the government had thought about public service provision. These realizations led to the Resolution No. 90/CP dated 21 August 1997 to
strongly pass over the provision of many public services to entities outside the state and to welcome private sector participation. The change in the Vietnamese thinking about public service provision has essentially moved from the state being the main provider to try and push public service provision out to entities outside the ministry. In other words, while government still retains overall responsibility, the daily business of providing the service has been pushed out of ministries so that officials of ministries do not have to bother themselves with the daily business of service provision. Ministry officials could then focus on policy making.

In the Report on Public Administration Reform funded by the UNDP, published in 2000, the government of Viet Nam was assessed to have clearly differentiated between agencies that oversee administrative management for the government and agencies that provide public services. A change in the government structure took place when government departments ceased to provide public services and passed over most if not all of these services to corporate entities. According to Mr. Tran Viet Phuong, a veteran who worked in the core of the government structure for many decades, the state is accountable to the people for the provision of all public services, but for effectiveness the state through the government should provide directly only some of these services that are basic to the public’s needs. For the remaining types and non-basic needs in public services, the government could allow organizations that are non-state to provide them but continuing to monitor and enforce standards for these public services (because the state is accountable for the provision all public services). In addition, ministries have become larger in recognition of the many areas of


overlapping responsibilities that needed a more holistic approach at the level of decision making. Consequently, the number of ministries has also been reduced\(^1\). These reforms, however, appeared not to have been thoroughly carried out as the same report pointed. As a result, the lack of thoroughness has affected the effectiveness of policies by not detaching completely the function of policy making from the function of policy implementation and direct services provision\(^2\).

### 2.3. Present status of public service provision in Viet Nam

It is therefore unsurprising that the private sector has only been able to take over a small part of the public services previously provided by the state\(^3\). What could be the reasons? Specific sectors, for example, still see a very strong role of the state in providing these services, but the strong role of the state in Viet Nam in these sectors would not be very different from the situation in other countries where the state needs to place emphasis on nation-building. In free market economies like that of Singapore, UK, or the USA, for instance, universal education is still partly or fully funded and directly provided by the state, and so is universal health care, although there are also private sector (profit-oriented) and social sector (non-profit oriented) options available. In other words, the limits of PAR in public service provision in Viet Nam are not necessarily larger than those seen in other countries, although the standards of services are a different issue when we examine individual sectors carefully. According to Le Chi Mai, however, the Vietnamese state is still directly providing public services in areas that should not be considered as public service because these services fail the test of definition\(^4\).

---

1. Ibid., p. 20.
2. Ibid., p. 21.
The government’s own reports, however, see this state of affairs as a lack of movement or progress to the next level of reforms. In Report No 1 of the Government Steering Committee on PAR, which assessed Stage 1 of the PAR (2001-2005), it was noted that on the provision of public services (p.9) the PAR has only successfully made a distinction in practice between state administration work and the work of units that provide public services. This point is shared by the 2000 UNDP Report referred to earlier. In the Steering Committee report, a forward-looking link between reforming government structure to provide excellent public services could not be found.

For detailed assessments, let us begin with PAR in administrative procedures. There have been significant improvements in the way the operations of the government machinery have been tweaked to try to make administrative procedures simpler. In particular, the power to issue permits in all areas have been delegated to authority boards that are subordinate bodies of ministries.1 There have also been efforts to try to provide one-stop services for each area of public services, to reduce trouble for people either to travel or to have to go to too many agencies. From a review of the procedures reformed, the customs services and immigration services have had very direct impact of the experience that people have with PAR. These positive areas however have been more or less been accounted for by important drivers, such as the presence of foreigners or domestic policy champions, or the need for Viet Nam to comply with international obligations. The drive to enter the WTO and to comply with AFTA explains in a nutshell the successes seen in the customs area, for instance. Every year the government meets with the business community, of which the foreign presence is large, to try to iron out the problems that businesses complain.

In the area of education of Viet Nam, while the country has taken giant steps in socialization of tertiary education, basic education of 12 years is still seen as a public service whose responsibility belonged to the

---

state, what more in remote and poor areas where the private sector would not want to participate and education remains the most important tool for uplifting of minorities and the poor. In the schools system of Viet Nam, about two-thirds of schools are primary schools, and it has been the policy of the government to build a primary school in every commune, and at least one secondary school in every district (an administrative unit that is higher than the commune). Almost all expenditure required for such schools are paid for by the state, and this education budget is distributed to all local authorities for management. The budget for education has increased steadily every year. It was at around 10% in 1996, reaching 15.5% in the year 2000 and 20% in the year 2008 (see Table 4.3).

**TABLE 4.3: Broad overview of students and budget in education, 2000-2008**

<table>
<thead>
<tr>
<th>Items</th>
<th>2000</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 No. of students and pupils/thousands population</td>
<td>287</td>
<td>277</td>
<td>274</td>
<td>269</td>
<td>266</td>
</tr>
<tr>
<td>2 No. of students/10 thousands population</td>
<td>118</td>
<td>167</td>
<td>179</td>
<td>188</td>
<td>194</td>
</tr>
<tr>
<td>3 Share of students in public sector schools (%)</td>
<td>88.20</td>
<td>85.20</td>
<td>84.40</td>
<td>84.62</td>
<td>84.94</td>
</tr>
<tr>
<td>3.1 Pre school</td>
<td>47.22</td>
<td>41.79</td>
<td>42.73</td>
<td>43.63</td>
<td>48.86</td>
</tr>
<tr>
<td>3.2 Primary</td>
<td>99.72</td>
<td>99.55</td>
<td>99.46</td>
<td>99.42</td>
<td>99.40</td>
</tr>
<tr>
<td>3.3 Basic</td>
<td>96.82</td>
<td>98.20</td>
<td>98.59</td>
<td>98.83</td>
<td>98.91</td>
</tr>
<tr>
<td>3.4 Secondary</td>
<td>65.21</td>
<td>69.54</td>
<td>69.40</td>
<td>72.90</td>
<td>79.03</td>
</tr>
<tr>
<td>3.5 Vocational</td>
<td>70.70</td>
<td>73.80</td>
<td>71.17</td>
<td>70.71</td>
<td>63.35</td>
</tr>
<tr>
<td>3.6 Secondary Vocation</td>
<td>97.10</td>
<td>84.49</td>
<td>81.78</td>
<td>81.57</td>
<td>81.33</td>
</tr>
<tr>
<td>3.7 Higher education</td>
<td>88.64</td>
<td>88.43</td>
<td>87.13</td>
<td>88.22</td>
<td>88.40</td>
</tr>
<tr>
<td>4 Education budget/GDP (%)</td>
<td>4.1</td>
<td>5.1</td>
<td>5.6</td>
<td>5.5</td>
<td>5.6</td>
</tr>
<tr>
<td>5 Education budget/State budget (%)</td>
<td>15.5</td>
<td>17.9</td>
<td>18.4</td>
<td>19.0</td>
<td>20.0</td>
</tr>
</tbody>
</table>

This is still several percentage points lower than the annual government budget for education in Singapore. In the first budget of its second term, the government of Indonesian President Susilo Bambang Yudhoyono gave the largest share and topping 20% of its budget to education, which did not include salaries for the Ministry of Education.

Given the ever-increasing burden on the national budget, the government has been slowly encouraging the private sector to enter the education sector, even the primary school sector to help provide this public service. It should be noted that the reform of the education sector especially allowing the private sector to participate in service provision - opening schools - started as early as in 1986 although at that time such reforms were not informed by the wider movements elsewhere in the world of privatization of public service provision.

The net impact of this socialization, of putting out provision of public service to the private sector without abdicating the state’s role has been encouraging, but the results are mixed. Over the last 15 years the number of schools as well as the number of students was increased, not just in the basic education sector, but also in the tertiary and skills training sector. The state continues to dominate provision in the primary and lower secondary schools sectors, while private provisions dominate the pre-school sector and provide up to 21% of higher second schools or 12% of all students (2008 figures). The share of public sector students in total number of students has been fairly constant in the last eight years (see Table 4.3).

These achievements in expanding sources of supply, however, also meant that there were not enough checks (due to the rush to meet market demands) on the quality of students and services, and in addition the fees were quite high and not meant for the poorer sectors of society. Many of these private schools were also concentrated in urban areas.

---


where the disposable income was higher. The major problem of private sector solutions in Viet Nam, especially in tertiary education at the moment, therefore, is the lack of a regulatory voice on the standards of services that are being provided by the private sector, which has led to numerous problems of substandard services and even outright fraud. On the other hand, the education services that are provided by foreign universities, especially reputed ones, are often in high demand. Education institutions and their former students also provide information on such services, and they provide the information on a non-profit basis. Such sharing of information within society should be encouraged.

In general, socialization as a means to delivering a smaller government and a less burden on the government has not raise the quality of the educational sector in general. In 2008 UNESCO ranked Viet Nam’s education system as 79 among 129 countries ranked, and this was in fact a regression when compared to the time when the UNESCO began to monitor the EDI (Education Development Index) in 2004. EDI in Viet Nam during the period was overtaken by Indonesia, China, and Malaysia.

In terms of health services, the structure of public health services at the basic level in Viet Nam has the good intention of building a health station for every 7,000 people. As would be expected, there is also a system of state hospitals, with 30 at the central level, 196 provincial

1. Thanh Ha: “Can iam ro viec “bung” ra nhieu truong cao dang, dai hoc”. Tuoi tre, 19-12-2008, p. 8. Once the government agreed to allowing what was in effect an unlimited expansion of tertiary education institutions in 2005, from then to August 2008, there were 232 new and upgraded universities and training colleges, of which 78 were training colleges. The Ministry of Education and Training supposedly also published a list of strict guidelines for establishment of tertiary educational institutions, but many substandard ones were still able to establish themselves.


hospitals, and 576 district hospitals. Basic health care stations are found in 9,920 communes of the country, and state enterprises and government agencies also have their health stations. Over the last twenty years of Đổi mới, various indexes relating to public health have seen improvements, particularly life span, infant mortality, and gynaecological health. Even more impressive was the fact that health care was provided free, although the standard of service was low. Its unsustainability led to the government collecting hospital fees, beginning in 1989. According to an estimate, government expenditure on health care in the year 2008 took up about 6.1% of government budget, and this amount could only pay for 40% of expenditure within the health sector.\(^1\)

In other words, 60% of all expenditure on health care is paid for by the people. Among those who can afford to pay for private sector provision, they are split when it comes to choosing between government provided and private sector provided services. As a positive point, this meant that privatization of health services as a public service has been able to reduce by half the burden that was on the shoulders of the government providers of healthcare.\(^2\) The move to get everyone to buy medical insurance, however, has met with two road blocks. First is that given the liberal conditions of claims, the medical insurance fund went bankrupt in 2007 and 2008. This development undermined the scheme as a tool to bring the market mechanism into play, and also undermined the confidence of people in the ability of the scheme to pay. Second, to make medical insurance in its current form financially viable, not only must claims conditions be tightened, but premiums might have to go up, which would affect the ability of the poor to pay.\(^3\) In particular, the medical care industry avariciously drove up demand for medical

---

2. Le Chi Mai (2003), p. 160 especially Table 2.3.
3. The general assessment on the health and education areas of public service provision were taken from Lê Chi Mai (2003) “Cai cach dich vu cong o Viet Nam” National Political Publishing House, Ha Noi, Việt Nam, pp. 125-134.
services unnecessarily so as to claim insurance payments, which is understood to be one of the main reasons why the medical insurance system has gone bust. On this score, the government has not been steadfast in checks and anticipation of possible problems in the field of medical insurance.

The same trend also seemed to have happened to transportation services, which had all been provided by the state. After provision by the private sector was allowed, the quantity and quality of such service improved, although there is still inadequate state supervision of the standard of services, which actually leaves much to be desired and often reek of profit maximization and lack of fairness to the users. Nevertheless, for transportation services there has been a large switch by users over to utilize services provided by the private sector, a switch that is larger than that in the health sector.

In short, the record of the Vietnamese state in the areas of roads, water services, drainage, and other essential services is at best mixed. While definite results have already been achieved, these public services are not provided at a quantum and quality that could outpace the rise in their demand; worse still, some of these services which should have been well taken care of when new cities and urban areas were planned and constructed, have come under severe strain. One noted for instance the extraordinary days of heavy rain led easily to heavy flooding that gripped Ha Noi in October 2008 and July 2009. In terms of drainage the older parts of Ha Noi City were much more able to handle the floods and spent less time partly submerged in water than the new urban areas of Ha Noi. At the same time, there are still many places in urban areas still do not have supplies of fresh and clean water. The Ho Chi Minh Highway that has been partly completed is still seeing little traffic because of the longer distances and the lack of amenities along the

1. Conversation with a doctor who worked as a policy consultant for the medical field, December 2008.

2. “Song o Thu do van thieu nuoc sach hang chuc nam” Vietnamnet, 4 March 2009.
highway, which suggests the lack of comprehensive planning and the policy on public services becoming ineffective.

Another way to assess public services provision is to secure the views of the consumers of public services, the general public. Here, obtaining good and representative surveys is not easy, and in Vietnam it is still a nascent industry. Unlike in more developed countries, polls of the public’s views of the government’s work is not carried out, let alone polls on the popularity of the government and politicians. Thus the Report on Satisfaction Indexes by the Institute for Research on Development and Statistics Office in HCM City has been a good start. The survey collected user’s opinions and levels of satisfaction in seven key public service areas in 2008. The chief finding of the survey was a reduction in the level of satisfaction among the users of selected public services in HCM City, when compared to 2006. Among the seven areas surveyed, those of cadastral administration, health services, and public transport saw the largest decreases in satisfaction levels (see Figure 4.1 below). Another finding was that the percentage of people who were neutral or declined to provide comments on their level of satisfaction increased as well. What the survey clearly pointed to was the need to have better standards in public service provision, and that standards have not kept pace with expectations.

Given that the quality of public service delivery is still considered far from good, even though the government has reorganized its own structure and outsourced the delivery to commercial and private entities, it would appear that the key to raising the quality of public service delivery lies in two areas. The first is the need to raise standards of expectations on the part of the out-sourcing authority on service providers, and for the cultivation of the civil service culture so that bureaucrats see the norms of good service as a part of what they must achieve every day. It is with these two desired changes in mind that the following recommendations are made.
3. Recommendations

This section puts forward five clusters of recommendations for directions in PAR with regards to public service provision. The recommendations for change follow three general principles aimed to facilitate implementation.

*The first principle is inspired by the building of customer-oriented cultures in the world of business.* Any business that achieves a high level of satisfaction among customers retains their loyal support, and profits. On the other hand, who are the customers of a bureaucracy, which does not operate on monetary profit motives? Generally speaking, it is the people in abstract terms, but in specific terms the customers of the bureaucracy are the common people who use public services everyday and every minute. Therefore the first principle of PAR in public service delivery...
must be to instil a culture and a mode of behaviour that takes the public’s satisfaction as the ultimate measure of the effectiveness of the public administration machinery. This culture is sorely missing, at least in practice, from Viet Nam.

The second principle is that there is ultimately no best model in the delivery of public services that can be borrowed without filters for transplanting to Viet Nam. There are effective practices one can see everywhere for reference, and Viet Nam has been borrowing ideas from overseas to implement its PAR. Practices found in other countries are however often specifically designed according to unique conditions of time and circumstances pertaining to economic, political, and social environs. Borrowed ideas, therefore, should be filtered through the circumstances of Viet Nam. Local context, however, can also be used as an excuse for not reforming. As such, this principle, other things being equal, must be subordinate to the first principle of customer service.

The third principle concerns government structure reform. The reforms are not a linear process forever seeking to reduce the number of ministries. On the contrary, good public service may require the expansion of government, or a restructuring of government (not necessarily with the purpose of slimming down the machinery) to make excellent public service provision the priority of the government. Ultimately the arrangement and delegation of work to ministries and agencies concerned must be based on specializations as the first principle of organization, and in the second the kind of secondary work that a ministry could also take on in order to improve public welfare on behalf of the entire government. Structures must be tendered to for them to work, and personnel are required for that. Structures must also, moreover, be complemented by interconnections. Thus, structure and rules of operation that facilitates mutual consultations among ministries as a matter of routine will be highly useful. This should not just be on the informal but also on the formal level, where on every matter of public service a ministry must make it an instinct to consult before it takes a decision, and differences in opinion among government ministries cannot remain as differences but must be resolved in order that there is
only one government stand on any policy on public services, and only one government department responsible for any public services policy or enforcement. Any public service issue with across the board implications for many agencies should be handled by one single agency, with the support and advice of other agencies. While specialization and functions could overlap, the authority to decide on policy on public service should not. Therefore such agencies should be legally mandated by the government and/or the parliament.

It is apparent that many areas of public services provision in Vietnam require urgent attention. However, it is impossible to dig deep into every area of public service provision in this chapter. Instead, the approach has been to select a few areas deemed to be the most controversial and urgent ones.

3.1. Recommendations Cluster 1: Establishing regulatory authorities that represent and enforce government oversight (but not to directly provide public service)

These regulatory authorities would be primarily the eyes, ears, and hands of the government in overseeing the strategy as well as implementation of public service provision in a particular area, such as mass media, or public transport, or industry development. These regulatory authorities are distinguished from government ministries by the fact that they directly deal with industry players and service providers, and act as the middle party between policy makers in the ministry and the service provider. These regulatory authorities should be set up directly by a law from the National Assembly (with the suggestion of and design approved by the Government) and the law should designate an agency as the leading government institution on a particular area of policy. In terms of personnel appointment, the government should limit its role only to the appointment of a group of concerned and knowledgeable professionals to fill a Board of Directors. This Board of Directors should be the ultimate authority for the regulatory authority, and it should have the sole power of appointing a CEO to run the regulatory authority. The line of reporting of this regulatory authority goes back towards the ministry, but its annual
report is submitted to the National Assembly every year for scrutiny, with both the ministry and regulatory authority accountable to the National Assembly. Such a model of regulatory authority is therefore set up by the political authority (comprising the state, comprising the Government and the National Assembly). Control over policy would be exercised by the Government. Beyond this, the Board of Directors (which should consist of a balanced group of people from concerned government agencies and from society, even possibly from foreign professional societies) makes the broad strategic directions for the regulatory authority and discusses those plans with the ministry in charge.

There are many policy areas that such a model of regulatory authority can be applied to, and it has been applied with success in a number of countries and territories, including the UK, Republic of Korea, Hong Kong, Taiwan, Singapore, Malaysia, Thailand, Indonesia, and the list goes on. Their use in Singapore has been found to be so useful that, decades after the model was adopted, the government has continued to establish new regulatory authorities, especially when new areas of closer government scrutiny in public services are deemed necessary in order that the government structure and operations can adapt to a changing environment. The reason why many countries have adopted this model of regulatory authorities is due to the benefits accruing. The first benefit is that it focuses the work on regulating a specific area of specialization and collects the work into a body of professionals who are also specialists in the area (The Board of Directors, the CEO, and heads of departments recruited for the regulatory authority must have specialist degrees or diplomas rather than general degrees or are practising professionals in the area with a good professional standing). In this way, the part of the ministry that normally conducts regulatory work should be transferred out to form the new regulatory authority. This prevents the government structure from becoming larger and also prevents overlapping authority.

The second advantage is there would be some distance between the policy maker (the ministry) and the planner and enforcer of policy (the regulatory authorities). A positive political outcome is that the
government, while ultimately responsible for overseeing the provision of public service and cannot wash its hands off the matter, can hold a semi-independent body, in particular the Board and the CEO, responsible for work performance. Personnel changes should become easier because employees would be placed on renewable terms of contract, with poor performance leading to non-renewal, even for both Board members and CEO. The semi-independence would encourage genuine discussion through interactions between Boards and ministries to reach better policy decisions, with the people in the ministry holding the big picture of developmental directions for all portfolio under the charge of the ministry, while the people in the regulatory authority could feedback on what would work, and what would not, and what were the good practices that could be found around the world but also relating to a specific public policy area it was responsible for.

A third advantage is: as a result of increases in the distance between policy making and policy implementation, and between ministry officials and those providing public service, corruption (when public service providers bribe those in the positions of policy making) could be reduced, especially when regulatory authorities are not allowed to have large spaces for discretion and this restriction should also be mandated for in laws and subsidiary regulations. The regulatory authorities could establish businesses that promote the implementation of policies, provided that these companies do not receive funds from the Board and should be run as going concerns, and are also used as instruments for success in policy implementation, such as for the purpose of promoting competition in service provision (to lower unit prices) or to foray where private enterprises hesitate because of high overhead costs and low revenue.

What specific things will such organs of regulatory authority do for its sector? As mentioned above, such regulatory authority will act on behalf of the state and the government, and in particular the ministry, to do a number of things: a) develop the industry or sector through the construction of strategy (through assisting the ministry); b) ensure that the strategy, complete with industry standards and public service
standards relating to various aspects (technology, product quality, intellectual property, ethics, etc), is implemented or enforced; c) carry out monitoring of the latest trends and to act as the conduit for policy change at the ministry level; d) carry out administrative duties on behalf of the state, including the issue/control of licenses for specific activities, whether it is for the companies providing public services, or for members of the public1.

The experience of Singapore in this regard is worth looking at. While the number of government ministries in Singapore is small, this masks a much larger number of sub-ministry regulatory authorities that administer public policy and public services2. The extent of independence of these regulatory authorities vary; some are organized as direct, sub-departments with full control by the ministries, while others are set up by Parliament on the proposal of the ministries and they enjoy a large degree of independence especially in the hiring of and appointment of officers. Consequently, many areas of public policy are under the charge of specialised agencies that have the ability to act nimbly and are not subject to the rules that would apply if the ministries

1. In Singapore, most types of licenses that have less to do with internal security or public order issues are now issued by authorities located outside ministries. Some ministerial agencies also collect fees or issue licenses on behalf of other usually unrelated ministries to as to maximize convenience for the people, provided the licenses/fees they are responsible for occur in the same space as that of the other agency. For instance the road tax authority collects the car radio license fees for the media authority. Some public service providers such as the postal companies do more than post letters; they also perform public services on behalf of the government and receive a service fee in return. Even different banks also share their cash dispensing machines to allow customers greatest convenience. It shows the culture of service first has permeated throughout society.

2. The Singapore Government Directory is available electronically at http://app.sgdi.gov.sg/index.asp. In the printed version of this Directory, organizations set up by the Singapore government to oversee public services provision are consolidated in a special section so that users of the Directory know which government agencies are relevant to their needs.
were directly involved. Where public services are concerned, the regulatory authorities are also allowed to charge a fee but this fee is usually kept at the level of cost-recovery. Basic administrative services usually come free.

In Viet Nam’s case, where there are also local authorities involved in tasks of governance, it would be tempting to establish branch offices of this regulatory authority at provincial and district levels. In essence such expansion should be encouraged but the number of personnel involved should be limited and be appointed by the Board, and these personnel should work independently of the local people’s committee and not be accountable to the local people’s committee. It would be sufficient to have only a few persons posted to the provincial level to oversee matters of the Board there. In their work, the Boards should utilise technological developments such as e-government, on which studies and projects on implementation have been carried out for some time. E-government will make it possible for people as far away as Ca Mau or Lai Chau to apply for licenses that are issued only in Ha Noi or Ho Chi Minh City, for example. Board officers at local levels could install e-kiosks for any resident to apply for services online and assistance could be given free of charge, wherever possible. An alternative to e-government is, where possible, to allow people to apply for these public services by posts. This is entirely feasible and registered posts (whose costs have tumbled) eliminate excuses by officials of not having received the mail. E-government, in short, could make it unnecessary to establish branch offices of the regulatory authority. Furthermore, when the CEO has full powers to hire and fire, he would be able to ensure that his staff members keep to service standards, and his failure to maintain or improve standards should endanger his own career.

What are the types of public services or policy areas that should have such regulatory authorities established?

According to Vietnamese researchers, a significant number of public services in Viet Nam are still provided directly by the government, or in fact are under heavy direct supervision by the government through its
ministries. It is upon the government to decide how to make the idea of regulatory authority work by commissioning studies into all areas of public services. These studies should take into consideration the actual needs of each area, and answer the question: what variations to the general model of regulatory authority are better suited to a particular public service. There should be only one such national authority for each area, and the regulatory authority should make it extremely easy for any ordinary person to reach it regardless of distance, class, or status. The regulatory authority that is set up must - returning to the question of what a public administration system is for - establish a cognitive goal of developing further the industry or sector that it is responsible for, with the objective of bettering public welfare and driving towards excellent public service. One likely problem is of course that ministries could resist the establishment of the Boards because it would be less control over personnel and day-to-day running of portfolios that use to be that of the ministries.

*Business model: degrees of competition*

Then comes the question of what kind of business model for the industry or sector the regulatory authorities should allow or encourage. This is a keen question especially if it impacts upon the costs and prices of public services. There need not be any fixed idea on whether a state/private sector monopoly or a perfect market is better suited to pursue public welfare, even though by the first cut the school of economics would definitely say that competition promotes better welfare because it promotes the *pareto* optimum. The reality is that any private enterprise would try its best to maximize profits; it would dislike most a perfect market, and prefers most a monopoly. If private providers are to be found for public services as a means of socialization, then this profit motive must be taken care of but should be balanced against the social motive of equal access to all. If the government is naturally inefficient in their direct provision of public services and the private sector instinctively exploitative, then a balance and synergy between the two is desirable.
This actually means that the regulatory authority must gate-keep certain principles such as equal and minimum level of access for all, and allows the service provider to charge a premium for better services without cutting back on the respect and resources it must reserve for the larger number of minimal users. Under such a business model, product differentiation is important (to maximize profits from higher end customers) and so are economies of scale. For the latter the regulatory authority might want to think about giving the service provider a monopoly with social objectives attached as conditions. These conditions could include a maximum and a minimum price range that is linked to market conditions, greater subsidies for poorer areas, and an obligation to provide services to highly inaccessible areas. A subsidy for infrastructure construction could also be given by the government to help the enterprise recoup high overheads if the industry requires them.

Ultimately, the company that is providing the public services must be allowed to make a reasonable profit. Where the companies need the regular injection of capital expenditure to upgrade its services (capital intensive upgrades to provide better services) legal provisions requiring these companies to accumulate capital for reinvestment might be critical to the sustainability of high standards of public services provided by these companies.

One additional pillar that can support the work of regulatory authorities is civil society. Questions about definition and the status of its existence in Viet Nam need not detain us here, but it is apparent that the government is pliable to evolve a more nuanced view of the role of civil society in governance. Dr. Thang Van Phuc, former Vice-Minister of the Ministry of Government, opined in an interview granted to the authors that the role of civil society organizations in Viet Nam is still negligible. He thought that this role needed to be strengthened, especially in the realm of public services provision. He gave the example of accreditation of lawyers, a function that could be performed by the Lawyers’ Association rather than by the Ministry of Law. We the authors are of the opinion that if ever this accreditation function is given to civil society organizations, it would not mean that the government would not have a
role to play, but it should mean the government setting standards for accreditation (in consultation with professionals in the field), which the Lawyer’s Association must comply with. While Dr. Thang Van Phuc did not explicitly say so, we believe that he would agree with this caveat.

Another area where civil society can be useful in is the fight against HIV/AIDS. It illustrates how civil societies could play the role of giving honest feedback or even to provide public services when no private sector provider is found willing. Industry associations, for instance, have long had a role to play in the development of particular industries. They should be asked to play bigger roles to support the regulatory authorities, in particular participating in setting strategic directions for the industry. More importantly they could channel feedback on the provision of public services by relevant ministries. Industry associations have also long played the role of consultants to the government. If they can be asked to sit as a member of the Board of Directors of regulatory authorities of their industry or social policy arena, then not only can governance participation be even more inclusive than now, but the policy output is likely to be more relevant because the practitioners are participating in policy making. In Viet Nam, industry associations are actually government supported but it can be gathered from newspaper reports that association leaders do not always agree with government policies. These associations also tend to be lean in their organization and they are not likely to grow into extensive machineries that rival and act like local authorities.

1. Khuat Thi Hai Oanh: “Duong dau voi HIV/AIDS o Viet Nam: Tu goc nhin cua xa hoi dan su”. Institute for Social Development Studies, Ha Noi, November 2007. The regulatory authority model, however, may not be suitable for the HIV/AIDS arena because this arena needs more attention to the social and medical aspects of the problem than the commercial effectiveness and sector development of other areas. In general, social sectors without an economic profit angle may not find the regulatory authority with public services provided by commercial entities useful. But this does not mean that the government should not try to concentrate powers and authority to decide on strategy and enforce that strategy in one single entitle, rather than spreading them over several agencies. This diffusion has compromised the effectiveness of the fight against HIV/AIDS.
3.2. Recommendations Cluster 2: Installing, sustaining, and rewarding excellence in public service provision

Despite the government machinery being leaner, and the structure of government rationalized, there are still questions hanging over the quality of operations of the government with reference to public services. There remains no, if any exists, independent assessment of how much better the quality of ministries’ work in public services provision has been resulting from government structure rationalization exercises. That does not mean, however, that the Vietnamese government does not critically review the operations of the bureaucracy. What is suggested for is an agency that follows the issues of quality in provision of public services closely.

The recommendation here is the establishment of an Office of Excellence in Public Services. It would be the mission of this Office to install, sustain, and recommend to the government to reward excellence in public service provision within the government. This Office would be part of the Office of the Government, or it could even take the form of a regulatory authority that answers directly to the Office. An alternate form of organization would be to organize this body as an Institute of Excellence in Public Services, perhaps to be located within the National Academy of Public Administration or under the Office of the Government.

Installing excellence

It would be the tasks of this Office of Excellence in Public Services in surveying and monitoring global trends in the provision of public service with the aim of adopting, if not the practices, then the ideas underlying excellence in public service provision all over the world. It would be its tasks to throw up ideas on a roadmap to achieving excellence in public services, and in providing solutions to all ministries (either as universal solutions to all ministries, or tailored solutions specific to conditions in individual places). The Office would construct the conceptual basis of their work upon experiences elsewhere around the world but their output would be policy recommendations. It would,
of course, be responsible for recommending constantly to the
government the changes to governmental structure that should
underline the drive to excellence in public services.

Sustaining excellence

Assessments by government ministries on their own area of work could
at best be considered as attempts to be self-critical, at worst a case of
moral hazard. At present, the ministries themselves apparently do
reviews and assessments of their effectiveness. What is needed are
independent organizations (or organizations empowered to assess and to
give recommendations for improvements) to, on a regular basis, assess
the performance of government ministries in public service provision.
While assessment of ministries is to be done by the Prime Minister and
the National Assembly, it is more beneficial to divide up this work of
assessment into sub-areas whereby more precise and specific
assessments are possible. The reason is that the work of ministries
(especially when rationalization has meant ministries multi-tasking) is
very wide in scope, and the area of public service is one big area that can
be disentangled from assessments over quality of policy formulation.
The Office of Excellence in Public Services can become the organization
that can continuously assess the provision of public services by
government ministries as well as other designated organizations, with
the aim of keeping them on their toes so as to sustain and continue the
push towards excellence towards public service provision.

How can the Office do this? It can do this through conducting survey
and feedback in various forms (limited by ingenuity) so that the data
collected can form the objective and evidential basis for assessments. The
Office could contract some of these work out to NGOs or even a
consumers’ interest society, but it definitely should not contract

1. See Dinh Duy Hoa (2008): “Day manh cai cach hanh chinh, nang cao hieu luc,
hieu qua quan ly cua bo may nha nuoc”, State Organization Magazine, No 1 + 2,
Ministry of Home Affairs, p. 23.
individuals working for entities under any of the ministries, whether the
ministry is under current assessment or not.

Rewarding excellence

Building a new culture of excellence in public service provision requires
different building blocks, and one of these is the need to reward good
behaviour in according to the norms that are being promoted. As such
the effort to build a civil service culture on public service provision also
needs to award those who expend efforts in pursuing excellence. The
Office therefore could organize high-profile competitions, with material
rewards, to individual departments and companies that have
demonstrated that public welfare is at the centre of what they do every
day. Again, the forms of competitions and the forms of rewards are only
limited by the ingenuity of the Office, and in fact could also form part of
the ad hoc compensation that government ministries, agencies, and
companies could earn (on the assumption that the surveys and
assessments are objective). Naturally, if the business model underlying
the provision of a public service is a competitive market, it does not
necessarily mean that customer service would be the top priority of the
companies, which could be the case if there is oligopolistic competition.
As such, the Office would need to look carefully into the forms of
competition and rewards that are appropriate for each sector, and to
define the criteria for assessments. If the obverse side of rewards is that
of sanctions, then the Office could also be the place to receive and
investigate complaints against public service providers, and should be
empowered to publicize the issues, and also to make recommendations
to the Prime Minister (or a czar for public services) for appropriate
action. This would mean the Office taking over the role of the present

1. In this regard the Satisfaction Index is an early but worthwhile project to
continue. It is gratifying that although the institute compiling the Index belongs to the
Ho Chi Minh City authority, it has been direct and honest in demonstrating a level of
satisfaction that is less than average with regards to public services provided by the
City.
role of denunciations being handled by the National Assembly as well as relevant government departments. In addition, every ministry should be made to establish a hotline for public services complaints or feedback, and it should be made mandatory for ministries to inform the Office of complaints and feedback and also the remedial action that the ministry has undertaken.

3.3. Recommendations Cluster 3: Improving public service provision to rural areas

The rural population of Viet Nam is about 70% of its population. Although urbanization has reached a peak and is increasing the share of urban population, many villages, especially peri-urban ones, now have mixed economies that have one foot in the fields, and another in the urban economy. The complete disappearance of the rural areas and rural economy, whose traditions have taken centuries to evolve, is however highly unlikely. Therefore, given the continuation of the rural way of life for 70% of the population, improvements to public service provision to the rural sector is democratic, popular, and correct. It is also imperative that the government takes a more proactive stance on public services in rural areas and prevents the lack of public services from becoming a part of the politically divisive issue of the backwardness of the rural areas (this was what happened in Thailand).

At present the urban areas of Viet Nam are great magnets for underemployed labour because of greater work opportunities and also because of the better public services there that support a higher standard of living, such as better health care, better schools, and a cleaner environment. Most rural residents aspire or prefer to enjoy better services and this is one reason to gravitate to urban areas, besides getting a job. Many younger rural residents do move to the urban areas, leaving the older and weaker behind in the rural areas.

To make living in rural areas more attractive, provision of public services in the three basic areas of health care, schools, and the living environment in the rural areas should be uplifted. In addition, if we broaden our view of public services to include those government
services that enable higher productivity from the rural sector, then the provision of such public services to the rural areas are essential. These enabling public services could include first and foremost greater support and better advisory services given to farmers on ways to advance farming techniques and productivity (higher value leading to higher income); important agricultural trends forecast and dissemination of knowledge, of the results of agriculture research including new and improved GMA products for higher value added exports; operation of commodity banks to stabilize commodity prices as much as possible, and to disseminate and update changes in standards that importing countries impose on agriculture imports, export market intelligence, and so forth.

The government should seriously consider expanding the current research infrastructure within the Ministry of Agricultural and Rural Development (MARD), to combine them and allow the new unified body to become a semi-independent research, advisory, and information dissemination body to serve agriculture and rural development. This expanded research infrastructure at the national level should have a governing council comprising scholars, foreign agriculture experts from other important trade partners (on agriculture products), businesses representatives, and policy makers from MARD. This Council should be allowed to appoint its own chief executive, and to have sub-departments that cater to different regions based on topography as well as sectoral differences. This expanded research infrastructure (may comprise several sub-institutes) shall also be the place where national standards for agricultural produce are maintain, where the seeds of national crops are put for safekeeping, etc. This institute, thus, shall take care of the strategy for economic (business and food security oriented) and social development strategy of the rural areas and be allowed to carry out concrete steps to implement the strategy. This would basically mean bringing the strategy division from within the MARD out from the ministry and defining the role of the MARD to setting policies to guide the strategy. The research infrastructure should then feed into the work of regulatory authorities responsible for different areas of public services.

One possible option in terms of government structure is to bring the
Farmers Association and the MARD departments at the provincial and district levels under one single organization and to make sure that these officials operate under the authority of the strategy of the expanded research and policy infrastructure. The argument against this is it would be a duplication of existing capacity within the MARD. Moreover, the Association is known more as a political organization than as a professional organization or a guild looking into the development of the rural sector. If the Farmers Association, as a government-funded organization, does not provide policy input or professional advice, it should review its role or be abolished once the new research and implementation authority is established.

What is being recommended here is in fact a rural development and agricultural authority that is much more proactive in improving the working and living conditions in the rural areas, in advising the government on the way forward to provide public services to the rural sector that will allow it to grow and contribute more to the national economy and to transform the lives of rural residents through good public services. This should be done for two reasons. One, the large rural population should be increasing its productivity and income per head, so that it becomes a veritable contributor to GDP, and even GNP (agricultural exports). Second, the rural areas can become an attractive area to compete with the urban areas for residents because it offers an alternate model of development and an alternative lifestyle to that of the urban areas.

Land regime and related public services

One area regarding urbanization and land redevelopment that has become another politically hot potato in the last twenty years is that of land requisition. On the surface, the matter is that of land regime; it has often been argued that because there is no private land ownership (all land are leased from the state) therefore there are no real market indications for the value of the land. Consequently, the so called “market prices” for land are unreal, resulting in huge gaps in expectations between those people whose land were being requisitioned by the state
at low prices for redevelopment, and the developers who are usually either foreign or private or state enterprises. In reality, however, those who are being resettled often demand prices whom they consider as market prices (usually guided by the selling prices of adjacent or nearby land parcels), and would not settle for much less. There are also issues of rural unemployment once farming livelihoods are upset by the requisition, that make farmers refuse to agree or move.

The many protests against land requisition by investors and local authorities remind us that basic problems pertaining to the way the land has been requisitioned remain, and the interests of all parties concerned have not been taken care of adequately. The key problem is that peasants perceived the land requisitors as cheaters paying a very low price for land. Even though this price is supposed to be decided by the government but local authorities have a huge leeway in deciding on the price of requisition, and usually make it low and then subsequently selling the land off to investors for a profit. Investors are perceived by farmers to be exploitative, paying a very low price for land and then using the land for more profitable purposes than the land was originally requisitioned for, or selling land space in those projects that were at a price much higher than that paid to farmers. They are also often seen to be in cahoots with local officials to do that. While it is a very complex topic, a simplistic yet powerful way to summarize the problems with land requisition is that the protesters in problem projects perceive injustice and therefore the protest or go slow in vacating the land.

Price differentials in fact are only the manifestations of discontent. The discontent stem instead from an expectation gap. No doubt developers, whether they are redeveloping agricultural into either residential or industrial land as permitted, would be making a profit by capturing the differences in value, but this initiative is deserving of reward because the developers created ideas of projects as well as take the risk for capital investments. The key issue on the part of developers is whether this point has been well communicated to all re-settlers. The latter on their part must be understood as reacting on the basis of all the information they have. Given that there have been cases whereby people
who hold out to the last minute before nodding their heads to resettle have been given much higher compensations, it would also be natural to see in future projects that re-settlers learn from this lesson and play the game of brinkmanship.

From the point of view of the government’s role in development, land requisition is a public service because it affects many households and concerns a public policy, the land regime. The responsibility of the government is in land regime management. Land requisition as is practiced at the moment is a matter, however, mostly handled by local authorities, with the guidance of the central government regarding land usage and land prices. Land requisition is set in motion only after an investment project has identified a certain land area in a particular locality, and the government and provincial authority then deciding on the final physical location for the project. This is a flawed process because, in reality, local officials often hide in confidence land use master-plans in order to allow a small group among themselves to speculate on land. Although the government has required local authorities to publicise these master-plans, this requirement has often been ignored or complied with perfunctorily.

What is recommended, therefore, is a new land requisition authority that will set out standard procedures, under which all parties who are actors in the development project must acknowledge and play to its rules. This authority will decide land prices, communicate the necessary to all parties, and bypass local authorities in land requisition decisions. Its actions, its decisions, and the information it bases its work on must be transparent and accessible to all. It must operate independently of the local authorities, and should be able to communicate directly with re-settlers in meetings held openly. The land requisition authority shall be the adjudicators and keepers of monies, and shall operate on budgets given by the central government. Where the local authorities lack transparency in providing information to the public, this new land requisition authority should fill the gap, including making master-plans readily available or even as publications that can be purchased easily and cheaply. Officials of this
new authority must behave with probity, an element that will make or break this authority.

One strong advantage of such a new land acquisition authority accrues from the fact that it operates outside the central government ministry and local authorities in terms of its routine operations. This would allow it a certain amount of independence in decision making. Its decisions would be seen as independently arrived at rather than influenced by bureaucrats that could have a vested interest. Such an image is crucial for smooth work flow at a time when local authorities are often perceived as acting in cahoots with companies to cheat, and re-settlers often seen as over-demanding. Independent adjudicators could help overcome this lack of trust. In addition, it can act as the buffer and make sure there is an agreed price of land that is fair to all players. Foremost in its assets would be its integrity because it would not be acting on behalf of the local people’s committee. It might be necessary to engage foreigners as experts to advise, given that there is a higher chance they could be seen as more independent than Vietnamese officials. Moreover, this new land requisition authority could help to overcome a few serious shortcomings in the way requisition is being undertaken currently. Local authorities, now responsible, often lacked professionalism in their work given that their staff members are not trained in the required disciplines. Furthermore, local authorities often do not have the financial capital to compensate affected residents for requisitioned land. Consequently, they often requested investors to front the requisition exercise or loaned monies from investors for the requisition exercise, which then brought about many issues such as conflicts of interests. Whether it is true or false, no perception of such conflict of interest should ever be allowed to emerge in land requisition exercises. The new land requisition should bear this in mind all the time.

3.4. Recommendations Cluster 4: Public housing and municipal issues

The provision of housing in Viet Nam by the state has a long history. People were supposed to be given accommodation by the state enterprises or departments that they belonged to. The poor economic
circumstances of the 1980s began to see the dismantling of this housing regime, caused by changes in the philosophy of management. Now, few people expect government departments or state enterprises to provide housing as a matter of right, although some of them still distribute land for their employees to build their dwellings or build flats for distribution and sale at discounted prices to their employees.

While the market now mainly determines the flow of the housing stock as well as decisions to build homes and the size and types of homes, there remains the important issue of social justice with regards to the ability of the poor and even lower-middle income levels to be able to buy their own homes. For these people the government should continue to play a role in the building of affordable homes. It would seem, however, that currently the efforts to build these homes are not targeted at the entire group of poor and low-middle income people per se, but instead is targeted at rural poor and those whose families had contributed to the revolution (Decision No. 167/2008/QD-TTg dated 12 December 2008 of the Prime Minister). These poor are usually identified by local authorities through local knowledge, in lieu of the absence of taxation data that could differentiate the poor from the rest. Furthermore the houses are all gifted to the poor. They are built in small quantities and scattered, mainly aiming not to relocate the residents, which otherwise could detach them from a familiar social environment. This caters to the unique circumstance of the rural area and aims at alleviating poverty and misery without isolating the person. Given the small scale of this matter in the rural areas, the matter should continue to be taken care of by local authorities in rural areas.

On the other hand, the urban poor have it tougher. Unless they originally had a dwelling in hand, the urban poor are usually not able to obtain replacement accommodation easily, let alone upgrade. Those who had a dwelling in urban areas and who were being resettled for urban redevelopment could count on compensation based on market prices for residential land, which usually takes the form of a one-for-one exchange, or preferential terms for purchase and hire-purchase. There are other urban residents, however, who are not so fortunate.
Among these people are recent rural-urban migrants, many of whom pay huge amounts (relative to their income) of rental for urban accommodation. Or take the case of peri-urban residents who see their agricultural land acquired at low prices, and then have to pay high prices for accommodation in the same location. On the supply side, however, urban redevelopment and especially urban housing development have been moving towards the direction of private sector solutions (price mechanism) while some government departments and state enterprises continue to offer either rented or purchased accommodation to their employees. The urban poor who are not such employees would definitely be left out. They and young families that seek to be independent therefore face huge amount of pressure not just in terms of financing their new home, but also - where such financing is not available - living under temporary conditions such as living with in-laws, relatives, and friends.

A case can be argued, therefore, for the government to review how it can help this urban class, by defining housing for the urban poor as a public service. One of the solutions should come in the form of affordable housing whereby the houses are available for outright purchase at attractive mortgage terms that would make it easy for them to own houses. The solution must come with attached conditions so that such subsidies are not abused, and the government can establish funds for loans.

These are needs that the present structure of government may not be so good at handling. In the past the government departments that were responsible for building flats and houses for distribution were the Ministry of Construction, ministries and departments, and local authorities and state enterprises. The Ministry of Construction had branch offices in localities, and also had many subsidiary companies that undertook the actual work of construction once localities and departments’ plans to have new housing built were approved by national planners. Some ministries also had their own subsidiary companies that did the construction. As such, the format was simply self-help by every ministry and every sector, and the coordination was
done through planning figures allocated from the top within the Ministry of Planning and Investments.

What is recommended here is the consolidation of public housing issues of urban and peri-urban areas into one single agency, and to reorient the mission of this agency to providing public housing only for the poor and middle to lower and middle classes. This agency need not undertake the construction of homes, which could actually be better done by the private sector. This agency should instead draw up plans according to a vision of what percentage of the urban population should be housed in its homes, and allocate state budgets for the construction and then facilitate or provide loans for hire-purchases. A small profit for the agency should be allowed, to cover incidental costs. In addition, this agency should take the lead in the design of these dwellings (most probably high-rise flats that are integrated into town planning), and stipulate conditions for purchase and rental that favour the less privileged. There should be safeguards to prevent abuse, such as proof of low income, legal constraints on transfer and sub-renting, obligations to pay back loans, means testing, and limiting chances to buy these flats from the government to just once in a life time for every married couple.

Town Councils

Town councils are management authorities of urban towns or a selected size that are commonly seen in many countries. A town council is usually headed by a mayor, acting as a CEO that leads a team of professional managers to manage and upkeep the town area. Mayors are usually elected for fixed terms. A town council has the authority to decide on maintenance and minor public works, but not the major public works such as town planning, roads, architecture, zoning, etc, powers that belong to the national authority. The town council is authorized to collect maintenance fees from residents under its jurisdiction, and to use this money for maintenance and put away some for public works that it has authority to decide. This model of management actually allows the careful management of local and everyday issues of the town, and allows towns to self-manage and self-govern.
At present, urban management is under the people’s committees of each local district and city. This model is not effective because leading officials are taken from people’s councils, and officials are usually appointed from ministries or recruited by the local people’s committees to work in different sections. On the other hand, in new urban areas upkeep and maintenance of high-rise housing estates are usually left to individual housing estate councils, splitting up the urban areas into little enclaves of people’s committees and management committees that have separate powers to decide but perhaps seldom collaborating. An opportunity exists in combining efforts to upkeep areas and to achieve economies of scale, and at the same time appointing elected office bearers to positions that carry management clout in terms of management of local areas and local issues. The recommendation is to eradicate urban wards (phuong) and to turn urban district people’s committees into town councils, as well as to eradicate the people’s councils at the district levels. Municipal issues of big cities can then be taken care of by a few town councils under the supervision of the City or the provincial people’s committee. For each of the town council, an office should be set up to administer town matters, with hotlines available for people to call to ask about the provision of different sorts of public services, especially estate up-keeping issues such as sewage, cleanliness, painting works, repairs to public works, lighting in common areas, etc. The idea is to facilitate access to public officials (meaning town council), and to give town councils the power to decide on these issues without having to refer to the City (unless where city-wide and national issues are involved). A mechanism could be found to elect capable managers to head the town council, or one of the local members of the National Assembly (members of the Assembly are elected based on districts) should be assumed to assume the seat of mayor, which should be a full-time position. Town council employees should not be government officials.

3.5. Recommendations Cluster 5: Education and labour issues

Education in Viet Nam has been a hot public policy for decades. The
current state policy is to provide universal education up to 12 years, and school fees are heavily subsidized by the government. There is tremendous resistance in society at large against deeper socialization for primary and secondary education beyond what has been already been achieved. While the government encourages the establishment of private schools at both primary and secondary levels, the number of such schools has been small, and most parents would prefer mainstream schools over private sector schools. An attempt in 2008 to increase school fees to shoulder more of the government budget was shot down in the National Assembly, further limiting the resources that the government has to improve the quality of basic education and to try to eradicate corruption within the education sector, although the proposal was finally passed in 2009.

It might appear, however, that there are other urgent reforms to the provision of education services by the government that are beyond the issues of school fees and socialization. Skills’ training, for instance, should become a major pillar of the education system, in view of the severe shortage of skilled workers and technicians. In Singapore it is a part and parcel of the economic success story - how the training of human resources has assembled a trained and skilful workforce to satisfy investors. In Viet Nam’s case, clearly the number of students now in the tertiary sector is several times that in the upper secondary sector.

The Vietnamese government should aggressively establish a network of skills training school for early school leavers at the primary and secondary levels (11, 14, and 17 years old and at any time) and aim to provide the training free of charge to school leavers to mop up excess labour, to provide enough skilled labourers and technicians, as well as to provide adequate training for its labour before they commence working overseas.

At present, the way education work is organized depends much on the capacity of the local authority to move things forward. Every province has an education department and every district would have a section that deals with education. Organizing the work of education this way will enlarge the machinery unnecessarily and waste resources,
when much of the work can actually be done from the centre or from two or three centres. Skills training, in particular, need extra attention from the central or higher levels and it would seem that the Ministry of Education and Training should reorganize its own organizational setup and pay more attention to how changing the structure of organization of administrative work in education could enhance attention and increase resources available to the sector. One of our interviewees, Dr. Nguyen Quang A, thought that this reorganization should ready and equip the Ministry of Education and Training to concentrate on macro-management of education issues, and it should not interfere or participate in the management of universities, especially in tasks such as the appointment of professors or the micro-management of the curricula, or organization or administration of university entrance examinations. Reducing the number of levels overseeing education and to concentrate powers of decisions at the central level is appropriate for a time when there needs to be strong changes to the education system.

It is recommended that instead of having provincial offices and district departments, the Ministry of Education and Training should look towards establishing three major regional offices to replace the provinces and districts, and to take away powers of administration over teachers and schools, which is currently under the purview of provinces and districts. These three major regional offices (Ha Noi, Ho Chi Minh City, and Hue) would take care of the three regions respectively, and they would be the representative or regional offices of the Ministry rather than subordinate to the provinces. Furthermore, skills training institutes should be established as a major pillar of the education and training system. Getting the maximum number of people passed to go to the university should not be the aim of this system, although in the long term a developing economy will need more graduates than before. In this regard, there may be a need for the Ministry of Education and Training to cull the number of private universities by using the means of quality control.
TABLE 4.4: Vietnamese students 1999-2007

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-primary</td>
<td>2,496,788</td>
<td>2,479,788</td>
<td>2,487,755</td>
<td>2,547,430</td>
<td>2,588,837</td>
<td>2,754,094</td>
<td>3,024,662</td>
<td>3,147,252</td>
</tr>
<tr>
<td>Change over previous year (%)</td>
<td>0.68</td>
<td>0.32</td>
<td>2.40</td>
<td>1.63</td>
<td>6.38</td>
<td>9.82</td>
<td>4.05</td>
<td></td>
</tr>
<tr>
<td>Lower secondary</td>
<td>17,806,158</td>
<td>17,869,398</td>
<td>17,925,422</td>
<td>17,796,998</td>
<td>17,578,497</td>
<td>17,246,299</td>
<td>16,757,129</td>
<td>16,371,049</td>
</tr>
<tr>
<td>Change over previous year (%)</td>
<td>0.00</td>
<td>0.00</td>
<td>-0.01</td>
<td>-0.01</td>
<td>-0.02</td>
<td>-0.03</td>
<td>-0.02</td>
<td></td>
</tr>
<tr>
<td>Upper secondary</td>
<td>182,994</td>
<td>200,225</td>
<td>194,831</td>
<td>389,326</td>
<td>360,392</td>
<td>466,504</td>
<td>500,252</td>
<td>515,670</td>
</tr>
<tr>
<td>Change over previous year (%)</td>
<td>9.42</td>
<td>-2.29</td>
<td>99.83</td>
<td>-7.44</td>
<td>29.44</td>
<td>7.23</td>
<td>3.08</td>
<td></td>
</tr>
<tr>
<td>University or College</td>
<td>893,754</td>
<td>918,228</td>
<td>974,119</td>
<td>1,020,667</td>
<td>1,131,030</td>
<td>1,319,754</td>
<td>1,363,167</td>
<td>1,540,201</td>
</tr>
<tr>
<td>Change over previous year (%)</td>
<td>2.74</td>
<td>8.09</td>
<td>4.78</td>
<td>10.81</td>
<td>16.69</td>
<td>3.29</td>
<td>12.99</td>
<td></td>
</tr>
<tr>
<td>Compared to number of upper secondary students (%)</td>
<td>488.46</td>
<td>458.59</td>
<td>499.98</td>
<td>262.16</td>
<td>313.83</td>
<td>282.90</td>
<td>272.49</td>
<td>298.67</td>
</tr>
<tr>
<td>Total students</td>
<td>21,379,694</td>
<td>21,467,639</td>
<td>21,582,127</td>
<td>21,754,421</td>
<td>21,658,756</td>
<td>21,786,651</td>
<td>21,645,210</td>
<td>21,574,172</td>
</tr>
<tr>
<td>Change over previous year (%)</td>
<td>0.00</td>
<td>0.01</td>
<td>0.01</td>
<td>0.00</td>
<td>0.01</td>
<td>-0.01</td>
<td>-0.02</td>
<td></td>
</tr>
<tr>
<td>Students per 1000 people</td>
<td>279</td>
<td>277</td>
<td>274</td>
<td>273</td>
<td>268</td>
<td>266</td>
<td>260</td>
<td>256</td>
</tr>
</tbody>
</table>


Labour exports

At present, more than 500,000 Vietnamese are working overseas at any time. These sojourners send back remittances and alleviate the pressure

1. Data provided by the Department of Management of Overseas Labour, Ministry of Labour - Invalids and Social Affairs, 8 April 2009.
on the labour market at home. Given the large size of this labour force, and the perennial problems of exploitation (read market failure) that labourers face, it is high time that the Vietnamese government consider the enabling of export labourers’ welfare as a public service.

The problems that the labourers face are immense. They are usually asked to pay agents a huge sum and many people, in desperate search for work, loan huge sums of money for this purpose. Labourers borrow to hope that a continuous stream of income from overseas work would help pay back the loans. Many workers, however, face difficult and exploitative conditions of work that are different from those promised by agents at home, and agents often wash their hands off the matter after sending the workers overseas, and commissions collected. Some agents deliberately mislead labourers in order to encourage sign-ups and up front payments. Other agents are also covers for human trafficking. During difficult economic times like a financial or economic crisis, moreover, repatriated workers will put additional pressures on the labour market at home.

Regulation of this market is definitely necessary, but it is argued that regulation alone is insufficient. Regulation can only make the agents give the labourers a fairer deal but fail to address living conditions at destination places of work. The government could consider establishing a work agency to replace the agencies and to channel all demands for Vietnamese labourers overseas through the network of embassies to a new Labour Export Agency in Viet Nam. This agency will provide information, match make supply with demand, ensure that labourers who go overseas are of sufficient training and standards (so that employers have no grounds to complain) and most importantly only collect a reasonable fee that should be much lower than that collected by agencies.

One might argue that the private sector in competition could provide better services. The answer to that is that this sector has asymmetrical information because workers are unable to access the information and has no idea on what to expect or what demand there is to be fulfilled. On the other hand, the overheads they have to pay for this information is
very high, and in addition, agencies are normally driven to maximizing commissions and would seek to send as many workers overseas as possible irrespective of market conditions. They have indeed been complaints from workers that no work is available upon arrival, and often they had to be sent home right away, or they take risks to stay on as illegal migrants and get into trouble. In short, market failure where a large number of the public is left at the mercy of a small group of agencies demands that the government take over this role and erect an agency (not under government payroll but is non-profit and cost‐recovering) to ensure that labour exports proceed in an environment that has the interests and welfare of the workers as first priorities. Finally, the government is often needed in the negotiation with foreign governments over minimal work/living conditions of Vietnamese workers in foreign countries.

Conclusions

Following the financial crisis of 2008, the spectre of nationalism and protectionism has loomed. So does a challenge to the heretofore widely‐accepted idea that the government in many sectors should lift their hands from the provision of public services. Public service provision from 2009 worldwide will have to face up to important questions about the hegemony of the idea of privatization in the last three decades. Everywhere, societies are crying for the state to step back in to rescue banks, companies, as well as to provide welfare to everybody to tide over the difficulties caused by the crisis. Would privatization remain as the wisdom regarding public service, or will it be rolled back? These trends also impact on the larger question of whether a small government, in conjunction with reliance on the market economy and dominant role of the private sector, will continue to be the way to go for governments seeking the best ways of governance, especially in the pursuit of excellence in public services delivery.

From the point of view of the global financial crisis in 2008, however, it might seem from a first‐level analysis that the time to review the orthodox view about socialization is now. If the crisis has deepen the
absence of confidence all over the world in the ability of the free market
to recover on its own adjustments without the help of the state, what is
to happen to public services, many of which are operating as private
concerns on license from the government, and are staring in the face the
question of financial sustainability? The supremacy, and wisdom, of
privatization, of small government has now been questioned by the
financial crisis.

The answer to this question seems to be that if privatization and
socialization of public services help with more efficient allocation of
resources, and if this in turn helps with the competitiveness of the
country, privatization and socialization are likely to remain desirable
arrangements for the long term, because the current economic crisis is a
systemic crisis that is not about competitiveness, but a deflationary cycle
that affects the purchasing power of everybody. No doubt the state may
have to step in to assist with helping private companies providing public
services to tide over the period of losses or non-profitability, and/or to
help households without the ability to pay for services in a downturn.
But the issue of competitiveness is one that will outlast the deflationary
cycle, and will be a goal that any developing country has to strive
towards in any kind of business cycle. In any kind of business
environment, investments will go to the places with the highest returns,
and therefore it will pay to be competitive in any business environment.

The more important point is that excellence in the provision of public
services is easily recognizable, and should remain a goal to be pursued,
irrespective of the ideology underlying the form of provision. The fact
that excellent public services signify a decent and cultured way of life,
the capacity of the governance system, and the strength of the political
system are difficult to dispute. The value of excellent public service is
even clearer if as part of the public administration system, public
services enable a society to perform better in its quest for progress.
Regulation, rather than simply privatization, seems to be the key.

Viet Nam faces the danger of being trapped in low value growth
because of the poor delivery of key public services. Investors (including
foreign investors unless the market is closed with protection for
domestic industries) and brainpower look for places where they are treated with respect and are provided with the appropriate environment to grow. The best brains in the world, besides looking for the best paying jobs, also look for a good living environment. In terms of key public services, Viet Nam has many notches to climb up. Goods and services that these people need are available, but at high prices when compared to the region or countries at similar levels of development; important public goods that are part of the “work” infrastructure, such as traffic conditions, water, air, good schools, good health care, etc are drowned in low quality compared to elsewhere. These shortcomings need fundamental solutions that usually start with a change of perspective on the part of policy makers as well as the establishment of the ways and means to make and enforce effective policies for change. To do so, the way policy makers look upon the nature of such services and goods will have to change1.

The key question of sustainability will hover in the background of PAR in Viet Nam. After twenty years of PAR, it appears that Viet Nam still desires and requires extensive foreign help in constructing its PAR, from financing to designing. One might wish to consider that PAR reforms are more likely to be fast than slow, if the government is determined to move quickly towards excellence as the fundamental mode of operations in its PAR, and also towards creating organic engines to push this movement. The reason is, self-initiated reform create more urgency through stakeholdership than fully foreign-funded or foreign-inspired PAR. Self-initiation requires a change in the mindset of the consumers of public administration, the public administrators themselves, Vietnamese policy makers, and the way the government works. Whereas without self-initiation, mission statements crafted in the head offices of funding agencies or ministries are not likely to affect the same amount of urgency - not to mention wastage. It has been assessed that Vietnamese ministries and government agencies are very limited in

1. For the point about how poor public service provision in Vietnam is hurting the Vietnamese economy, see Le Chi Mai (2006), p. 7.
their self-assessments and suggestions for improvements in PAR\(^1\). Given moral hazards, this is perhaps not unexpected.

What therefore needs to be done is a clearly articulated focus of “service to the people” when bureaucrats and/or the appointed agencies provide public service. This focus should contain clear articulation of standards of behaviour, with very clear goals for such behaviour, and as little tolerance as possible for serious compromises of these standards (with the seriousness also very clearly defined). Not only should these reforms be initiated, but further next stages of such reforms must come from within the bureaucracy so that a self-generating momentum for continuous improvement is generated. Only when such reforms are generated organically from within the civil service would there then be ownership of these reforms, which is more likely to drive the reforms to success than if they are considered as imposed ideas from the outside and thus irrelevant.

---

CHAPTER 5

INSTITUTIONAL REFORM FOR PUBLIC ADMINISTRATION IN CONTEMPORARY VIET NAM

MARTIN PAINTER, HA HOANG HOP AND CHU QUANG KHOI

Summary

The guiding principles of institutional reform in Viet Nam are first, to construct the legal basis for the operation of the socialist-oriented market economic mechanism and second, to build government based on “socialist rule-of-law”. The Public Administration Reform (PAR) Master Programme (2001-2010) lists four main aspects of institutional reform, including: (i) adoption of laws governing the market, the public administration system, and regulation of “relations between the State and People”, such as citizen complaints and the state’s role in the economy; (ii) renovating the process of issuing legal documents; (iii) strict and transparent law enforcement by public institutions; and (iv) reform of administrative procedures.

Clearly, the potential scope of the agenda is very wide. Therefore, as Viet Nam moves forward the core proposition is that PAR institutional reform will not make significant progress unless it is reinforced by, and directly linked to, progress on a wider reform agenda covering legal, political and constitutional aspects of Viet Nam’s institutions of government. This proposition is explored through both normative and empirical analysis, including international experience. The main finding is that some key assumptions underlying the normative frameworks of
government in Viet Nam, and the way they are put into practice, embody tensions and ambiguities that obstruct the achievement of PAR institutional reform goals.

The meaning of a “rule-of-law state’ is much debated in Viet Nam, but there are at least three core ideas. First, the idea of “rule by law’, meaning duly enacted laws are paramount in the exercise of state power; second, the neutrality of the law as to persons, or equality before the law; and third, the vital importance of regulating the use of state power by law, which requires some degree of separation between the legal and political spheres.

An exploration on the experience of other developing countries which have faced challenges implementing institutional reform concludes that an institutionally autonomous, depoliticised legal system and a merit-based civil service are key components. “Quality of government’ data drawn from cross-national comparisons points strongly in this direction (see Table 5.1).

Drawing on this evidence, three basic design principles relevant to PAR institutional reform can be proposed, including:

- Institutional differentiation to allow the distinct logics of political, bureaucratic/technical and judicial decision-making to be developed and institutionalized;
- Mechanisms that make public officials publicly accountable for their actions by due process; and,
- Systems of independent monitoring to check that political leaders and civil servants are following norms of legality and impartiality in their dealings with the public.

However, tackling these issues is the concern not only of administrative reform but also of constitutional reform. Thus, somewhat paradoxically, the agenda of PAR institutional reform in Viet Nam to date has been both too broad and too narrow. Some of the institutional reforms needed lie outside the administrative sphere; and appropriate administrative reforms need to be linked to, or coordinated with, these other reforms if they are to succeed.

The question then arises: Which PAR institutional reform strategies
would offer the best opportunity of connecting with some of these wider issues?

The analysis of two case studies of key areas of PAR institutional reform - one-stop-shops (OSS) and administrative procedure reform (APR) - help in identifying the potential for future gains. For example, OSS has brought about key improvements in the quality and accessibility of services and the accountability of local officials. Some reasons for local successes include:

- A strong reform team within the Provincial Government that supported local initiatives;
- A bottom-up approach in which local administrators were asked to nominate PAR projects based on local need and to bid for resources;
- Clear identification of responsibility for project outcomes as a result of local “ownership”;
- Active participation at local levels by key groups and stakeholders in shaping local projects to be responsive and appropriate to local needs;
- An objective monitoring and evaluation mechanism to disseminate successes.

In the case of APR, where local resistance and reversals have been common, two additional important success factors can be noted:

- Strong central coordination by a team in the Government’s Office;
- Active involvement by civil society in monitoring the implementation process.

Additionally, however, these findings call for caution against a reform strategy that imposes high coordination costs and complex technical demands through a top-heavy process requiring the meeting of tight deadlines. PAR implementation to date has suffered from a “compliance mentality” bled by such mechanisms.

The lessons drawn indicate that future PAR institutional reform and projects should be appraised as follows:

- Do they improve consistency, simplicity and clarity in rules and procedures so that citizens can know their legitimate expectations about service delivery?
- Do they provide mechanisms for making claims (including appeals where needed)?
- Do they ensure that these expectations will be met and claims will be resolved through impartial treatment?
- Do they empower local officials who have a stake in seeing these expectations are met and claims resolved?
- Would such local officials receive direct support and encouragement in a simple and effective manner from higher levels in the event of obstruction?

To offer the best chance that PAR reforms will support a deeper set of structural changes, a range of measures, in addition to the implementation of OSS and APR, could be considered for appraisal under these criteria, such as various access-to-information and related “transparency” reforms; citizens’ complaint mechanisms; administrative tribunals; and “citizen charter” and “scorecard” mechanisms involving citizen and client input into service quality assessment. A focus on appropriate PAR reform projects can bring about “bottom-up” incremental advances in support of wider institutional reforms.

Introduction

The general objective of this chapter is to analyze how Viet Nam’s administrative institutional system has been transformed and reformed and is contributing to the development of market institutions with a socialist orientation. The chapter seeks to respond to this objective through both normative and empirical analysis. First, we undertake an analysis of the normative framework of institutional reform in Viet Nam. In particular, we seek to understand the meaning of the “socialist rule-of-law state’ concept and its implications as the guiding framework for the scope and content of the institutional reform agenda. This discussion is set in a context of an international theoretical literature on the meaning of “rule-of-law”. On the one hand, we note that there are important elements within the Vietnamese conception that stress the need for a “rule-of-law” based system of public administration. On the other hand, we observe that there are political and administrative practices,
embedded in alternative constitutional models of a socialist one-party democracy, which contradict these elements. It also notes the extent to which these issues are debated in Viet Nam, and the considerable variety of views on the subject.

Second, we evaluate the Vietnamese conception of institutional reform with reference to international development experience. This part of the analysis seeks to assess the appropriateness for future development of the current meanings and applications of the “socialist rule-of-law state”. We suggest that the internal contradictions pointed out in the first section set critical limits to establishing the kinds of institutional arrangements that have underpinned the developmental trajectories of successful economies elsewhere.

To elaborate on this analysis of the normative framework for institutional reform, and its implications for the development of effective systems of public administration, we next discuss the experience and achievements of the PAR institutional reform agenda in Viet Nam. We note the extent to which the analysis by the Vietnamese Government expresses frustration and disappointment with some aspects of the progress made. More detailed empirical analysis takes the form of two case studies of key areas of institutional reform - one-stop-shops and administrative procedure reform respectively. We note the considerable achievements as well as the shortcomings and link the latter directly to the failure to press fully ahead with the “rule-of-law” agenda of institutional reform. We identify some potential areas for further extension of such reform initiatives which could greatly enhance the quality of public administration in Viet Nam.

The concluding section seeks to develop a broad strategy for institutional change. It is clear that such an agenda faces political obstacles, which limit the possibilities for top-down initiatives. However, through a theoretical analysis of the manner in which institutional change actually occurs, we stress the significance of the potential for unexpected results from the unfolding of bottom-up initiatives and “small changes’. Such changes are likely to be practical, local initiatives taken by actors seeking to deal with the pressures faced
in the transition and marketization processes. We suggest a “dual track” reform strategy which, on one track, encourages local, practical experimentation and, on the other, supports the development of alternative visions and frameworks for reform. Some of the latter are already incipient in that part of the normative framework of the Vietnamese “socialist rule-of-law state” that stress the importance of legality and separation of party and state.

The research methodology adopted was first, a review of local and international secondary literature on the normative framework of the socialist rule-of-law state; second, a review of primary documents such as party directives, government decisions, circulars and laws and internal working documents of both the Government of Viet Nam and of various international or national organizations active in public administration reform support activities; third, interviews with party and state officials and members of the “donor community” (both Vietnamese and international); and fourth, “site visits” to Ninh Binh Province, including the PAR Provincial Project Office, the District of Gia Vien and the Commune of Cuc Phuong.

The evidence and judgments contained in this chapter are the result

---

1 List of Interviewees include: Dr. Dao Minh Chau, Senior Programme Officer, SDC; Dr. Trinh Tien Dung, Assistant Country Director-Head of Governance Unit, UNDP; Dr. Karin Voigt, Senior Technical Advisor, Helvetas; Dr. Thang Van Phuc, Former Deputy Minister, MOHA; Ms. Nguyen Thi Kim Lien, Governance Adviser, DFID; Dr. Vu Pham Quyet Thang, Former Deputy General Inspector, State Inspectorate; Prof. Dr. Tran Hau, Member of the Central Committee, Viet Nam Fatherland Front; Dr. Nguyen Dang Vang, Vice Head of Committee for Science, Technology and Environment, National Assembly; Ms. Tran Thi Lan Huong, Programme Coordinator, Embassy of Finland; Ms. Vu Thi Yen, Senior Development Officer, CIDA; Mr. Andrew Smith, Head of Aid, CIDA; Mr. Nguyen Minh Nhan, Director, MARD PAR Project; Dr. Jim Winkler, Director, VNCI; Mr. Pham Van Bang, Director, Ninh Binh PAR Project; Mr. Alf Persson, Senior Technical Advisor, Ninh Binh PAR Project; Mr. Bui Van Hoa, Vice Chairman, Gia Vien District; Mr. Dinh Thuc Chien, Chairman, Cuc Phuong Commune.
of extensive participation by Vietnamese researchers, informants and experts. We benefited greatly from the input of two commentators on a first draft, Dr. Thang Van Phuc and Mr. Dinh Duy Hoa at the National Seminar on PAR organized by the Viet Nam Fatherland Front (VFF) and the Centre for Community Support and Development Studies (CECODES) on March 12, 2009 in Ha Noi. We relied heavily on the expert judgment and the detailed recall of interviewees. Our own interpretative frame has, however, shaped our analysis and conclusions, and the lead author took responsibility for the form in which the material is presented.

1. What is the problem?

Institutional reform as defined in this chapter (and elaborated in the next section) is not a technical matter, although this is how it is sometimes perceived in the official PAR discourse and in various implementation programs and projects. The subject matter is in large part normative, concerning the very assumptions on which the rules and structures of the Vietnamese “socialist rule-of-law” state is based.

The underlying argument of this chapter is that the PAR institutional reform program embodies tensions and contradictions that are inherent in the dominant paradigm of the “socialist rule-of-law” state. The result is a set of self-imposed limits to reform objectives and outcomes which has bred impatience and frustration among many reform advocates, both within Vietnamese circles and among external observers and donors. In this sense, the solutions to the problem cannot easily be addressed in a discussion focused solely on “what next?” in the PAR institutional reform program, as they raise issues of fundamental political and constitutional reform. Indeed, we argue that some aspects of the PAR institutional reform agenda properly belong in other reform arenas.

Conventional constitutional analysis of Communist states depicts the dominant view of constitutionalism as an “instrumental” one. The constitution is solely an instrument of rule but not in any meaningful sense a constraint on rule. However, constitutional debates in Viet Nam
have increasingly raised questions about such a constitutional model. In debates on constitutional reform during 2001-2002 and in discussions leading up to the 10th Congress of the party (2005), issues such as the following were raised: How far should institutional reform go in pressing forward with a principle of legality that departed from traditional socialist legality? How should a law-based state regulate the party, if at all? Should there be a modification to Article 4 of the 1992 Constitution?1 Should there be an “independent judiciary” to protect individual legal rights and if so, what form should it take? In what form should constitutional review be institutionalized?

These debates are now frequent and on-going, and each episode presses the boundaries. Many “sensitive” issues have been discussed and even encouraged, as the party is confident of being able to control final outcomes through “post-debate, post-adoption implementation processes”.2 Liberal constitutionalist intellectuals are no longer treated as “dissidents”. Sidel argues that the party’s legitimacy is reinforced by allowing their voice to be heard, thereby even enhancing the party’s capacity to control the outcomes. Nevertheless, the key point about the “transitional” situation is that the agenda of the possible is steadily expanding.

By pointing out that there is a fundamental chasm between what is currently achievable in the PAR institutional reform agenda and what could be addressed under such alternative visions, the question: “What next?” can be addressed in a new light. This would draw our attention to

---

1. Article 4 reads: “The Communist Party of Vietnam, the vanguard of the Vietnamese working class, the faithful representative of the rights and interests of the working class, the toiling people, and the whole nation, acting upon the Marxist-Leninist doctrine and Ho Chi Minh’s thought, is the force leading the State and society. All Party organisations operate within the framework of the Constitution and the law.” The critical section is the statement “the party is force leading the State and society” (my emphasis) which is interpreted to justify the monopoly on power of the party and the prohibition of political dissent.

remedies that stressed (as a case in point) more open and transparent systems of information dissemination about services and citizens’ rights by government agencies, etc.

With these preliminary remarks in mind, the next section addresses the normative issues from the perspectives of official doctrine and internal debates. In particular, we address what is meant, and debated, as the “socialist rule-of-law state”. The section following takes a comparative perspective, noting, however, the methodological and other traps that come from over-eager recourse to “foreign models” and imports.

2. The normative framework of institutional reform in Viet Nam

Institutions are sets of rules that govern particular fields of social, economic and political relationships and processes. Institutional reform as an aspect of PAR is about establishing and implementing rules and procedures that will improve the quality of public administration, in particular in the relations of the state with society, so as to enable the “socialist-oriented market economic mechanism” to work effectively. It is fundamental to all other aspects of PAR.

The PAR Master Programme (2001-2010) listed four main aspects of institutional reform, which was identified as “national sub-program 1”:

1/ Reform of four sets of key institutions
   - Institutions that govern the market (laws about the operation of enterprises, the labour market etc);
   - Institutions which regulate the organization and operation of the public administration system;
   - Administrative institutions that regulate “relations between the State and People”, such as systems of handling complaints; and
   - Institutions specifically regulating the state’s role in the economy as owner and operator of business operations.

2/ Renovating the process of issuance of legal documents.

3/ Strict and transparent law enforcement by public institutions.

4/ Reform of administrative procedures.
Thus, in the first place the PAR institutional reform agenda re-stated existing objectives to create the legal and institutional framework for a socialist-oriented market economy by passing appropriate new laws and putting in place implementation mechanisms. In the context of *Doi moi*, the challenge of creating favourable conditions for the development of market-based economic activities - that is the meshing of institutional reform with economic reform - is a top priority. One of the principal reasons for developing the conception of the socialist ‘rule of law’ was the need for reforms to the legal system that would make it better suited to the operation of market mechanisms. In order to manage and steer market actors, it was generally accepted that the predictability and generality of clear legal instruments, along with efficient and effective enforcement mechanisms, was an advantage. At an accelerating pace, new laws and regulations have been adopted to regulate the market and the private sector. According to one source, Viet Nam’s National Assembly from 1946 to 1987 adopted 34 Acts; from 1987 to 2002 it adopted 105 Acts; and between 2002 and 2007 it adopted 125 Acts¹.

Beyond the task of adopting new laws, the scope of the institutional reform agenda is potentially very large. It could conceivably cover all aspects of how the state organizes and regulates its own internal structures and processes of decision making and implementation, and also how it regulates private actors in the conduct of their daily lives and their businesses. There is a strong presumption in the formulation of this agenda that these matters will be dealt with through due process; that they will be handled in a manner that protects citizens’ legal and other rights; and that they will improve both the quality and responsiveness of government in its dealings with businesses and citizens. Clearly, the import of these issues steps beyond the bounds of public administration alone.

¹. Evaluation of the Legal Document Making Process: Current Status and Solutions, Policy Law and Development Institute, no date.
Thus, the foundations of this reform agenda concern fundamental normative and political issues concerning the way the state is constituted in its relations with society. Indeed, it could be argued that this is the origin of one of the main problems with PAR institutional reform as conceived in the PAR Master Programme: it brought onto the PAR agenda issues that cannot be addressed solely within a public administration context.¹ We return to this point later when discussing future reform strategies and options. First, however, because these underlying constitutional and structural principles are so important for understanding the progress of PAR institutional reform to date, we set out the main features and explore their implications for practical aspects of reform.

What are the underlying principles and normative assumptions of the Government of Viet Nam’s approach to institutional reform?

The guiding principles of the current reform strategy are:

- Construct the legal basis for the operation of the socialist-oriented market economic mechanism.

- Build a system of government based on “socialist rule-of-law”.

Recent pronouncements demonstrate the extent to which institutional reform for public administration and legal reform (including judicial reform and even constitutional reform) overlap. Resolution No. 48-NQ/TW of 4 May 2005 on the strategy for the development and improvement of Viet Nam’s legal system, Resolution No. 49-NQ/TW of 2 June 2005 on the judicial reform strategy, and Resolution No. 17-NQ/TW of 1 August 2007 on the acceleration of administrative reform issued by the Politburo of the Communist Party of Viet Nam (CPV) are important recent landmarks in identifying the central role of institutional reform. Resolution No. 48-NQ/TW sets out a set of objectives that reflect the prevailing normative framework for institutional reform:

1. This point was made by Mr Dinh Duy Hoa, Director General, the Department of PAR, Ministry of Home Affairs in his commentary on the first draft of this chapter: “...if Vietnam is preparing to evaluate the 10 years of PAR then should the institutional reform component be included in what is meant by PAR?”.
“To develop and improve a consistent, comprehensive, viable and transparent legal system with the focus on the perfection of the legal regulations of a socialist-oriented market economy; on the building of a Vietnamese rule-of-law socialist state which is of the people, by the people and for the people; on the basic renovation of law-making and implementing mechanisms; and on the enhancement of the role and effectiveness of the law in contributing to good social management, maintaining social stability, developing the national economy, international integration, building a clean and strong state, implementing the human and democratic rights and freedoms of the citizens and making Viet Nam a modern, industrialized country by 2020.”

The key phrase in this formulation is the concept of a “Vietnamese rule-of-law socialist state”. What does this mean?

There are both similarities and differences between Western and Vietnamese ideas of the “rule of law”. Both incorporate a basic idea of “rule by law”, that is the paramountcy of duly enacted laws in the exercise of state power. A “duly enacted” law is, among other things, one that has come about following a process set out by a law or the constitution. Other notions in common include the neutrality of the law as to persons and equality before the law.

An additional and crucial feature is the importance not just of government through the law - the law as an instrument of rule - but also of the regulation of the use of state power by law. Law constrains the use of power, for example to protect basic rights. The general understanding of the rule of law in most contexts also includes particular institutional arrangements such as mechanisms of accountability and transparency so that those who make and implement the law do so according to the law; an independent legal profession; a judiciary able to make decisions without political interference; and impartial law

enforcement\textsuperscript{1}. When we explore these institutional specifics the differences in the Vietnamese notion become apparent.

In Viet Nam, the concept of the rule of law has been articulated in various ways at different times. President Ho Chi Minh set out three “principles of good government”, the first of which was “rule of law”:

“There is a serious confusion between right and power... So, the general rule should be promulgated, to include those with power, that they must comply with the laws... In judging the person in charge and applying the criminal code, it is a must that the court be absolutely free and independent from the upper court and the Party\textsuperscript{2}.

The second principle was “separation between operations of the Party and those of the state”:

“No one has an idea other than the Party leads the state. However, the operations of these two bodies should be separated and the separation should be clear along the borderline... One body cannot hold the two leading functions\textsuperscript{3}.

The third principle was self-awareness of the party’s capacities and its need for the support of the people.

The currently prevailing official concept of the “socialist rule-of-law state” stems from debates preceding the redrafting of the Constitution in 1992, when (among other things) significant changes were made to elaborate on the role, function and organization of the state. The challenge was to adapt the organization and working relationships of the political, administrative and legal systems to the requirements of a complex, modernizing “mixed economy” with a growing market sector.

\begin{footnotesize}
\begin{enumerate}
\item Quotations from a discussion between Professor Nguyen Manh Tuong and President Ho Chi Minh, Spring 1952, *The Magazine of History (Tap chi Xua va Nay)*, 286, June 2007.
\item Ibid.
\end{enumerate}
\end{footnotesize}
Inherited ideas and institutions from the era of the command economy needed to be adapted.

According to the concept of the “socialist rule-of-law state”, using legal mechanisms and instruments which regulate the behavior of both state actors and private citizens. The state is a “state of law”. As one commentator expresses it, echoing Ho Chi Minh, while the CPV remains “the political force leading the political system”..., the party cannot replace the role of the state and its “policy and ideology... cannot be substitutes for the law”¹. According to this view, the party exercises its leading role by setting the directions of policy for the government to implement, by controlling the law’s content and by directly overseeing its manner of administration, but not by overriding or ignoring the law or actually taking on the role of state management itself.

In practice, there remains no divide between operation of the CPV and those of the state. The CPV set overall guidelines for each of the arms of the state to follow, and intervene in their management and decision making. There is the way cadres exercise their power, comply with rules and regulations and manage and organise personnel. This is understood that institutionalization of the socialist rule of law is a “work in progress”².

In sum, the normative framework for institutional reform in Viet

¹. Truong Trong Nghia: “The Rule of Law in Vietnam: Theory and Practice”, in The Rule of Law: Perspectives from the Pacific Rim, Mansfield Papers, 2000, p.131. Truong Trong Nghia, attorney and member of the Bar of Ho Chi Minh City, was vice-president of the Foreign Trade and Investment Development Centre and a member of the Executive Committee of the Viet Nam Lawyer’s Association.

Nam contains fundamentally ambiguous elements. One the one hand there is a clear statement of the need for a “socialist rule of law state” that strictly separates the leading role of the party from the day-to-day operations of the state in its administrative and judicial spheres; on the other hand, this separation is restricted.

If we take some of the statements and principles of the “socialist rule-of-law” at their face value (in particular, the principle of equality before the law and the impartiality of the judicial system; the separation of state and party; and the differentiation within the state of distinct political, administrative and legal functions and their allocation variously to legislature, executive and judiciary) we can see the basis for institutional reforms that would result in the institutionalization of legality and “legal-rational” administration.

However, experiences in developing the “Socialist rule-of-law” state over the past years show that those principles have not been fully realised. There remain competing and contradictory perspectives.

In this chapter, we choose to take at statements of the doctrine of the “socialist rule-of-law state’ in Viet Nam that assert the value of legality as the fundamental principle and also assert the need for the clear separation of the leading role of the party from the daily management of state affairs. We will proceed on the basis that these are underlying principles of institutional reform in Viet Nam.

The next section expounds on this position by taking account of international and comparative experience.

3. The normative framework from a comparative perspective

To recap, within the “socialist rule-of-law” paradigm as prescribed by the CPV, the system of public administration, it is claimed, is being reformed with a view to ensuring uniformity of treatment, predictability, clarity and due process - that is, strict legality - in the day-to-day treatment of citizens and businesses. But what would ensure that these measures will bring about the consistent application of norms of legality by state actors in the use of state power, for example in matters relating to business?
Logically speaking, for legality to be institutionalized in the conduct of business in both government and the private sector, the exercise of political and bureaucratic power and authority by public officials who possess the mantle of state authority must be limited and regulated by one means or another. Otherwise, arbitrary, unjust and corrupt forms of rule will be possible.

Only self-regulation and moral suasion as a way of ensuring public officials comply with norms of legality has universally proven to be unreliable. Moral codes and self-restraint are not enough. Moreover, inspection and control from within is a mechanism that is unlikely to work without other, parallel controls to prevent an organization from “looking after its own”.

The most striking evidence for this comes from observing the experience of countries that have successfully combated high levels of corruption. In both Hong Kong and Singapore, for example, the key to successful anti-corruption measures was the institution of a powerful external, independent body able to investigate and prosecute all corrupt officials under the public gaze, without fear or favour. Institutional separation and transparency of proceedings (once investigations were complete) were critical ingredients in addition to moral suasion, education, codes of conduct, strict laws, severe punishment, strong investigative powers and generous resourcing1.

More generally, a key component of the application of rule of law is an “independent” judicial system. The concept of judicial independence has a number of elements. We can distinguish between institutional and decisional independence: the first involves various mechanisms to guarantee that the judiciary is a separate set of institutions from other arms of the state and is not subject to their control; the second relates to the ability of judges to make decisions without being coerced or interfered with, including by politicians and bureaucrats. Some of the mechanisms familiar in other systems of government include

constitutional provisions setting up separate branches of government (as in the US “separation of powers”); rules of appointment and tenure of judges that ensure they are not under the influence of any outside force; and a largely self-regulating legal profession.

Most of these conditions of institutional and decisional independence do not exist in Viet Nam’s institutions of government. Moreover, proposals for reform have not yet fully embraced this concept. For example, Resolution 49 on Judicial Reform issued by the Politburo in 2005 pointed to a wide agenda of reforms needed to improve the efficiency, professionalism and quality of the judicial process and judicial officers. As the statement of “basic principles” made clear, “modernization” would be on a “step-by-step” basis “under the leadership of the Party” as well as “to ensure the unified power of the state, along with the distributions and collaboration between state bodies in the exercise of legislative, executive and judicial powers”. Additionally, on the “leadership mechanism of the Party over judicial work”, the Resolution states:

“The Party guides judicial work and the operation of judicial organs closely, in terms of their political, organizational and personnel aspects. There is a need to prevent situations in which Party units neglect their lead role, or improperly intervene, in judicial activities.”

In this paradigm, the “supervision” of legal power is also viewed from the point of view of “peoples ownership”. Resolution 49 refers to “strengthening legal advocacy, dissemination and education” and mentions a special role for the Fatherland Front in performing the task of “encouraging people to detect the constraints and shortcomings of judicial organs and request these organs to redress and correct them”.

1. “Separation of powers” in this sense is not applicable to many European and East Asian systems, although other forms of institutional and decisional independence exist.

2. Similar tensions and debates occur in the US over judicial independence, as in some states and localities judges are elected, or appointed for fixed terms by legislatures.
Chapter 5: Institutional Reform for Public Administration in...

Clearly, the notion of an “independent judiciary” has a specific connotation in the Vietnamese “socialist rule-of-law” state. The objective is a more efficient and professional system under the leadership of the party and the scrutiny of the citizenry, with a view to ensuring that it is fit to implement the law faithfully and consistently and to adjudicate on legal disputes in an expert manner according to due process. Reforms in train cover such things as judicial training; streamlining of the court system; clarification of the powers and roles of investigative and prosecuting bodies; fostering of “professionalism” within the legal profession; and so on. Meanwhile, the existence of a large number of party and state organs outside the judiciary proper, charged with various powers of surveillance, investigation and prosecution, is acknowledged and the need to rationalize the system is highlighted, without going into details. Resolution 49 emphasizes that the adoption of “Western” models is not the aim:

“Judicial reform must stem from Viet Nam’s legal traditions and the past achievements of the socialist judiciary of Viet Nam, and selectively adopt international experiences in line with the specific context of the country and the requirements of the proactive international integration and future social development trends.”

Before jumping to conclusions about the appropriateness or otherwise of Viet Nam’s socialist rule-of-law state within the context of one-party rule as a foundation for future institutional reform and development, history shows that successful economic development through market mechanisms within a global capitalist system does not require that there be any particular model of legal institutions in place at any particular point in time. East Asian legal models and traditions differ markedly from those that emerged in the US or the UK, which in turn differ greatly from those that evolved in Continental Europe.

For example, a feature of East Asian developmental states, in particular Japan, was their use of administrative discretion, “guidance” and informal networks of state-business relations, not an Anglo-Saxon style set of “rule of law” institutions or relationships in which businesses operate in markets at arms’ length from the state, regulated by a powerful judiciary. In the East Asian developmental state, government policies and guidelines were negotiated in a “corporatist” framework of state-business relations. The instruments used, such as licenses and subsidies, embodied formal legality while leaving large areas of discretion to bureaucrats. The bureaucracy, often dominant over political leaders, enjoyed a high level of autonomy; and the judiciary, while independent, was somewhat peripheral because most disputes were settled by other means within the overall framework of bureaucratic guidance.

While bureaucratic discretion and negotiated arrangements between state and business “partners” were important tools of economic development policy, the constitutional frameworks of a “state of law” and the existence of an independent judiciary were important elements underlying the legitimacy of bureaucratic authority. “Law” in this sense (following the Continental tradition, from which Japan borrowed its constitution and legal system in the late 19th century) was harnessed to the power of the state rather than set up as an autonomous sphere separate from the executive arm of government (as in the USA, for example). Yet the law in this “Rechtsstaat” tradition still also regulated the state itself, even if large areas of discretion within the law were left for bureaucrats (most of them with legal training) to exercise. Recently, liberalization and market opening have set in train a process of

“judicialization” in East Asia, giving courts and judges a more prominent role in regulating how the state deals with citizens (in the process borrowing models both from the European Continental, as well as the Anglo-Saxon, rule-of-law traditions)\(^1\).

An additional point to note is that in all these historical examples, even in the absence of a constitutional doctrine of “separation of powers”, the separate roles, functions and “skill-sets” of the different arms of government nevertheless evolved according to distinct sets of rules and norms that protected and nurtured their capacities. This applies to the bureaucracy as well as the judiciary. One of the key lessons of the emergence of successful, high-performing states and economies in East Asia is the importance of what Peter Evans called the “embedded autonomy” of the state apparatus, in particular the bureaucracy. A strong state with a competent “legal-rational” style of bureaucratic administration and strong technocratic-cum-administrative elites was a principal ingredient for development\(^2\).

In Taiwan, for example such a state emerged in the 1950s and 1960s under the authoritarian rule of a one-party system.\(^3\) The trigger for bureaucratic modernization was US advice and aid. This assistance was given and accepted at a time when the cold war made the regime vulnerable and gave the United States reason to protect it. Measures to improve the efficiency and accountability of the bureaucracy were

---


2. Peter Evans, *Embedded Autonomy: States and Industrial Transformation*, Princeton: Princeton University Press, 1995. The phrase “embedded autonomy” captures the idea of a state that is both connected with society through key elite networks (especially with business) but also, at the same time, autonomous within society as a result of its capacities and its institutional independence, to the extent that it can develop long-term developmental strategies over and above the clamour of sectional interests.

implemented. They became institutionalized (despite an inheritance under the one-party Kuomintang state of high levels of politicization, factionalism and corruption) for two reasons: first, there was a sufficiently strong pre-existing group of technocratically-minded officials within the bureaucracy to provide the basis for further strengthening; and second (and most important) the ruling elite recognized the importance of economic development to its survival and accepted the contributions such a set of autonomous, reformed institutions could make.

The trajectory of reform in this case was, in one respect at least, similar to that set in motion in Viet Nam in the early 1990s by the attempts to separate party and state. As we have seen, this was an intention of the reformers in drafting those parts of the 1992 Constitution setting out distinct roles and functions for different arms of the state. However, as we argued in the previous section, contrary doctrines and pressures have yet to see the full realization of this model.

Evidence is available from many sources that both effective, independent legal institutions as well relatively autonomous, meritocratic, high quality national bureaucracies contribute in a significant way to development\(^1\). Moreover, in most cases these features tend to be found as a “package”. Market economies have developed successfully in systems where the institutionalization of legality has been achieved alongside and in combination with an array of other institutionally separated mechanisms of performance, control and accountability.

The “science” of measuring the relationship between various dimensions of “good governance” and economic development is an imperfect one. The Quality of Government Institute of the University of Gothenburg has undertaken a “meta-analysis” of a range of “quality of government” indicators. The ratings used are drawn from numerous databases which measure perceptions over time by “informed observers’

of various dimensions of good governance arrangements in different countries. They do not, for the most part, measure “objective facts” and hence may be subject to cultural or political bias and misperception. Moreover, many of the indicators (such as the World Bank’s “government effectiveness” indicator) are composite, statistical indexes derived from a large number of different, individual surveys of this kind. The separate surveys measure different aspects of government performance which are deemed to be related to the underlying attribute, such that the combination of their results sometimes makes it uncertain what exactly is being captured by the final number.

Bearing in mind these reservations and qualifications, according to the Gothenburg study, three key indicators of quality of government are highly inter-correlated, namely two World Bank governance indicators of “Government Effectiveness” and “Rule of Law” and the Transparency International ratings of progress on anti-corruption. Statistical analysis on a cross-country basis of correlations between these quality of government indicators and aggregate measures of development, such as GDP and quality of life indexes, reveal interesting findings, some of which are summarized in Table 5.1.


2. “Government Effectiveness” measures perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government’s commitment to such policies; “Rule of Law” measures perceptions of the extent to which agents have confidence in and abide by rules of society, and in particular the quality of contract enforcement, property rights, the police, and the courts as well as the likelihood of crime and violence (Daniel Kaufman, Aart Kray and Massimo Mastruzzi, op.cit., pp. 7-8).

3. The definition of the variables is provided in the original source, available online at http://www.qog.pol.gu.se/working_papers/2008_21_Holmberg_Rothstein_Nasiritousi.pdf.
### TABLE 5.1: Cross National Quality of Government Research Findings

<table>
<thead>
<tr>
<th>Outcome Variables</th>
<th>Rule of Law</th>
<th>Government Effectiveness</th>
<th>Low Corruption</th>
<th>Effect of QoG</th>
</tr>
</thead>
<tbody>
<tr>
<td>Life Expectancy</td>
<td>+ .62*</td>
<td>+ .44</td>
<td>+ .37</td>
<td>Positive ++</td>
</tr>
<tr>
<td>Env. Sustainability</td>
<td>+ .50</td>
<td>+ .51</td>
<td>+ .54</td>
<td>Positive ++</td>
</tr>
<tr>
<td>GDP / Capita</td>
<td>+ .88</td>
<td>+ .87</td>
<td>+ .87</td>
<td>Positive +++</td>
</tr>
<tr>
<td>GDP growth</td>
<td>+ .10</td>
<td>_ .00</td>
<td>+ .20</td>
<td>Positive</td>
</tr>
<tr>
<td>Inequality</td>
<td>- .44</td>
<td>- .44</td>
<td>- .46</td>
<td>Positive ++**</td>
</tr>
<tr>
<td>Human Dev. Index</td>
<td>+ .71</td>
<td>+ .73</td>
<td>+ .70</td>
<td>Positive +++</td>
</tr>
<tr>
<td>Good Society Index</td>
<td>+ .83</td>
<td>+ .84</td>
<td>+ .83</td>
<td>Positive +++</td>
</tr>
</tbody>
</table>

* Correlation (r) ** Less Inequality


On the whole, “successful” countries show high scores on quality of governance indicators, suggesting that in one form or another, development of good governance goes hand in hand with economic development. At the same time, while “good governance” seems to be a common denominator in all countries with high standards of living, the pathway of development is less clear. The weakest correlation is between quality of government and rate of growth. That is, countries with less than good governance as defined by these measures can nevertheless get richer and improve the quality of life of their citizens. Moreover, as Mary Grindle argues, the finding that a bundle of good governance attributes positively correlates with various desirable outcomes is of no help in telling reformers “what is essential and what’s not, what should come first and what should follow…”

While all developed countries (including several in Asia such as Japan and South Korea) have achieved rapid development through market-oriented strategies accompanied by administrative and legal reforms to improve the quality of government, no one overall model or blueprint of specific institutions can be (or has been) copied to take a “short cut”. Even in the most famous cases of “borrowing” (such as Japan in the late nineteenth century), national traits and preferences were the dominant factor in selecting and adapting the models to emulate\(^1\). High levels of cultural and political variety are to be found in all national governance arrangements. National political institutions are different across developed, advanced economies, such as the UK, France, Japan, Singapore and the USA. Cultural and political factors affect how the institutions as legal-formal arrangements are manifest in norms, conventions and actual behavior by key actors. No system is “perfect” or “measures up” equally on all possible counts however one defines the “ideal system”.

To sum up, a considerable body of evidence on the development experience of countries across the world suggests that some basic “design features” of the nature of public institutions are associated with better development outcomes. These include a rule-of-law state and a set of governing institutions that embody a rational differentiation of roles, or division of labour between different functions (in particular, some degree of autonomy or independence for both the bureaucracy and the judiciary), enabling the institutionalization of different norms, skill sets and procedures according to the nature of the function. At the same time, the evidence also suggests that there are diverse paths to these “end-points” and that (even then) the variations among real-world cases of judicial and bureaucratic autonomy and independence are considerable.

In a rule-of-law state with a meritocratic bureaucracy, institutional

---

differentiation involves also a set of “guarantees of independence” to enable these institutions to develop by their own logic. In this way, different modes and rationales of responsible, accountable decision making are able to develop. In so far as these logics clash - as, for example, when law confronts the abuse of power by the political executive - then there are ways of resolving this clash. In a rule-of-law state, these will consist of various forms of judicial or other oversight of the executive (for example, a court of constitutional review and a system of administrative courts or tribunals) and - equally - mechanisms (such as committees of the elected national assembly) which monitor the use of these judicial powers.

Viet Nam’s model of institutional reform recognizes the importance of developing professionalism and specialization within the state, including the institutionalization of legality and civil service reform, but not the separation of these activities from continuous involvement by the party.

Without referring to specific real world or ideal models, we propose three very basic design principles relevant to institutional reform. Institutionalization of legality requires not only good laws and sound administrative procedures but also:

1. Institutional differentiation of a kind that allows the separate logics and skill sets of political, bureaucratic-cum-technical and judicial decision making to be developed and institutionalized.
2. Mechanisms that make public officials accountable for their actions by due process in the public realm, according to their performance.
3. Systems of independent monitoring and adjudication to ensure that public officials at all levels (including both political leaders and civil servants) are following norms of legality, especially impartiality in dealings with the public.

From this analysis and discussion, we present two broad conclusions:

1. The existing paradigm of institutional reform includes important elements of the principles that shape governance arrangements in successful advanced economies, but it clearly lacks others.
Indeed, the paradigm contains features that contradict these elements. The case is strong for expanding the agenda of institutional reform to include these other elements, to the extent that is practicable in the light of current conditions in Viet Nam.

2. Having noted this, it is immediately evident that these other elements of institutional reform lie outside the realm of public administration reform but concern constitutional reform and political renovation. That is, what we see as the necessary pathway to successful institutional reform is not provided by PAR reform alone; correspondingly, we must not expect too much of PAR on its own in achieving wider goals of institutional reform.

In sum, somewhat paradoxically, the agenda of PAR institutional reform under the PAR Master Programme is both too broad and too narrow. It is too broad because the matters raised lie outside the administrative sphere of government; it is too narrow because these structural or systemic matters must be addressed simultaneously with the administrative dimensions. Indeed, the former should come first, because without those basic elements of the socialist rule-of-law state clearly and unambiguously institutionalized, PAR will continue to make limited progress.

In what follows we focus on the existing and narrower agenda of PAR institutional reform rather than proceeding to discuss measures for advancing the wider agenda of constitutional or political reform. Nevertheless, we evaluate PAR institutional reform bearing in mind the necessary connections between the narrower and broader issues. The fact is that public administration is not an isolated world of technical or legal instruments; it is embedded in a broader set of state and political structures. The inter-connections that arise from this must be kept in mind when assessing the achievements of and prospects for PAR institutional reform.
4. Institutional reform and the PAR Master Programme

We may summarize the three main elements of the PAR institutional reform agenda as expressed in the PAR Master Programme as follows:

- Improve the quality and responsiveness of the law-making process through reforms in the processes of producing, scrutinizing and authorizing legal documents, including clarifying who has authority to issue subordinate legal documents.
- Streamline the mechanisms of implementation of laws through removing duplications, overlaps and delays, including abolishing unnecessary regulations and inefficient approvals and other administrative processes.
- Refine mechanisms of direct accountability of public administrators to citizens, so that officials are responsive and public services are more “customer-oriented”.

These three elements of reform have accompanied an intensive and extensive effort in making and implementing a wide range of new laws and regulations, all aimed at facilitating the development of the market economy within the Vietnamese context.

In this section we describe and appraise the achievements of the PAR Master Programme in the field of institutional reform as defined by the stated objectives, drawing in part on our critique of the current normative framework contained in the previous section and addressing them in the specific contexts set out by the PAR Master Programme. We ask two sets of questions:

- Have the measures achieved the targets and objectives set within the framework of the PAR Master Programme? If not, why not?
- Have the measures contributed significantly to moving Viet Nam down a pathway towards a socialist rule-of-law state? If not, why not?

The answers to these questions are sought through, first, a general overview of the rate of progress and the achievements to date and second, through a presentation of two case studies reviewing key aspects of institutional reform.
The report by the PAR Steering Committee on Review of the Mid-term (2001-2006) Implementation of the PAR Master Programme recorded progress in implementation and laid out further steps be taken. It reported significant progress on the number of laws passed and their wide coverage of key sectors. Attention was drawn in particular to legal documents on grassroots democracy, the Law on Complaints and Denunciations, the “one-stop-shop” (OSS) mechanism, budget and financial registration and disclosure, and people’s inspectorate regulations.

All provinces and centrally-administered cities had implemented OSS mechanisms fully in four departments; 98% of districts and 78% of communes had implemented OSS mechanisms and met targets. Other specific achievements in administrative procedure reform were noted, including more simplicity and transparency in procedures of granting certificates of land use rights and more transparent and regularized fee collection principles and norms.

The Mid-term Review also reported a number of shortfalls:
- Despite the growth in quantity of legal documents, their quality remained a serious problem.
- In the production of these documents, coordination between the different agencies involved was weak.
- Many new legal documents remained unimplemented because of delay in producing subordinate legal documents.
- OSS had been implemented “only in a formalistic way” in some places.
- Administrative procedures were not always simplified: new types of “sub-licenses” reappeared subsequent to administrative procedures reform.

The Review provided the following reasons for these shortcomings:
- Lack of awareness of the reform program and its aims.
- “Compartmentalism” in the system of administration, leading to selfish behaviour and resistance.
- Delays in key components of the planning and implementation process.
- Lack of determination on the part of some administrative leaders.
• Lack of clarity in administrative mandates leading to evasion of responsibility for reform outcomes.

The findings of the Mid-term Review (2001-2006) were somewhat limited by the fact that it was undertaken as an internal review without external reference or comparison. “Evidence” included review of administrative returns and reports filed by PAR steering committees to MOHA and the Central PAR Steering Committee. These possibly reflected a “compliance mentality”, although no doubt they also included valuable on-the-ground details. However, there was no objective evaluation available to the Review at the program or project level.

Decisions subsequent to the Mid-term Review did not take any major new directions or initiatives in the implementation strategy in the area of institutional reform. Resolution No. 17-NQ/TW dated 1 August 2007 by the Party Central Committee on acceleration of administrative reform stressed the need to harmonize administrative reform with legal reform. It placed particular emphasis on the need to review administrative procedures. No new methodologies or strategies were proposed, however. Government Resolution No. 53/2007/NQ-CP dated 7 November 2007 to put Resolution No. 17-NQ/TW into effect spelt out a list of activities and objectives, reiterating previous lists but not further prioritizing them.

The overall perception of our informants on the progress of institutional reform for PAR was concern and disappointment. The PAR Master Programme promised a comprehensive program of reform, implemented through a centrally coordinated process with action plans, timetables and steering mechanisms. In the event, despite achievements, the shortcomings can be summed up as a failure of a system-wide, comprehensive, top-down strategy to achieve substantial change:

• “Quantity” was not clearly separate from “quality” in the assessment of outcomes: the reported progress on the number of new laws or roll-out of OSS mechanisms did not provide a complete measure of reform success.
• Top-down implementation of and reporting on achievement of targets and milestones across the board were possibly conducive to and indicative of a compliance mentality, which may be a
substitute for commitment to and follow-up of on-the-ground reform achievements.

• There was a failure to draw lessons from reasons for local successes so as to put in place overall conditions for a successful reform program. “Key success factors” for achieving stated objectives have not been clearly identified in the evaluation and monitoring of outcomes.

The PAR Steering Committee and MOHA had become bogged down in tracking compliance with a series of targets and sub-programs across-the-board as distinct from in-depth learning from local lessons.

Achievements in institutional reform should not be ignored, in particular the sheer quantity of new laws; the progress on simplification of some administrative procedures; and the progress made in some localities and departments in presenting a more “citizen friendly” and responsive mode of delivery of services, especially where OSS has been implemented successfully. However, these improvements are not uniform and signs of “reform fatigue” have become evident.

Consistent with the argument presented in the previous section, one reason for a lack of progress could be that the expectations for PAR institutional reform are unrealistic because the wider context of institutional reform was not also being addressed. By way of illustration, take the case of the legal drafting and law-making process. The diagnosis of the problem of “quality” in legal documents (as distinct from achievement judged by their sheer quantity) could either be put down to “technical” failures or to more systemic obstacles. A common reason cited for the poor quality of legal documents stems from difficulties encountered in the complex processes of law-making. A recent comprehensive report on the topic by the Policy Law and Development Institute found that there are not only technical deficiencies but also serious shortcomings in the coordination of different elements that make up the law-making process in the national system of government1.

The “technical” deficiencies included not only shortage of the skills

needed for the different stages of the law-making process - effective conceptualization of policy problems; identification of appropriate policy instruments; precise drafting of appropriate legal documents; and methods of appraisal and evaluation of impacts on society - but also factors such as the flow of work and the meeting of deadlines. The “systemic” problems relate particularly to this latter set of shortcomings and include a lack of understanding and respect for the necessary but different roles of different technical experts in relation to the roles of members of the political executive and the party; confusion (despite elaborate, detailed regulations) over which ministry or department in the government exactly is in charge of a particular part of the process and responsible for bringing different elements to play; and a lack of cohesion and determination in keeping to the prescribed law-making process and timetable among the political leaders:

For instance, after the Government has approved the law making plan, immediately additional projects are added for special reasons... After approval, an agency may withdraw a proposal or delay submission. Applications for variation and delay are the exceptions not the rule. Changes in the content of recommendations from the submitting departments leave the National Assembly helpless and unable to fulfill their tasks in the law making process1.

These problems are clear symptoms of the overlapping and confused roles of different sets of institutions and actors in the governing process. Location of executive authority and mandates for the effective fulfillment of tasks are not in harmony.

The question then arises: What PAR institutional reform strategies would offer the best opportunity of making some impact on the key structural issues while, at the same time, remaining within the realm of public administration and not hitting intractable structural obstacles?

The rest of this chapter addresses this question. We take the view that the second and third areas of PAR Institutional Reform identified at the

1. Ibid., p 9.
start of this Section (“streamline the mechanisms of implementation of laws” and “refine mechanisms of direct accountability of public administrators to citizens”) offer the best set of possibilities for advancing the system of public administration in a way that is consistent with the wider goals of a socialist rule-of-law state. This is where administrative reform, as distinct from legal reform or political reform, can best make a contribution.

In order to develop this argument, two case studies are presented in which we assess achievements, diagnose shortcomings and suggest priorities for the future. Case study analysis is always open to criticism. By its nature it is selective and does not “present the whole picture”. This is true of any scientific methodology. But more to the point, case studies are open to particular criticism for not being “representative”, or for being selected for partial and biased reasons so as to distort the truth.

What are the selection criteria that we have adopted? We chose two areas of the institutional reform agenda, one concerning one-stop-shops and the other administrative procedure reform (implementation of Decision No. 30/2007/QD-TTg), not with a view to analyzing a representative cross-section of the institutional reform program, but because these topics were identified in the course of our research as among those having high potential for further augmentation in the next phase of PAR. One reason is that they both offer clear “technical’ opportunities for success in the key area of institutional reform identified above, while also pushing against the boundaries of potential structural obstacles.

Thus, our two cases are not “representative” of the full agenda of PAR institutional reform. The cases highlight different but crucial aspects of the issues brought to light in the previous section as those that need to be addressed if institutional reform is to take the next steps1.

1. The system of law-making and the legal drafting process was also considered for detailed study, but time and resources did not allow for the completion of a third case study. For valuable analysis of this topic, see Policy Law and Development Institute: “Evaluation of the Legal Document Making Process: Current Status and Solutions”.
Table 5.2 sets out some basic features of the two cases in terms of significant differences and similarities. One important common feature is the significance of local implementation; another is that these are fields of reform where bureaucratic resistance has been evident (especially in the second case). Addressing these two cross-cutting dimensions - local bureaucratic initiative and resistance - is especially significant for the future direction of PAR.

**TABLE 5.2: Case Features**

<table>
<thead>
<tr>
<th></th>
<th>Locus</th>
<th>Technical Complexity</th>
<th>Political Stakes</th>
<th>Pilots</th>
<th>Bureaucratic Resistance</th>
<th>Lead Agency</th>
</tr>
</thead>
<tbody>
<tr>
<td>OSS</td>
<td>Local</td>
<td>Low</td>
<td>Low/ Medium</td>
<td>Yes</td>
<td>Medium</td>
<td>MOHA</td>
</tr>
<tr>
<td>Administrative Procedure Reform</td>
<td>Local/Central</td>
<td>High</td>
<td>High/Medium</td>
<td>No</td>
<td>High</td>
<td>OOG</td>
</tr>
</tbody>
</table>

5. Case study: One-stop-shop (OSS) mechanism

OSS mechanisms are popular world-wide and have a long history. Currently in the United Kingdom, for example, many local government authorities operate through networks of local one-stop-shops in local neighbourhoods. As a case in point, the following is a description of a one-stop-shop mechanism given by Liverpool City Council:¹

**What is a one stop shop?**

A one stop shop is a council building, situated within a community where Liverpool citizens can speak to a customer services adviser in person. Customers will be able to:

- *Request a council service*;
- *Access other partner services (where they are available)*;
- *Access information and advice*;

• Carry out any other council business;
• Self-service using kiosks1.

All One Stop Shop customer service advisers are specially trained in the wide range of services on offer and will wherever possible try to resolve your query on the spot. This means that all your council business can be dealt with in one place.

**What types of services are in the one stop shops?**

We are adding more services as we develop but currently you can obtain advice about the following services:

• Housing Benefit (by appointment);
• Council Tax (by appointment);
• Education awards;
• Housing management;
• Disabled parking permit (blue badge);
• Taxi licensing (city only);
• Environmental Services including pest control & street lighting;
• Trading Standards;
• Electoral registration;
• Social Service - access to children’s services;
• Registrars;
• Tourism;
• Football parking;
• Parking Fines (city only).

Some general, universal principles of OSS mechanisms are:

• Access at a local level, at one office, to several services;
• Availability of advice and information from trained persons on basic requirements for obtaining or accessing services;

---

1. “Kiosks” which contain on-line computer terminals offer e-government services, ideally enabling transactions to take place on-line; more commonly, they provide a lower level of e-government services limited to access to information and sending messages by email.
• Co-location of staff from different services or departments to enable more than one service to be provided simultaneously; and
• “Customer-service” measures, such as “pledges” of timely and efficient response.

In some OSS initiatives, the local office is not only a place where government services and staff are co-located but also a centre for community outreach and local community involvement and advocacy. One early experiment in Australia, the “NOW Centre” in Coburg, Melbourne which opened in 1975, co-located a number of local, state and national government services and staff and also attached community workers and organizers to the one-stop-shop. Public meeting rooms were provided and the Centre set up a community advisory committee to hear views and opinions about local needs and to give feedback on the quality of services. This experiment met many difficulties, principally due to the complexities of sustaining agreement across three levels of government in a federal system over continued resourcing, but also because there were tensions and conflict between technical service quality considerations (for example, the lack of sufficiently senior officers at the local level to determine cases) and local community outreach and accessibility considerations. The basic tension was between, on the one hand, facilitating individual access to impersonal government services and, on the other, encouraging community “collective voice” to challenge or influence policy and provision.

A more recent initiative in the UK, the North Liverpool Community Justice Centre, which included a local magistrate’s court, was favourably evaluated for not only processing cases more quickly but also for improving the effectiveness of related and follow-up services, such as rehabilitation and victim support. A key to this success was a high level of community engagement and awareness, achieved by obtaining the

involvement in the Centre’s work of local community groups.

The OSS mechanism in Viet Nam is concerned solely with administrative co-location and provision of access points for individuals to government services. It was first piloted in Viet Nam during the mid-1990s, with subsequent replication across a number of provinces. Decision No. 181/2003/QD-TTg, dated 4 September 2003 of the Prime Minister on issuance of regulations on application of One-stop Shops in state management agencies at the provincial level. The regulations enclosed in the Decision made it a requirement for the “single door mechanism” to be implemented in every province and district from 1 January 2004, and in every commune starting from 1 January 2005. MOHA was given the task of distributing a set of “nation-wide guidelines’ and of monitoring the implementation by Provinces in their districts and communes. MOHA and provincial DOHA officials provided training and other support for the implementation of OSS in local offices.

Article 1 of the Regulations described the aims of the One-Stop-Shop mechanism:

- “One-Stop-Shop” means a mechanism for settling citizens’ and/or organizations’ dossiers, which fall under the competence of State administrative agencies, from the reception of requests and dossiers to the return of results through one body being the “Request receiving and result returning office” in State administrative agencies.
- The implementation of the “One-Stop-Shop” model aims to create a substantial change in the relationships and problem-solving procedures between State administrative agencies and organizations as well as citizens, reduce troubles for organizations and citizens, combat red-tape, corruption and  


authoritarianism among State officials and employees, and raise the effectiveness and efficiency of the State management.

The basic requirements are:

- Specific offices are designated as “request receiving and result returning offices” (R & R offices) for particular services.
- Procedures (for example, the documentation to be presented), fees (if any) and time-limits for settlement of dossiers are published (most commonly, on notices attached to the walls of the R & R office).
- The administrative unit in charge of the office is responsible for seeing that the requirements of service are met, and that internal procedures are in place to bring this about (for example, ensuring dossiers are transferred to and reviewed by the proper office within the designated time limit).
- Speedy, accurate and efficient service is “guaranteed”.

Implementation of the OSS often requires setting up new offices in existing premises to receive and deal with people, complete with waiting areas, counters, notice boards and so on. Staff members may be trained in dealing with the public and (in some cases) a “front office” culture and ethos develops to present a customer-friendly and efficient face to the public.

In fact, the actual procedures and service guarantees will differ from one R & R office to another and from one type of service to another, depending on the level of government at which the office is situated; the location of the relevant professional staff capable of making decisions; the physical remoteness of the office; the type and complexity of the decision and so on.

The “‘ideal” situation of “one door for many services” requires all the functional officers to be co-located behind one counter so that the client can get immediate advice and service at the one point of delivery. More common is the “one door for one service”, where the applicant submits an application and internal procedures are set in train to refer the dossier to the appropriate functional officer (usually located elsewhere) and deliver the outcome back to the customer at the same office.
Some typical mechanisms and procedures are as follows:\textsuperscript{1}:
\begin{itemize}
\item In a small, poor commune with limited office space, the OSS is simply a place where the application is lodged and acknowledged by a clerk, with no direct advice or feedback by a functional officer with knowledge of the matter.
\item In a larger commune OSS, experts from the district are on hand at the office on advertised days so that they can deal with the case, if only to complete the first stage of receiving and authorizing the submission of the necessary information by the applicant and physically to take it back to “head office”.
\item In a typical district, functional officers may be on hand in or adjacent to the OSS counter to deal directly with clients. In some cases, the People’s Committee Chairman or Vice-Chairman (who typically has to “stamp” the final decision in many instances) may attend the OSS on some days to deal with some clients or with complaints.
\end{itemize}

The Mid-term Review in 2006 reported that:
\begin{itemize}
\item All provinces and centrally-administered cities had implemented OSS in the four required departments of Labour, War Invalids and Disabled; Natural Resources and Environment; Planning and Investment; and Construction;
\item 95.7\% of the four departments nationwide had implemented OSS;
\item 52\% of remaining departments had implemented OSS;
\item 11 localities had implemented OSS in more than 80\% of remaining departments and 6 in 100\%;
\item 98\% of districts had implemented OSS;
\item In all but 12 provinces, 100\% of districts had implemented OSS; and
\item 78\% of communes had met the target of implementation set for 2005.
\end{itemize}

The Review claimed that among the overall benefits were:
\begin{itemize}
\item Publication of administrative procedures;
\item Reductions in waiting time for citizens;
\end{itemize}

\textsuperscript{1} MOHA/SDC “Review of One-Stop-Shops at Communes and Wards”, Ha Noi 2003.
• Improved sense of responsibility for service delivery in officials; and
• Development of a service-oriented culture.

Much has been claimed for the OSS mechanism as if it were a “magic bullet” to solve a whole range of problems with service delivery and the treatment of citizens seeking administrative decisions in a fair, open and efficient manner. For example, the MOHA “Guidelines” document sets out the following aims:

• Reduction of harassment of citizens and organizations seeking services;
• Prevention of corruption and “authoritarian behaviour” and enhancement of accountability;
• Improvement in service quality and efficiency;
• Clearer delineation of administrative responsibilities of different offices and officials in State administrative agencies in dealing with citizens and organizations; and
• Restructuring of the organization of State administrative agencies in order to improve simplicity and efficiency.

It is obviously the case that OSS on its own does not solve all these problems. For example, even if the OSS in a district is set up as a “model” office, it will not prevent a citizen or organization from being offered or soliciting “back-door”, favoured treatment from an official who can intervene directly in the case. Additionally, many of the claimed benefits of the mechanism would require additional commitment and resources to achieve other outcomes - for example reorganization of service delivery responsibilities and re-engineering of tasks.

Most important of all, OSS is of little value as a mechanism to improve service transparency and efficiency unless at the same time the administrative procedures taking place “behind the counter’ are at a minimum stabilized and fully institutionalized or, in the best case, completely reviewed to ensure their legality and appropriateness, resulting in simplification. If there are illegal “sub licenses’ or fees in a locality, they will not disappear simply by setting up One-Stop-Shops.

OSS mechanisms have inherent costs and limits:
“One door” can become “one door, many locks” because the R & R office is only the first encounter; the client has still to get past the real barrier to good service, which is often in the “back office”.

- Co-location of functional officers from many departments at accessible “point of service” delivery offices may be inefficient.
- Location of functional officers at OSS offices detaches them from their own “head office” networks and support systems.
- Functional officers behind the counter may not enjoy the knowledge, experience or authority to complete the case successfully: should they also need to acquire the knowledge to deal with matters outside their own functional sphere?
- Communication becomes a problem as dossiers are collected and dealt with at points away from the “head office”; expensive IT and other communication facilities need to be installed to maximize the benefits.

Nevertheless, it is not an exaggeration to say that the OSS mechanism is capable of bringing about, or triggering, a major transformation in the day-to-day relations of public officials with citizens and businesses. Setting up a customer-friendly front office; articulating and making public service delivery timetables, fees and other obligations and entitlements (for example, prominently-displayed posters in the office listing fees and setting out the basic procedures for getting a service, such as which documents to present) will do a great deal to create a “service culture”. Training of staff to ensure that they adopt appropriate working practices in this setting also contributes to the same end. A properly functioning OSS provides one of the mechanisms by which public officials become accountable in the public realm for their performance of public duties and services.

OSS mechanisms, according to the guidelines, include such things as suggestion boxes prominently placed in the office; and complaints procedures that can be taken advantage of if pledges are not met. Because the citizen knows the official fee and the time that should be taken to complete a service, he or she may be able to resist the request for “speed money”. Of course, where a culture of corruption is ingrained,
the OSS mechanisms may become just one more set of administrative procedures that can be side-tracked or even exploited. However, OSS mechanisms can contribute significantly to undermining such a culture, even if the “tipping point” by which such a culture crumbles is reached through some other route.

The research team’s personal observation of OSS offices, as well as discussions with local officials, produced the following findings that support a positive view of the benefits of the OSS mechanism as currently applied in Viet Nam1.

• A well designed and functioning OSS has the effect of increasing citizens’ knowledge of their entitlements and helps to ingrain in officials not only a culture of legality and impartial “good service”, but also a culture of performance.
• Where the OSS also facilitates complaints and suggestions against poor service, it provides an impersonal access point for redress and improvement; local leaders will work towards service improvements so as to minimize the number of complaints, in order to satisfy their superiors.
• Local complaints, while not common, trigger responses to intervene to “tidy up” the record book, so long as the OSS mechanism remains a key priority and performance goal across the country under the PAR process.
• The local People’s Committee Chairman and other leaders, conscious of the popularity of efficient services among their fellow citizens, become advocates and champions for further improvements so as to “deliver” on promises.
• The OSS becomes a focal point for communication and contact between local leaders and citizens, providing concrete mechanisms for enhancing their accountability to the public.
• At the local level (particularly commune or ward), the introduction of OSS mechanisms can trigger or be part of a wider

1. These observations are made following inspections and interviews in Gia Vien District and Cuc Phuong Commune in Ninh Binh Province.
process of community engagement and education in the reform process. For example, as in some overseas cases mentioned earlier, public accountability and responsiveness can be enhanced through undertaking programs of outreach and education about complaints mechanisms and legal rights1.

In sum, the OSS mechanism has great potential for kick-starting a major improvement in the normative culture of State administrative agencies as “servants of the people”. It promotes legality; impersonal treatment according to specified, universal service criteria and standards; a service culture; and accountability to the people for results. These are all core objectives of the institutional reform agenda.

At the same time, there is a danger that the OSS mechanism will become a ritual of compliance and reporting unless the potential is developed and built on through other initiatives. Such may already be the case in some parts of Viet Nam. Reform fatigue, withdrawal of attention and diversion of resources elsewhere could result in reversal of some of the gains.

We observed some local successes in Ninh Binh Province and noted the reasons:

- A strong reform team within the Provincial Government that encouraged and supported local initiatives;
- A bottom-up approach to reform in which local administrators were asked to nominate PAR projects based on local need and to bid for resources;
- A clear identification of responsibility for project goals and outcomes as a result of local “ownership”;
- Active participation at local levels by key groups and stakeholders in shaping local projects to be responsive and appropriate to local needs; and

---

1. We learnt, for example, of the initiative taken in Cuc Phuong Commune to set up a “Centre for Continuing Education”, which facilitates visits and lectures from the Vietnamese Lawyers Association on the significance of legal reforms for the daily lives of local people.
• An objective monitoring and evaluation mechanism to record achievements and disseminate results.

One strategy would be to continue to fund and support replication and reinforcement of the same model. This is desirable, but alone would not achieve the potential. Other initiatives to support and reinforce the successes of OSS should be implemented in those communes, districts and provinces where successes have already been achieved, and then replicated if successful. These might include:

• IT investment to improve communications (for example, electronic transmission of documents between offices) and other “modernization” initiatives;

• Training and other measures to enable local functional officers to “multi-task”;

• Co-location of administrative counters and offices with “community” functions in the OSS building, such as legal education centres, thereby involving not only government agencies but also local community organizations in the management of activities associated with creating a responsive, citizen-friendly, administrative system;

• Further measures to enhance the direct accountability of local leaders to the people (for example, direct election of Commune People’s Committee Chairs under competitive nomination and election regimes);

• Organizational restructuring of “back office” divisions and units; and

• Re-engineering of administrative procedures to reduce the number and complexity of sub-licences, fees and other regulations in conjunction with OSS mechanisms, with aims and outcomes incorporated in improved service targets and timetables.

These measures include both “technical” reforms and also wider institutional reforms that address the core values identified earlier. In sum, the OSS mechanism can be a launch-pad and trigger for a range of initiatives at the local level to achieve the goals of creating effective,
service-oriented government bureaucracies; and making public officials accountable for their actions by due process in the public realm.

6. Case study: Simplification of administrative procedures (Decision No. 30/2007/QD-TTg)

Reform of administrative procedures was listed as point (4) in the “National sub-program Number 1” of the PAR Master Programme, with responsibility under the PAR Steering Committee assigned to MOHA and MOJ. In the mid-term review, it was reported that administrative procedure reform was “combined with OSS implementation”, while the area had “attracted special attention and guidance of the Prime Minister and Government”. It is not surprising that the reform of administrative procedures has received such special attention. The success in creating a set of state institutions conducive to economic development rests in large part on how local officials perform in the tasks of business regulation and provision of economic services.

Reform of administrative procedures is not only a matter of high priority; it is also an issue of continuing intractability. Complaints about the cost and burden of administrative procedures for doing business in Viet Nam remain a constant “drumbeat” in the media, in discussions with foreign donors and within government and party circles. The issue has been a touchstone for on-going debates over the pace and direction of further economic reform.

In some case these debates have ideological elements, for example during debates over the Enterprise Laws (1999 and 2005), during which “conservatives” argued that private and foreign enterprises needed continuing tight oversight and surveillance by the state through licensing and other provisions, in order to ensure they complied with “socialist-oriented market economy” objectives. Ministry of Industry officials, for example, argued that strict licensing was necessary to prevent companies exploiting the “working class” and that too much market liberalization challenged party paramountcy¹. Pro-reform

¹ Gillespie, 2006 op.cit., p. 160.
advocates argued that what was required was a more hands-off approach to allow enterprises to flourish in the market.

In spite of these different views, it is widely acknowledged that institutional reform in the shape of administrative procedures reform and improvement in local services generally is an essential component in developing an efficient market economy. As the authors of one recent study of inter-provincial differences in the quality of government services provided to business concluded:

“The results indicate that good governance practices... are both statistically and economically significant in explaining differences in firm economic performance among provinces... One percentage point improvement in government practice could increase the value-added of the sample mean firm by an amount equal to a nearly three times increase in the Vietnamese daily per capita GDP”¹.

The complexity and intractability of the issue of administrative procedure reform is in large part endemic to deep-seated structural characteristics of the Vietnamese system of government. As we outlined earlier, party authority and legal authority remain in large degree intertwined and indistinguishable, particularly at lower levels. A system of “government by decree” produces an avalanche of regulations, guidelines and decisions, from both party and state organs, at all levels.

Distinguishing between the power and status of a “legal document” and a “party directive” has in the past been problematic. Moreover, the varying origins and lack of coordination among legal documents sometimes results in contradictory rules. Exercise of local administrative discretion in day to day matters has frequently involved local party officials.

Thus, the failures in the area of simplification of administrative procedures are not only illustrations of the ideological resistance offered

by some policy makers to a “business-friendly”, “pro-market” view of regulation but also a case of the classic conundrum of administrative and policy reform in Viet Nam. Thaveeporn Vasavakul has argued that this stems in part from the way in which local governments “filled the vacuum” caused by dismantling the command economy, when laws and regulations concerning entering the market and doing business were not yet in place. Local officials issued their own regulations and took numerous local initiatives in the absence of clear central laws and policies. Measures were taken in the 1990s to integrate the local and provincial administrative structures into the national hierarchy of the state, but “the reform policy... did not eliminate the old model of power relationships altogether, and the Vietnamese administrative state continued to be fragmented and diversified”.

In recent years the Government has shown its on-going commitment to simplification of administrative procedures through a series of decisions, culminating in Decision No. 30/2007/QD-TTg of 10 January 2007. It is significant that the “lead” in these matters was taken not by MOHA but by the Office of Government under the direct initiative of the Prime Minister. One practical reason for this was that the Prime Minister exercised direct powers of supervision and control over provincial affairs under the Constitution.

3. Ibid., p.189.
4. The Prime Minister has powers both to approve election of and to dismiss members of Provincial People’s Committees. The Prime Minister can also suspend implementation of resolutions of People’s Councils and propose to the National Assembly Standing Committee that they be annulled.
The tone and content of the titles of these documents give some hint of the significance of the implementation gaps:

- Decision No. 181/2003/QD-TTg of 4 September 2009 of the Prime Minister issuing regulations on application of one-stop-shops at the provincial level;
- Decision No. 23/2005/QD-TTg of 26 January 2005 of the Prime Minister on setting up a joint working group for handling problems and petitions of enterprises regarding administrative procedures;
- Decision No. 22/2006/QD-TTg of 24 January 2006 of the Prime Minister on assigning the task of handling complaints and petitions of individuals, organizations and enterprises;
- Directive No. 32/2006/CT-TTg of 7 September 2006 of the Prime Minister on urgent measures to re-establish administrative discipline and order in the settlement of affairs of citizens and enterprises;
- Official Letter No.1877/TTg-CCHC of the Prime Minister urging the implementation of Directive 32;
- Resolution No. 01/2007/NQ-CP of 3 January 2007 of the Government on the Government’s 2006 December regular meeting; and,
- Decision No. 30/2007/QD-TTg of 10 January 2007 of the Prime Minister approving the scheme on simplification of administrative procedures in state management domains for the period of 2007-2010.

For the most part, the official party and government line in the policy pronouncements on regulatory reform agreed with the reform camp’s presumption that the core of the problem was that over-regulation and administrative inefficiency were holding back economic development. The state should facilitate market-led economic development, even while regulating it. The inherited “micro-management mentality” of the command economy needed sweeping away. The overall design and intent of the Enterprise Law reflected this viewpoint, as did the policy pronouncements in the PAR Master Programme.
More concretely, for the CPV the problem has presented itself as a matter of internal control and discipline. That is, the party in one sense viewed administrative procedure reform as a concrete way in which “legality” could be put to use in order to reassert control and discipline. Local party and bureaucratic interests in some cases sought to protect their domains of administrative power and discretion and resisted reform by dragging their feet or through “undermining stratagems”. For some corrupt public officials, complex administrative procedures were a source of wealth through the opportunities they presented for “speed money” and other forms of bribe-taking. Even when measures such as the Enterprise Law seemingly reduced such opportunities, some local officials found ways of restoring them through inventing and implementing “sub-licenses” or “baby licenses”.

Often, these provisions were strictly speaking illegal, yet hard to police given the limited oversight and monitoring capacities of the central ministries. When these local acts of arbitrary power created local resistance or resulted in denunciations and complaints, the party felt compelled to act. In this connection, some of the measures taken were directly focused on improving the mechanisms for making and dealing with these complaints as a way of creating a form of citizen-monitoring of official malfeasance (this is a feature of Vietnamese political culture that has great potential for future democratic forms of checks and balances on administrative malfeasance).

The scheme on simplification of administrative procedures in state management domains for the period of 2007-2010 under Decision No. 30/2007/QD-TTg\(^1\) (also referred to as Scheme No. 30) described the problems in the following manner, explicitly highlighting the reasons for implementation gaps:

---

• “...administrative bodies create convenience for themselves but difficulties for individuals, organizations and enterprises”.
• “...the ideology of subsidy and sectionalism among ministries and branches...”.
• “...lack of responsibility in inspection of implementation...”.

The preamble to Scheme No. 30 also bemoaned the lack of enforcement and action on the part of local administrative agencies even when in receipt of reports and petitions about inappropriate administrative procedures.

Scheme No. 30 outlines an ambitious program to review and simplify all administrative procedures over a three-year period, so as to eliminate those that are irregular, cause inconvenience and lead to abuse of power or corruption. Donor support (including USAID funding) is provided through a project located in the offices of the Viet Nam Chamber of Commerce and Industry (VCCI). The methodology replicates other exercises in regulatory reform - using the so-called “Guillotine Approach” - implemented in some Eastern European countries. Following this model, which involves the active oversight of a strong central regulatory review body, a Task Group has been set up within the Office of the Government (OOG) (which has the lead role under the direction of the Prime Minister) to provide support for the national program and to create a statistical data base or inventory of all administrative procedures. Task groups are also being set up at provincial level.

All departments and agencies are required to review each administrative procedure over a three year timetable and ask three basic questions: Is it legal? Is it necessary? Is it “citizen friendly”? These three very innocent-looking questions are heavily laden with significance for the further development of PAR in Viet Nam. “Is it legal?” gets to the heart of what the institutional reform program of PAR is seeking to achieve. Given that creating the “socialist rule-of-law” is a work-in-progress, one can expect such a simple-looking question to cause some pause for thought.

However, if authoritative answers can be given based on strict legality criteria, this will be a major step towards consolidating the
groundwork for system-wide conformity to a legality norm in both the promotion and implementation of legal documents and administrative procedures. The second question is also of great significance for putting into the minds of public officials the importance of assessing and moderating the economic costs of government in a market economy. Finally, the third question is clearly at the core of attempts to create a public administration that is both legal and externally accountable for its actions. A common form will be used for each regulatory body to make the primary input by addressing the three questions for each administrative procedure. Task groups at provincial and national level will be able to check these inputs. The questions are to be asked in relation to the content of regulations such as permits and licenses; handling processes; information dossier requirements; fees and charges; time limits; coordination and transfer mechanisms; and so on.

In implementing Decision No. 30/2007/NQ-TTg, agencies are required to amend or abolish inappropriate provisions if it is within their power to do so. Provincial and municipal People’s Committees are required to coordinate and oversee the process of review and also to take action to amend or abolish (if they have the power) or to refer them upwards for action. They will publicize all administrative applications and declaration forms and establish their own publicly accessible databases, consistent with the national database being set up by OOG. Biannual reports to the Prime Minister are required to demonstrate progress on all these matters. The proposed inventory or registry of administrative procedures is also designed to be a mechanism for monitoring new regulations and their impact.

This is an elaborate and resource-intensive scheme, requiring parallel, coordinated action in all provinces, local bodies, departments and ministries. The dissemination of the skills and knowledge required alone is a formidable task, not to mention maintaining momentum and overseeing compliance. Both vertical and horizontal coordination capacities will be stretched to their limits. In particular, while it may be possible to create an inventory and achieve “paper compliance” with the
review process, whether it can be sustained beyond the initial exercise into an on-going system of control and monitoring is another point. If experience is anything to go by, local officials will wait for the heat to be taken away and the attention to wander; and they will once again engage in issuing a plethora of “baby licenses” and local rules.

On a more positive note, one important element in the program is an advisory committee drawn from the private sector. It will feed advice to the Prime Minister on the progress of implementation and provide a direct channel for disseminating information to businesses and organizations directly affected by the scheme. Such bodies at provincial level might also evolve. In that case, along with the publicly available inventory, “civil society” and individual businesses will play a role in monitoring the implementation of review of administrative procedures while, in the longer run, providing continuing feedback on the efficiency and quality of regulation. Given the considerable political capital and administrative resources required to see a reform process such as this through, the existence of external business pressures and media monitoring could be critical. Such monitoring will be encouraged and enhanced by the transparency provisions that have been enunciated in Scheme 30.

The transparency and stakeholder consultation provisions reflect a much wider trend that could be of great significance for Viet Nam’s political culture and governance arrangements. This trend is in part a result of WTO and BTA pressures. For example, under the “Law on Laws”, all new legal documents must now be published for at least 15 days in the Official Gazette. As a result (combined with the increasing pace of law-making activity) the number of pages in the Official Gazette increased 16-fold between 2001 and 2007.

Similar provisions for local normative legal documents have resulted in the publication for the first time of provincial level Official Gazettes. As outlined in the previous section, the requirement to publish fees and charges and other details in OSS offices is another example of the trend. Surveys done for the Viet Nam Provincial Competitiveness Index (PCI) show some improvement in the level of transparency over the years: for
example, firms report that access to provincial planning documents is getting easier.\(^1\) The transparency requirements of Scheme 30 will, if implemented, be yet another important step. Access to information by citizens is clearly a pre-requisite of public accountability of public officials.

The PCI is also a significant development in creating mechanisms that hold governments and officials to account. It is a joint initiative of the Vietnamese Chamber of Commerce & Industry and external donors, including the Asia Foundation and USAID. Indexes showing the performance of provincial governments in meeting certain standards of “good economic governance” are now available for 2006 & 2007. Not only does this information on the quality of provincial economic governance give important information to businesses and to citizens about the quality of government and the ease of doing business in different parts of the country (and hence may influence some business decisions), it also puts provincial government leaders “under the spotlight” for their compliance with and progress on important government policy objectives. Internal Party measures and criteria remain the key determinants of their political careers, but publicly available “league tables” of the “leaders and laggards” in providing good economic governance indicate the possibility of a subtle but significant shift in the way leaders can be held to account for their performance.

Simplification of administrative procedures is an area where the Government and Party have admitted serious failures and shortcomings. From observing the Government’s own response, and that of significant stakeholders such as the VCCI, we can draw some important conclusions:

- As a high priority but an intractable area of reform due to internal resistance and other obstacles, the need emerged for central coordination and control by a central agency to “steer” reform in the national government. The PAR Steering Committee was, in the process, by-passed and the matter was taken up within the Prime Minister’s own direct domain.

\(^1\) VNCI (Viet Nam Competitiveness Initiative): *The Viet Nam Provincial Competitiveness Index* 2007, p. 50.
• When this occurs, the indications are strong for both the need for external support and the chances of success.
• Successful implementation of Scheme 30 through one or more mechanisms is a key “litmus test” for successful PAR in Viet Nam in the short- and medium-term. If it fails, it will be a major setback to the institutionalization of legality, emboldening “anti-reform” vested interests.
• Some of the elements of the implementation model of Scheme 30 demonstrate significant potential for further development and application in other fields. In line with the principles enunciated earlier in this chapter, of particular significance are the transparency provisions and the role for monitoring by civil society, as they advance the core principle of making public officials accountable in the public realm for their performance.
• Other elements of the implementation model do not bode so well, in particular the need to disseminate technical requirements and skills across all government ministries, departments and provinces; the highly resource intensive nature of the data collection, inventory-building and monitoring processes; and the high administrative and coordination costs of the reporting and action requirements.

7. Conclusion: What next?

We concluded in the first part of this chapter that institutional reform in Viet Nam requires addressing some important structural issues concerned with government as a whole, as well as reforms to the system of public administration. PAR institutional reform not only overlaps with legal reform, it is also inter-dependent with structural reforms, that is, with constitutional and political change.

At the same time, the two case studies have illustrated that PAR institutional reform narrowly defined does contain the potential for making inroads on the wider institutional reform agenda if certain change strategies are followed.

“Institutional reform” as a goal and a program sounds almost like a contradiction in terms. Institutions as systems of norms and rules are
almost by definition stable and unchanging, or at least resistant to change. “Institutionalization” as a concept is often taken to mean the solidification of practices into rules and norms. Theories of institutions tend to be very good at explaining why they do not change, but less useful for understanding why and how they do change.

Institutional reform can arise from a series of processes and steps that in the long run overcome contradictions. How might this come about? What explains institutional change? One approach to that understanding is found in sociological theories of “historical institutionalism”\(^1\). The assumption underlying historical institutionalism is that the initial choices made at the time of initiating a program or a structure creates a pattern or a “path”, and subsequent choices to some extent simply follow that path. The initial choices in question may have been made some time ago, and these choices may have been unwitting as to their consequences, but the “path dependencies” they set in train remain in place.

This approach presents some problems in explaining change. One answer is to note that “punctuations” have occurred in the on-going flow of events, such as an external crisis (for example defeat in war and foreign occupation). The logic is one of large-scale, discrete change. But this does not square with what we observe in the way systems of government and administration actually change. Most observers tend to describe incremental changes in public sector institutions and perhaps especially in public bureaucracies.

Some recent studies have questioned the deterministic nature of path-dependency.\(^2\) Several scholars have suggested that robust institutions can also produce gradual and internally generated patterns of far-
reaching change. Others have stressed that institutions are not made “in one piece” but juxtapose different logics and orders, each with their own temporal underpinnings\(^1\). Certain institutional components within an administrative system may be less robust than others (weakly entrenched or less tied to solid coalitions) and thus more “mutable” and more easily transformed through reforms\(^2\).

There is a paradox: we can see, looking back, how institutions have changed dramatically and irreversibly over time, for example by new elements being introduced that were at the time acceptable within the institution because they solved a pressing problem; but we could never be certain at the time of their introduction that they would have a lasting effect of introducing “new orders and logics”. These sorts of explanations do not give much role to “grand design” in the process of institutional change. Or if they do, the design emerges to justify the practice as the latter comes to be appreciated, rather than preceding it.

Consistent with this perspective on institutional change, some valuable and relevant lessons about change processes can be drawn from recent studies of reform in local government in China. These studies suggest that particular measures - such as a central government initiative to reduce the burden of local taxes and charges on peasants - can trigger developments that result in the institutionalization of some unexpected results\(^3\). This


happens when local agents responsible for implementing the change in policy become committed to new ideas and practices in their own sphere, while others around them may still be “dancing to the old tune”. The clash of logics and friction between them that generally occurs produces tensions that can be productive for further change and institutionalization. This might happen from unexpected sources. In one locality, cost-cutting measures involved “sending off cadres” to coastal cities as a way of both removing them from the payroll and upgrading their skills. They now had new horizons and new interests. When they returned, they became change agents and supported wider fiscal reforms, which were subsequently implemented.

These sorts of processes, with juxtaposition of new and old and disjuncture between past and future, are occurring constantly and as a matter of routine in all spheres of state and society in transitional situations, such as those faced by Viet Nam and China. Explanations for the processes of change and reform in Viet Nam, in particular for the emergence of forces and interests supporting marketization and Doi moi more broadly, use terms like “fence-breaking” (partial, unofficial relaxation on constraints following spontaneous action) and stress the interactive, bottom-up nature of change1. However, such engines of change can be both “good” and “bad” (for example they may lead to the emergence of chronic corruption)2. From the point of view of reform, the fundamental issue is to achieve institutionalization of the former.

To sum up the argument to this point: evidence from Viet Nam and elsewhere suggests that small changes can be decisive in setting institutions and institutional change on a new path, often through a local experiment or a new practice that serves as a way of coping with immediate problems inherent in the existing system. As we identified in our case studies, OSS mechanisms and administrative procedure review carry with them the seeds of cumulative changes that might bring deeper

---

institutional change - for example, in the case of OSS mechanisms, new norms and expectations about the integrity and accountability of local officials. Correspondingly, in tackling such areas of PAR institutional reform as these, the potential exists to connect with the broader agenda of institutional reform and the deeper structural questions highlighted in the first part of this chapter.

It is here that “grand designs” come into the picture. As argued earlier, the model or end-point of institutional reform in Viet Nam is stated within the policies and programs of the party as the achievement of a socialist rule-of-law state. Particular programs of legal document reform, improvements in access and accountability at the interface between citizen and state, and so on, have been elaborated within this paradigm.

Our main conclusion is thus a paradoxical one: future PAR institutional reform priorities should obviously target themes and projects that are practical in scope within the administrative sphere; yet they will not achieve the underlying objectives of institutional reform unless they are also explicitly connected with the wider agenda.

Basic mechanisms of legality and accountability in the face-to-face encounters between citizens and the public administration (and within the hierarchy of the administrative system itself) provide the common thread in connecting PAR institutional reform projects to the wider institutional reform agenda.

The conclusions and lessons drawn from our review of PAR institutional reform implementation and from the case studies of OSS and administrative procedure review indicate that future PAR institutional reform measures (and projects in support of them) should be appraised as follows:

- Do they improve consistency and clarity in rules and procedures so that citizens can know their legitimate expectations under government policies and programmes?
- Do they offer the possibility that citizens’ legitimate expectations will be better satisfied about good service delivery and impartial treatment under prevailing government policies and programmes?
Do they provide mechanisms not only for informing citizens about their legitimate expectations but also facilitating their making of successful claims (including appeals) based on these expectations?

Do they identify and empower particular local officials who will have a stake in seeing these claims pursued and satisfied?

Would such local officials receive direct support and encouragement in a simple and effective manner from higher levels, in the event of obstruction and obstacles?

A range of measures in addition to implementation of OSS mechanism and administrative procedure reform could be considered for appraisal under these criteria, such as various access-to-information and related “transparency” reforms; citizens’ complaint mechanisms; a system of “administrative tribunals” for specific service areas or fields; “citizen charter” and “scorecard” mechanisms involving citizen and client input into service quality assessment; and so on. Some of these would link together aspects of PAR and legal system reforms. Others might tie in with managerial or financial reforms in government departments and local bodies.

To sum up: In terms of scope: The full and effective implementation of the socialist rule-of-law state cannot be realized in isolation within the realm of PAR. The institutional reform agenda will not be addressed successfully unless it is broadened from considering particular administrative or legal techniques and capacities to connect with wider structural issues that define multiple mechanisms of accountability of public officials. Here, a “grand design” based on Viet Nam’s aspirations for a socialist rule-of-law state, drawing as well on relevant international experience, is important for articulating goals, ideals and possible “end-points”. If PAR institutional reforms are to succeed, they must not only be associated with legal, judicial and civil service reforms but also be accompanied by wider structural reforms.

In terms of strategy: The pace and direction of reforms in the wider realm will continue to shape and restrict PAR institutional reforms. However, a focus on the “narrower” issues and on “local” projects of
PAR institutional reform can still bring significant results “on the ground” (particularly at the local level where administration meets the public). So long as these initiatives have potential for energizing and resourcing agents (citizens and public officials) who see the benefits of new institutional arrangements consistent with the longer term and wider goals, they will advance the wider reform and institutionalization process “from the bottom up”.
CHAPTER 6
CORRUPTION, PUBLIC ADMINISTRATION REFORM AND DEVELOPMENT: CHALLENGES AND OPPORTUNITIES AS VIET NAM MOVES TOWARDS MIDDLE-INCOME STATUS
MARTIN GAINSBOROUGH, DANG NGOC DINH AND TRAN THANH PHUONG

Summary
The potential for a negative fallout if corruption goes unchecked has been recognised at the highest levels of the policy-making process in Viet Nam. The nature and extent of corruption in Viet Nam has been categorised in a variety of ways, ranging from administrative, political, and judicial corruption, to public sector and private sector corruption, and also petty and grand corruption (with the former tending to be understood as small-scale, everyday corruption, and the latter being larger-scale). The truth of the matter is that corruption in Viet Nam, as in many other countries, occurs at all levels and in all sectors.

In order to tackle corruption and the associated weaknesses in public administration, an understanding of the causes is crucial. In Viet Nam, it is common to hear that corruption exists because there is too much scope for discretionary behaviour on the part of officials; or that corruption is the result of a poor ethical outlook, including the assertion that ethical standards have got worse during the Doi moi period. Other explanations
for corruption in Viet Nam view it as a consequence of insufficient reform; low salaries; a legacy of the state subsidy period, notably the “ask-give” mechanism; and a poor implementation of the country’s laws and related regulations.

While there is merit in this analysis, it places too much emphasis on the failings of individuals, on the one hand, and on unclear regulations and poor implementation of them, on the other. While these elements are relevant, to place them at the centre of the analysis is fundamentally to misunderstand the problem of corruption. Put simply, corruption in Viet Nam is a systemic problem.

The idea that corruption is a systemic problem can be understood with reference to three tendencies within the state in Viet Nam: (i) to view public office as a vehicle for personal enrichment; (ii) to pay attention to servicing one’s patronage network rather than working for some notion of the public good; and (iii) to use uncertainty and a lack of clarity in respect of regulations as an instrument of rule.

The tendency in Viet Nam to view public office as a vehicle for personal enrichment makes sense if one recalls that there have been instances of purchasing public office positions in Viet Nam. Moreover, when officials or prospective officials buy their seat, they do not do so out of the goodness of their heart but rather because they expect to get something in return (i.e. to recoup their investment).

In relation to the tendency to pay attention to servicing one’s patronage network rather than working for some notion of the public good, the argument is that in the Vietnamese system, looking after those in your immediate circle or patronage network is regarded as the culturally right thing to do. In fact, not to do so, would be viewed as behaving badly. This explains the continued high prevalence of nepotism in appointments despite formal efforts to eradicate it.

Also, the fact that regulation in Viet Nam is frequently unclear and overlapping is not a result of the poor capacities or inexperience of the officials who draft them. Rather, the rules are unclear because there is an inherent logic of the system, which necessitates that they are - as a means of exercising power and in order to create opportunities for private gain.
A good example would be the persistent difficulties which have been encountered in relation to Public Administration Reform (PAR) in respect of attempts to clarify job descriptions, leading to the conclusion that despite a formal commitment to such a process, actual operation is low because clearer job descriptions limit the ability of office holders to exploit public positions.

Once it is understood that the system operates in this way, a number of important things fall into place, which are highly relevant in relation to efforts to effectively implement an anti-corruption (AC) strategy and improve public administration. It is clear that many of the reasons put forward for the existence of corruption in Viet Nam are second-order causes, which fail to go to the heart of the problem. For example, corruption in Viet Nam is not primarily an ethical issue: most people in Viet Nam are thoroughly decent people who nevertheless operate in a system which requires certain kinds of behaviour of them if they are to survive in the system, to provide for their families, and to get things done.

Understanding corruption as a systemic problem also makes it easier to see that low salaries are not a fundamental cause of corruption. Furthermore, viewing corruption as a systemic problem makes it clear that simply trying to clarify the rules will not actually change behaviour. As seen over more than a decade of PAR reform, this is almost impossible to do, not because individuals lack capacity but because the system itself works against this happening (i.e. based on how the system is structured the incentives do not exist for this to happen).

Recognising the systemic nature of the problem of corruption, it is clear that an integrated approach to tackling corruption is likely to pay special attention to increasing transparency and improving enforcement. The key objective over time is to make the system more accountable, and to increase the costs of corruption. Strengthening the role of civil society and the media in the fight against corruption is critical because along with transparency and enforcement this is crucial to making the system more accountable.

While the drive for transparency should involve placing a spotlight
on all aspects of government, there should specifically be a move towards full disclosure of all inspections and audits carried out by the Government Inspectorate (GI) and State Audit of Viet Nam (SAV) along with publishing the activities of prosecuting bodies, judicial proceedings and rulings. While the precise way in which greater transparency is to be achieved in Viet Nam requires more detailed work, the setting up of a “Transparency Roadmap” by the government detailing what different agencies are required to do over a designated timeframe would be a useful starting point. There may also be scope for sectoral roadmaps whereby different sectors detail their plans to increase transparency.

In respect of enforcement, building on existing institutional structures while paying special attention to the way in which different agencies work together is also fundamental. It is not about establishing any new AC agencies in the short term. However, over time it is likely that the role of the Steering Committee on Anti-Corruption, and its supporting body, OSCAC, will evolve such that its relationship with other agencies, such as the GI, will need to be kept under closer review to avoid duplication of work.

Yet, in particular and over the short-term, some recommendations in relation to enforcement include:

- Establishing a watchdog body to review the work of AC agencies as a whole, including publication of an annual report to be debated by the National Assembly;
- Addressing problems of conflicts of interest with local inspectorates by ensuring that the head of the inspectorate retains sufficient independence from the People’s Committee chairman; and
- Establishing an independent complaints committee for the public to log complaints (with sufficient means for the committee to be able to act).

In addition, central to the government’s AC Strategy is its five groups of solutions: (i) transparency, (ii) PAR, (iii) business, including the private sector, (iv) enforcement and (v) strengthening the role of society and the media. This is a laudable effort, yet the Government could afford to be more strategic in its approach, recognising that it is important to
prioritise rather than try a little bit of everything, which is a weakness of the National Strategy for Preventing and Combating Corruption Towards 2020, which has recently been adopted in accordance with Resolution No. 21/2009/NQ-CP dated 12 May 2009 of the Government.

More than this, the groups of solutions (i), (iv) and (v) above should be seen as the means by which progress towards achieving the other solutions is likely to be made. That is, improved transparency, better enforcement, and a stronger watchdog role for civil society and media - together designed to make the system more accountable - are the means by which public service delivery and economic governance will be improved. At the moment, the government’s AC Strategy does not appear to make a clear distinction between means and ends.

That is, while solutions (ii) and (iii) are important, simply trying to implement these measures is unlikely to be successful because to do so does not address the underlying incentive structure governing the system. It is only through improving transparency, enforcement, and strengthening the watchdog role of civil society and the media, that the goals which PAR and AC work are ultimately striving for may be achieved.

Introduction

Research context

This chapter asks why it is that interventions by the Government of Viet Nam (GoV) in respect of public administration reform (PAR) and Anti-Corruption (AC) have generally failed to have the desired effect such that the problems which the reforms are designed to tackle persist. This chapter makes this observation while recognising the very substantial progress which has been made in Viet Nam: first in terms of a greater willingness to talk about the problem of corruption, and associated weaknesses in public administration; and second in terms of the Communist Party of Viet Nam (CPV) and GoV beginning to take substantive steps towards addressing it. The resolution of the 3rd Plenum of the Party Central Committee (Congress 10th) in August 2006 focused
specifically on the problem of corruption. Moreover, this followed passage of Viet Nam’s first AC Law in 2005 (Davidson, Soren et al 2008) while in May 2009 the government adopted the National Anti-corruption Strategy Towards 2020 (Government of Viet Nam 2009).

Overall, the research seeks to highlight what has been achieved under the PAR process in Viet Nam, to analyse weaknesses and shortcomings, to assess what remains to be done, and in light of this to make detailed policy recommendations. Underpinning the research is a recognition that institutions are permanently evolving, that there is no measurable endpoint, and that the goals of institutional reform are likely to be subject to revision and adjustment by future generations of citizens. Nevertheless, it is recognised that institutions create incentives which structure behaviour in the political and economic domain, and that what is needed in Viet Nam is a thorough analysis of how its institutions are currently functioning in order to point the way in terms of improvements. The timing of the research coincides with a growing awareness that the PAR process, which has been pursued in Viet Nam since the mid-1990s, has achieved mixed results (Painter, 2005; PAR Steering Committee, 2006; World Bank, 2006b). This is of concern not just because PAR has attracted sizeable financial and technical resources, including from the international donor community, but also because it highlights continuing, serious problems with the provision of public services in Viet Nam, which if unchecked run the risk of undermining the country’s development (Acuña-Alfar, 2008b; Government of Viet Nam, 2009).

With its title “Corruption, Public Administration Reform and Development: Challenges and Opportunities”, the focus of this chapter is on the problem of corruption and specifically the relationship between anti-corruption (AC) work and public administration reform (PAR). For historical - and perhaps practical - reasons, AC work and PAR have tended to be treated as discrete areas of work in Viet Nam with separate projects and distinct institutional jurisdictions in terms of government

---

1. See the terms of reference for this piece of work.
oversight\textsuperscript{1}. The question arises, however, whether this is helpful or whether there is mileage to be had from a better integration of these two spheres of activity. More pertinently, one of the issues which this research is interested in is the relationship between AC work and PAR both in theory and in practice. Is it the case, for example, that a successful PAR would reduce corruption? Or, is it in fact the other way round, i.e. that a successful PAR depends on progress towards tackling corruption?\textsuperscript{2}

**Methodology**

Research for this chapter has been guided by four principal considerations. First, we have adopted a team-based approach incorporating both Vietnamese and international expertise. Inevitably, the team brings different skills, experience, and insight but this is healthy, and we believe enriches our chapter. Secondly, we have engaged in widespread consultation with key stakeholders - government, international, and citizens\textsuperscript{3} - at each stage of the research

\begin{itemize}
  \item 1. Both the PAR Master Programme and the National Strategy for Preventing and Combating Corruption Towards 2020 are characterised by multiple institutional involvement. The PAR Master Programme is overseen by the PAR Steering Committee answering to the prime minister. The AC Strategy is overseen by the Central Steering Committee for Preventing and Combating Corruption. The Steering Committee for Preventing and Combating Corruption is headed by the prime minister but nevertheless it would be a mistake to view the institutional chain of command as straightforward or necessarily unproblematic.
  \item 2. For some preliminary thoughts on these questions see Acuña-Alfaro 2008b.
  \item 3. Interviewees for this research include: Nguyễn Quang A, president, Institute of Development Studies; Anderson, James, senior governance specialist, World Bank; Bahuet, Christophe, deputy country director (programme), UNDP; Booth, Nicholas, policy advisor, rule of law and access to justice, UNDP; Chortsen, Dorte, Counsellor (political/development), Embassy of Denmark; Hoang Van Chuong, director, legal department, State Audit of Vietnam; Nguyễn Đình Cu, director, Institute for Population and Social Studies, National Economics University; Collins, Maev, Ambassador, Embassy of Ireland; Phan Dang Cuong, social development advisor,
\end{itemize}
process through interviews and regular discussion and feedback.\(^1\)

Thirdly, we have placed a high premium on adopting an evidence-based approach to our research. A persistent criticism of much policy work - and not just in Viet Nam - is that it often lacks a firm basis in evidence. Of course, addressing this problem in relation to the sensitive issue of corruption is not easy but to the best of our ability we have sought to do so (and where there are gaps we have highlighted them). Fourthly, this chapter places a high premium on offering well thought-out policy recommendations. This includes not only providing concrete policy scenarios but also exploring how such scenarios might be implemented, including anticipating possible difficulties if certain approaches were pursued.

---

Embassy of Ireland; Nguyen Trong Dieu, vice-president, Ho Chi Minh National Academy of Politics and Public Administration; Degnbol, Tove, counsellor, deputy head of mission, Embassy of Denmark; Trinh Tien Dung, head of governance unit, UNDP; Nguyen Huu Hieu, chief operating officer, Stoxplus; Hoy, Sean, head of development, Irish Aid; Tran Thi Lan Huong, programme Coordinator, Embassy of Finland; Nguyen Thi Kim Lien, governance advisor, DfID; Lien, Molly, counsellor, Embassy of Sweden; Le Man Luan, deputy head, Office of the Central Steering Committee on Anti-Corruption; Mckinley, Catherine, consultant; Dinh Van Minh, vice-director, research institute, Government Inspectorate; Tran Ngoc Nhan, head of office for democracy and law, Viet Nam Fatherland Front; Rooke, Peter, advisory council member, Transparency International; Salomon, Matthieu, governance expert; Pham Bich San, vice-secretary general, VUSTA; Nguyen Si Dung, deputy secretary general, National Assembly; Warren-Rodriguez, Alex, development economist, country economist unit, UNDP.

1. An earlier version of this chapter was presented to the National Academy of Public Administration (NAPA) and a gathering of representatives of the international donor community – both in October 2008. An informal discussion regarding the preliminary findings of this chapter was held with the Office of the Steering Committee on Anti-Corruption (OSCAC) and Government Inspectorate (GI) in December 2008. This chapter was also presented at a seminar on National Public Administration Reform: Current Situation and Recommendations in March 2009. In all cases, we have responded to feedback provided by discussants and our audiences.
Chapter 6: Corruption, Public Administration Reform and…

In the course of our research for this chapter, we have paid close attention to both the academic and policy literature on PAR and AC both in Viet Nam and internationally. Interviews for the research were conducted over a two week period in September and October 2008.

Chapter structure and argument

This chapter is divided into four sections: part 1 introduces the research, sets out the methodology, the structure of this chapter and offers an overview of the argument; part 2 looks at the international experience of tackling corruption; part 3 explores the relationship between PAR and AC, looks at the changing nature of corruption in Viet Nam, the consequences of corruption, and its causes; and part 4 takes stock of the preceding analysis, exploring its implications for policy in light of what the Government of Viet Nam (GoV) is already doing. This section contains our policy recommendations, including addressing the question of how particular policies might be implemented.

The chapter’s argument is that corruption and associated weaknesses in public administration are primarily systemic in nature by which we mean they reflect a particular institutional logic or incentive structure which is self-perpetuating. Thus, over time, any kind of intervention to correct problems tends to be thwarted or subverted because the logic of the system requires that this be so. This, we argue, explains the relatively poor performance of PAR and AC work to date. In order to tackle the problems, it is essential to have as clear an understanding as possible of the inner workings of the system in order to target interventions most effectively, and to anticipate the ways in which future reforms may be knocked off course. Surprising though it may seem, we do not always see this understanding reflected in the policy literature.

In terms of our recommendations, we argue that there is no single formula or approach that can be adopted in Viet Nam in order to

---

1. Since we are only presenting our argument in outline here, relevant supporting data will be provided later in the chapter (i.e. in part 3).
strengthen public administration and reduce corruption. Rather, it is necessary to pursue a variety of approaches over time, which cumulatively will change the incentives governing the system, in turn resulting in altered behaviour. It is here that we believe there are some useful lessons for Viet Nam based on international experience, notably in relation to the sequencing of reform. In our recommendations, we place special emphasis on increasing transparency, strengthening the role of civil society and the media, and enforcement, in an approach designed to make the system more accountable and over time to increase the costs of corruption. Specifically, what this means in relation to the government’s National Strategy for Preventing and Combating Corruption Towards 2020 (Government of Viet Nam 2009) is that we are suggesting that greater priority ought to be given to three of the groups of solutions as the means by which the other groups of solutions will in time be achieved. This is discussed in more detail in section 4 of this chapter.

1. International lessons

In this section, we look at international experiences in the fight against corruption, considering different views about the causes of corruption, the consequences of corruption for development, and what is regarded as “good practice” in the fight against corruption.

While all countries can learn from the experiences of others, each country is also distinct. Therefore, it is important that international experiences are not applied slavishly but rather are adapted to local conditions. Nevertheless, there is a growing body of literature in the AC field which may offer pointers in the fight against corruption.

A widespread view is that corruption is bad for development, that the burden of corruption falls most heavily on the poorest, and that corruption undermines political legitimacy (OECD, 2006; Transparency International, 1998; Transparency International, 2007; UNDP, 2008; World Bank, 2006a). The opening sentences of UNDP’s report “Tackling Corruption, Transforming Lives” sums up this view most clearly:
“Corruption has many damaging effects: weakened national institutions inequitable social services and blatant injustice in the courts - along with economic inefficiency and unchecked environmental exploitation. And it hits hardest the poor - who often depend heavily on public services and the natural environment and are least able to pay bribes for essential services that should be theirs by right.” (UNDP 2008: 1).

Clearly, there is much truth in all this, including some empirical evidence to support these claims (Ades and Di Tella, 1997; Bardhan, 1997; Gray and Kaufman, 1998; Gupta, et al., 1998; Hall and Jones, 1999; Mauro, 1995; Mauro, 2002; World Bank, 2004). However, the empirical evidence regarding the effects of corruption is not as watertight or as uncontested as is sometimes suggested. For example, there is research which shows that different kinds of corruption have different effects with certain types of corruption being much more debilitating for development and political stability than others. For instance, some scholars have argued that corruption which is centralised in the hands of a cohesive political elite is less debilitating in developmental terms than if it is not (Rock and Bonnett 2004). Also important according to revisionist literature is whether state patrons have the upper hand in relation to societal clients, and whether elites take a long-term or a short-term approach to corruption. Relevant too is whether corruption is predictable (Malesky and Samphantharak, 2008) and whether gains from corruption are re-invested productively, or find their way into foreign bank accounts or are used up via conspicuous consumption, although even in respect of conspicuous consumption there is likely to be some economic benefit domestically (Hutchcroft, 1997; Khan, 1996 and 1998, Khan and Jomo, 2000; Rock and Bonnett, 2004).

Taking this logic a stage further, it has also been argued that what is often called corruption is simply a process of capital accumulation,

---

1. In referring to long and short-term approaches to corruption, a distinction is being made between whether officials are engaging in “careful and relatively modest” predation or whether it is a “no-holds barred”, “steal as much as you can as fast as you can” approach to corruption. See Khan 1998 and Rock and Bonnett 2004.
which may not be particularly equitable or just, but is necessary if economic development is to occur (Khan and Jomo, 2000; Wood, 1999). In advancing such arguments, it is often suggested that what is occurring in developing countries - which today is labelled corruption - is similar to that which occurred in many developed countries at the point at which they industrialised (Khan and Jomo, 2000; Nolan, 1995). While it is almost certainly politically unacceptable - and quite possibly ill-advised - to do nothing about corruption, being clear about the effects of corruption in a particular country is obviously important in terms of deciding how to respond to the problem, including the level of resources to devote to solving it.

In terms of tackling corruption, different countries have tried different approaches although the leading international agencies specialising in the field of AC have tended to emphasise a fairly consistent set of what they regard as “good practice”. At their most general, these include the need to tackle the causes of corruption and not just the symptoms, along with recognition that the way in which institutions are structured tends to define the incentives by which people operate (Transparency International, 1998; World Bank, 2006a). The importance of political and economic competition, transparency and accountability are also regularly stressed in the international literature on tackling corruption (OECD, 2006; World Bank, 2006a). The OECD, for instance, emphasises the importance of transparency, accountability and integrity in both the public and the private sector although it also argues for strong criminal legislation, international cooperation, and robust anti-corruption mechanisms. Amongst other things this has seen the OECD targeting the “supply side” of corruption, developing mechanisms designed to reduce the offering of bribes (OECD, 2006).

Other frequently mentioned “good practice” in the fight against corruption include strengthening the rule of law, reducing the size of the public sector, limiting the scope for discretionary decision-making by the state, mobilising civil society and the media, raising public awareness, increasing public sector wages, strengthening judicial independence and parliamentary oversight (Shah, 2005; Transparency International, 2007;
UNDP, 2008). Echoing some of this, Transparency International highlighted the importance of four issues as having been important in the fight against corruption in East and South East Asia: “political will”; the establishment of a specialised anti-corruption agency; mobilising civil society and the media; and adopting a sectoral approach whereby those areas most vulnerable to corruption are targeted first (Transparency International, 2007). Beyond this, UNDP has argued that even allowing for national or local complexity in tackling corruption certain approaches are likely to be appropriate across a range of countries. These include collaborating internationally in the fight against corruption (e.g. ratification of the United Nations Convention against Corruption); establishing access to information as a right; encouraging private sector and citizen involvement in tackling corruption; and utilising new technologies, if they are available, to assist in uncovering corruption (UNDP, 2008). Box 6.1 contains a summary of Hong Kong’s anti-corruption strategy.

**BOX 6.1. Hong Kong’s Anti-Corruption Strategy**

Hong Kong was viewed as highly corrupt in the 1960s and 1970s whereas now corruption is viewed as being under control. Its Independent Commission Against Corruption (ICAC), established in 1974, adopted a three-pronged approach to tackling corruption, focusing on deterrence, prevention, and education. Its deterrence strategy incorporated: a zero-tolerance approach to corruption; an effective public complaints system to encourage reporting of corruption; systems designed to enable a quick response to complaints; and a review system to ensure all investigations were conducted properly and free of political interference. In terms of prevention, the ICAC placed emphasis on reducing opportunities for corruption via ensuring transparency and accountability in all government business. The ICAC’s education strategy focused on publicity through the mass media, including producing commercials and documentaries, along with promoting ethical codes and ethical behaviour in government, business and in schools.

*Source: Kwok, 2008.*
While much of this advice is sensible, it is, nevertheless, mistaken to think that there is consensus on what works (or does not work), or that there is always good empirical evidence supporting particular conclusions. As with the effects of corruption, the evidence is rarely as conclusive as people like to suggest while it is important to say that just because something is said to have worked in one country does not mean it will do so - or be appropriate - in another country. Transparency International itself concedes that not all countries in East and South East Asia have established a specialised anti-corruption agency - although this is something it advocates as best practice (Transparency International, 2007). Moreover, where countries have not established a specialised anti-corruption agency (e.g. the Philippines, China, Cambodia, Japan), it is impossible to say whether this has been a cause of problems or not since the research which would allow us to make such a claim has not been carried out.

In addition, it is often said that enlisting the support of civil society is crucial in the fight against corruption, which it may be. However, it has been noted that Singapore’s success in tackling corruption appears to have been achieved without reliance on this type of support (Transparency International 2007). Nevertheless, even taking this assertion at face value, it is important not to jump to conclusions. Thus, once again, for countries seeking to draw conclusions from international experience, the lessons are clear: while there may be benefits from looking at the experiences of other countries, any potential lessons need to be weighed carefully both in terms of relevance and whether evidence exists to support the claims being advanced.

A further key criticism can be levelled at much of the received wisdom in terms of tackling corruption, namely that while many agencies are good at saying what needs to be done to fight corruption they have much less to say in terms of how countries are supposed to achieve the things they recommend. The focus on “political will” as being important in the fight against corruption is a case in point. Political will undoubtedly is important - at all levels of the political system and society - but how one is supposed to create political will, particularly in a
climate where corruption is endemic, is rarely set out. Similarly, it is unclear based on a review of the literature examined here how one is meant to create transparency in a climate where neither the state nor citizens are used to such things. Furthermore, while the idea of a sectoral approach - i.e. prioritising certain sectors in AC work - may make sense from the point of view of managing finite resources, there are questions to be asked as to whether it is realistic to expect actors in one area to change their behaviour in situations where the whole system is corrupt.

Some of the most interesting and useful research in the AC field concerns the question of sequencing of reforms, which goes to the heart of the question of how to break the habit of corruption in contexts where corruption is institutionalised. What this literature argues is that in contexts where corruption is endemic, certain approaches are doomed to failure simply because the incentives of the system are such that it not possible to stop being corrupt (Shah, 2005). To illustrate this, we only have to think about the businessman who cannot secure a contract without paying a bribe, the citizen who cannot get a license to build a house without doing the same, the patient that feels obliged to pay the doctor and nurse for free medical care, the parent that fears his child will fail if does not pay the teacher, or the government department that cannot not stop collecting informal payments from the public even if they wanted to because their institutional budget depends on it.

Thus, in such a climate, it is argued that awareness raising about corruption is likely to have little, if any, impact on behaviour. Similarly, while raising public sector wages might be the right thing to do if they are low, it is unlikely to have much impact on corruption in contexts where corruption is widespread. Equally, in a context where corruption is institutionalised, attempting to strengthen parliamentary oversight or create a merit-based civil service - while they may be good ends in themselves - are not priorities when it comes to tackling corruption (Shah, 2005). Instead, it is far more important to focus attention on strengthening the rule of law, building media and judicial independence, raising the levels of citizen involvement in the fight against corruption,
and economic policy reform, including reducing the size of the public sector (Shah, 2005).

However, once again, while this research is relatively sophisticated in relation to prioritisation, it has much less to say in terms of how one achieves these things. Moreover, there is also the question of whether it is realistic for a government to stop doing certain things simply because they are not a priority in the fight against corruption and especially if they are valuable for other reasons (e.g. equity). Nevertheless, despite these caveats, we believe there are some potentially useful lessons for Viet Nam derived from this literature as follows:

- The strong performance of Viet Nam’s economy during the Doi moi period despite high levels of corruption gives credence to sections of the international literature which argue that the impact of corruption on development is multi-variegated1.

- In a high corruption environment - like Viet Nam’s - certain measures are unlikely to have much impact in reducing corruption. These include raising public sector wages, awareness raising about corruption; strengthening parliamentary oversight; and attempting to create a merit-based civil service.

- Measures which are likely to be more effective in the fight against corruption are ones which strike at the heart of the incentive structure underpinning the system. These include measures designed to strengthen accountability and transparency and reduce the scope for discretionary decision-making by officials. Important here is raising the level of citizen involvement and the media in the fight against corruption.

We will consider the relevance and applicability of these lessons for Viet Nam further on in the next sections.

---

1. Note that this is not a recommendation to do nothing or to imply that corruption does matter. Nevertheless, recognising that the impact of corruption on development is multi-variegated may have policy implications in context of finite resources where prioritisation is necessary.
2. Reform Challenges

This section is divided into four parts. We first consider the relationship between PAR and AC both in theory and in practice. We then look at the changing nature of corruption, its consequences (specifically for public service provision), and finally we examine the causes of corruption. It is in this section that we set out our argument about the systemic nature of corruption in Viet Nam.

2.1. Public administration reform and anti-corruption in Viet Nam

In terms of understanding the relationship between PAR and AC work, the most logical position is that they both speak to each other although in each case their remit, and the issues they are concerned with, are broader than the other. Thus, in terms of PAR, it is evident from the report on the review of the first phase of the PAR Master Programme (MP) that one of its key concerns is corruption even if PAR is also involved in areas which go beyond the issue of corruption per se (PAR Steering Committee, 2006). For example, we are told in section III of the document that there are still serious concerns about the quality of civil servants, and this evidently links to concerns about corruption:

“Although there have been some improvements in training contents and methodology, fundamental reforms defined in [the] PAR MP still fail to be implemented. The ethical qualities of a big section of the contingent of public officials, civil servants [are] degrade[d]. They even commit corruption and are authoritarian. They lack a sense of responsibilities and service oriented spirit. They are indifferent to the requirements of the people and the society.” (PAR Steering Committee, 2006: 12).

Equally, the PAR MP’s focus on clarifying the responsibilities and tasks of different agencies, on reducing the scope for interference by state agencies, and on salary reform are all - one suspects - being carried out against the backdrop of concern about corruption even if this is not formally stated at every stage.

Similarly, looking at the government’s AC Strategy one can also see how the strategy speaks to issues relating to PAR. Its overall objective is
described as creating a “clean and strong state machinery” staffed by “ethical and incorruptible personnel” (Government of Viet Nam, 2009: 3). Moreover, in the second of its five “groups of solutions, the National AC Strategy focuses explicitly on the exercise of state power and the civil service, highlighting - like PAR - the need to clarify the responsibilities of different agencies, improve the quality of civil servants, and tackle the problem of low public salaries (Government of Viet Nam, 2009: 4). Moreover, in talking about the need to eliminate the “opportunities and conditions that give rise to corruption” (Government of Viet Nam, 2009: 3) the National AC Strategy is also clearly signalling the need for an institutional solution to the problem of corruption.1

“\textit{If you succeed in PAR you create a good basis for anti-corruption. If you fail in PAR, you create more opportunities for corruption.}” (interview with international specialist on governance, October 2008).

While PAR and AC work clearly speak to each other - and are both important to each other’s success - they do not deal with identical issues or areas. For instance, AC work has a broader focus than PAR not least because corruption is not simply something which happens in the public sector. Furthermore, because of its focus on the delivery of public services, PAR naturally incorporates debates about the kind of public services Viet Nam is seeking to achieve and the different ways in which they may be delivered, which go beyond the remit of any AC Strategy. Such observations notwithstanding, it is important given the close relationship between the PAR MP and the AC Strategy to consider whether there is a danger of overlap between the two areas and hence a need for greater synchronisation.

Also important is whether there are any lessons to be learnt from the experience of implementing PAR, which may be relevant as Viet Nam

\begin{enumerate}
\item The Resolution of the 3rd Plenum of the Party Central Committee (Congress Xth) in August 2006 and the AC Law both also address PAR-related issues. The chapter’s authors are grateful to Mr. Le Van Lan, Department Director OSCAC for drawing this to our attention.
\end{enumerate}
moves to implement its AC Strategy. Specifically, we are referring to the criticism which has been levelled at PAR that it is simply too big and unwieldy, and hence difficult to coordinate. While this may be inevitable for a complex programme like PAR, it is, nevertheless, worth asking whether certain things could be done differently, which may have a bearing on how AC work in Viet Nam is developed going forward. We will return to this issue, and that of synchronisation between PAR and AC work, in the later part of this chapter.

While it is clear from the preceding analysis that there is a close mutually supporting relationship between PAR and AC work in Viet Nam in theory, it is important to consider how this relationship has worked out in practice. Put another way, has PAR made significant inroads into addressing the problem of corruption during its lifetime? Or, has AC work made a difference in terms of improving the quality of administrative procedures?

While the situation on the ground is obviously complex and varied (Malesky, 2008), this chapter suggests that the overall impact has been small. That is, PAR has generally not resulted in lower levels of corruption while neither has AC work led to strengthened administrative procedures. Moreover, it is not just based on our own research that we say this: it comes across clearly in the review of the first phase of the PAR MP, which while acknowledging PAR’s successes is equally explicit about continuing problems, including that of corruption. This includes a close association in people’s minds between public office and making money, the continued prevalence of nepotism in appointments, and high levels of bribery, fraud and embezzlement (Vasavakul, 2008). Especially pertinent to our analysis is the attention paid in the report on the first phase of the PAR MP to the proliferation of organisations inside provincial departments, district bureaus, ministries and central branches, which the report says directly contradicts efforts within PAR to streamline the administrative apparatus (PAR Standing Committee, 2006: 8-9). This, in turn, highlights the way in which the system tends to reproduce itself despite efforts to introduce reforms which push in the very opposite direction. Furthermore, there is a close relationship between the proliferation of government organisations
and corruption since just as old organisations are closed down, new ones tend to form, one suspects, to keep people in employment and maintain the means to generate revenue.

"[The reason there are still so many administrative procedures is because] people are afraid of losing power and income so they don’t want to see a reduction.”
(interview with government official, October 2008).

If, therefore, the impact of PAR on corruption has been relatively small, what about the effects of AC work on PAR? Once again, our research suggests that as yet the effects have been limited. In particular, we would point to the existence of a wide range of qualitative and quantitative indicators, pointing not only to the persistence of corruption in Viet Nam, including in respect of public administration, but also asserting that corruption has worsened during the Doi moi period (Central Committee of Internal Affairs, 2005; Government of Viet Nam, 2009; Transparency International, 2006).

In the following section, we will discuss in greater detail the changing nature of corruption in Viet Nam.

2.2. The changing nature of corruption in Viet Nam

In trying to understand the changing nature of corruption in Viet Nam, we are ultimately concerned with two things: firstly, how frequently corruption occurs, and secondly, the different ways in which it occurs. In relation to the first question, we have to accept that by its very nature, we can never measure corruption precisely. That is, we can never know the number of acts of corruption which occur in Viet Nam at any one time. Nor can we measure precisely the amount of money which is “lost” to corruption although it is important to remember that corruption need not involve money, and that as we saw with reference to the international literature on corruption, different kinds of corruption have

1. Supplementary arguments to this point can be found in 2.2, 2.3 and 2.4 in this chapter, where the observation is discussed in a greater detail.
different developmental effects.

“Between October 2007 and August 2008, the number of corruption cases going to court fell. Government Inspectorate said that this was an achievement. Others, however, say that this statement is not quite correct because it may be they just haven’t discovered the corruption.” (interview with official with responsibilities in the anti-corruption field, October 2008).

Despite these caveats, we can say with a fair degree of confidence that since Doi moi both the incidence of corruption and the sums involved have increased, and almost certainly have increased significantly. This is not to suggest that there was no corruption under central planning. Indeed, significant portions of the academic literature on Viet Nam highlight the way in which corruption did exist under planning (Fforde, 1993 and 1996; Kerkvliet, 2005; Koh, 2004). Nevertheless, looking at the situation today, we can say that marketisation and international integration have created more opportunities for corruption - not least because there is more money flowing around. Also, liberalisation in Viet Nam has not been accompanied by a retreat of the state but rather it has remained central to the operating of the business environment, and this too has provided opportunities for corruption (Gainsborough, 2003a).

Against the backdrop of over twenty years of reform, there is also a sense in which certain kinds of corrupt behaviour, which previously might have attracted attention or raised eyebrows, have simply become more acceptable, or at least more normal. Anecdotally, one suspects this extends to the amounts of money involved in corrupt transactions such that if we could devise an objective measure of the amount of money lost to corruption each year we would probably find that it has risen during the Doi moi period even relative to the increase in the size of Viet Nam’s economy. Furthermore, notwithstanding official efforts to tighten inspection and audit mechanisms and clamp down on corruption, it is probably easier in certain respects for those who engage in corruption to

1. This is not unique to Viet Nam but is a pattern across the Greater Mekong Sub-region. See Gainsborough (2008) and Walker (1999).
go undetected. This is in large part because being wealthy is more acceptable - and normal - such that conspicuous displays of wealth attract less attention today even if they have been obtained by corrupt means.\textsuperscript{1} Data from the Viet Nam Provincial Competitiveness Index (VPCI) 2008 reveals that the importance of bribes (referred to as “informal fees”) has not declined since 2006. In addition, VPCI data also underlines the fact that time cost of dealing with bureaucracy or bureaucratic regulations remains high (Malesky, 2008). See Figures 6.1 and 6.2 below.

\textbf{FIGURE 6.1: Comparison of Time Costs of Regulatory Compliance}

\textit{2006-2008}

\begin{center}
\begin{tikzpicture}[scale=0.8]
\begin{axis}[
    title={Percentage of firms spending over 10\% of their time dealing with bureaucracy or bureaucratic regulations},
    xlabel={Year},
    ylabel={Percentage of firms answering YES},
    ybar, ymajorgrids, xmajorgrids, legend style={at={(0.5,1.05)},anchor=south},
    legend cell align={left},
    enlarge x limits=0.15,
    nodes near coords, nodes near coords align={vertical},
    axis lines=left,
]


\end{axis}
\end{tikzpicture}
\end{center}


The second area we are interested in assessing regarding the changing nature of corruption concerns the types of corruption which occur in Viet Nam today. Writing on Viet Nam has tended to categorise corruption in a variety of different ways. Some have referred - somewhat blandly - to the existence of administrative, political, and judicial corruption in Viet Nam (Anti-Corruption Resource Centre, 2008). Others have made a

\textsuperscript{1} This is not always the case. Journalists writing in the late 1990s about the Tamexco and Minh Phung-Epcor corruption cases in Ho Chi Minh City asked how an official was able to pay back such a large sum of money reportedly obtained illegally given that he lived on a civil servant salary. See Gainsborough (2003a), p.88.
distinction between public sector and private sector corruption. Some commentators have referred to petty and grand corruption with the former tending to be understood as small-scale, everyday corruption, and the latter being larger scale and involving high-level officials either directly or by providing protection (UNDP, 2008). All these different ways of classifying corruption have their uses although with reference to petty and grand corruption, the key point to make is that Viet Nam has both, and both are serious (Transparency International, 2006). Moreover, while there may be benefit in referring to public and private sector corruption, the fact that public and private are so blurred in Viet Nam raises questions about whether targeting “private sector” corruption on its own is likely to be effective.

**FIGURE 6.2: Comparison of Time Costs of Regulatory Compliance 2006-2008**

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage of firms paying over 10% of their revenue in extra payments</th>
<th>Percentage of firms that felt that enterprises in their line of business were subject to bribe requests from provincial authorities</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>12.99</td>
<td>70</td>
</tr>
<tr>
<td>2007</td>
<td>11.54</td>
<td>86.25</td>
</tr>
<tr>
<td>2008</td>
<td>9.89</td>
<td>65.93</td>
</tr>
</tbody>
</table>


Taking the analysis a stage further, we can add that corruption in Viet Nam occurs at all levels of the Party and State and in all sectors, including both the public and the private sector. Both citizens and business people interviewed for our research confirmed this repeatedly, commenting that

---

1. For discussion of grand corruption see Gainsborough (2003b) and (2007a).
2. This relates to our point which we develop later in this chapter that corruption needs to be understood systemically.
they had “no choice” but to pay bribes to get things done, or to agree to pay a percentage if they wanted to be considered for a government contract. Furthermore, people were often quite unsure whether such behaviour was wrong (interviews with business people, Ha Noi, October 2008).

“We don’t want to give money but there is no other way”. (interview with government employee, October 2008).

On the whole, it appears that corruption is relatively predictable in Viet Nam by which we mean people know what the “going rate” is - say, for example, to secure a public position or a construction tender (Gainsborough, 2009a; Malesky, 2008: 94; Salomon, 2008). Moreover, in Viet Nam, people by and large get what they pay for, which it is worth noting is not a feature of all countries. Predictable corruption is in some respects harder to deal with because it is not necessarily regarded as a problem - as we have seen - so building political will to tackle it is more difficult. The effects of predictable corruption on development may also be less debilitating.

It is often said that corruption in Viet Nam - although a major problem - is not as serious as in Russia or Cambodia. The evidence for such claims is not especially strong but it has to do with arguments about state capture, which is arguably greater in Russia (Anti-Corruption Resource Centre, 2008), and the degree to which the state acts with impunity, which is said to be greater in Cambodia than in Viet Nam (Gottesman, 2002; Hughes, 2000). Moreover, it has been suggested that the state in Viet Nam has been more effective in keeping corruption within certain limits compared with other transition economies - for example, compare equitisation in Viet Nam with privatisation in Russia (Gainsborough, 2009b, forthcoming).

“If your tax report is late, you will face a big fine. But it is easy to avoid it. You just put your report in a plastic folder with VND500,000 hidden between two blank sheets of paper, exchange mobile numbers [with the tax official], and [they] will change the date of receipt.” (interview with government employee, October 2008).

With reference to the public sector in Viet Nam, it is often said that certain sectors are more corrupt than others, and there is some truth in
this. For instance, the diagnostic study of corruption conducted in 2005 by the Party’s Internal Affairs Committee revealed that respondents thought that the traffic police along with agencies with responsibility for land, customs, construction and taxation were the most corrupt (Central Committee of Internal Affairs, 2005). Its findings were also born out by another study conducted around the same time (cited in World Bank, 2006b). Nevertheless, this “headline” list leaves important sectors out (e.g. those agencies with responsibility for deciding appointments) and the reality is that all sectors are vulnerable to corruption even if some sectors are perhaps more vulnerable than others. See Figure 6.3 for more recent data on the presence of corruption across different sectors, and Figure 6.4 for data showing the geographical distribution of corruption in Viet Nam. Since the passage of the AC Law in 2005, there has been greater awareness of the vulnerability of anti-corruption agencies in Viet Nam to corruption.

**FIGURE 6.3: News Coverage of Corruption by Sector**

While the above analysis provides the broad outlines of the nature of corruption in Viet Nam in terms of highlighting its ubiquity and institutionalised nature, there is more to say in terms of the precise ways in which corruption is occurring in Viet Nam and how this is changing. Writing in the 1990s, Gainsborough (2003a) explored the way in which the emergence of the land market and the move away from a mono-banking system, notably with the establishment of joint stock commercial banks, created new opportunities for corruption, as officials used inside knowledge about urban development plans to buy up land cheaply before its value became apparent. Others have written about corruption in relation to state enterprise reform, including equitisisation, whereby state assets were “hollowed out” such that they found their way - often illegally - into private ownership (Fforde, 2004; and Gainsborough, 2003a and 2009b). Others still have documented how elaborate corporate ownership patterns, notably with the establishment of cong ty con and cong ty con con (children and grandchildren companies), were used to access credit from the commercial banking system often by mortgaging the same asset again and again (Gainsborough, 2003a and 2003b). While such behaviour was relatively new in the 1990s, such practices continue to this day albeit with variations. For example, there is now a greater tendency for people operating under a private sector label to engage in such practices compared with a decade ago, reflecting in part the greater confidence of the private sector. Nevertheless, the beneficiaries of such behaviour are still to be found in equal measure in both the state and the private sector (Cheshier and Penrose, 2007).

Corruption has also been classified during the Doi moi period as occurring in one of three ways, namely grease or speed money, the illegal privatisation of state property, and the selling of state power (Vasavakul, 2008). Some of this overlaps with our analysis above but is
nevertheless useful. Grease or speed money refers to state officials offering a faster or better service to citizens or other officials who approach them for services in exchange for payment. Grease or speed money exists in a wide range of sectors in Viet Nam, including education.

**FIGURE 6.4: Geographical Distribution of News about Corruption**

![Geographical Distribution of News about Corruption](image)


The illegal privatisation of state property refers to public officials exploiting their position for private gain through fraud, embezzlement, extortion, smuggling or illegal tax collections. The selling of state power involves the acceptance of bribes in relation to recruitment or promotion in respect of public office. It can also involve the sale of services normally carried out by public officials to private individuals, including organised crime. This has happened in Viet Nam in respect of the judiciary and the police, most famously in respect of the Nam Cam corruption case.

1. Note that the Vietnam Provincial Competitiveness Index 2008 (Malesky, 2008) is talking about the same thing when it discusses the persistence of informal fees and the time cost of regulatory compliance. See Figures 6.1 and 6.2.
(Vasavakul, 2008 and Salomon, 2008). The institutionalised nature of corruption in Viet Nam is such that it is possible to identify an extensive network of “buyers”, “sellers”, and “brokers”. Sellers tend to be Party and government officials at all levels while buyers tend to include both officials and private business people (Vasavakul, 2008: 8). Others have also spoken of how corruption has permeated the legislative process such that the very act of drafting laws is done in such a way to create loopholes and protect various vested interests1.

In writing on corruption in Viet Nam, the Vietnamese government has made reference to how corruption never stands still but constantly reforms in new ways (Government of Viet Nam, 2009). For example, the AC Strategy to 2020 notes that the development of the stock market and other financial instruments along with increased international integration has created new opportunities for corruption, including through organised crime (Government of Viet Nam, 2009: 2). While this is certainly correct - and poses real challenges for enforcement authorities - it is an area which is under-researched.

2.3. Consequences of corruption, including for public service provision

The potential for negative fallout if corruption goes unchecked in Viet Nam has been recognised at the highest level of the CPV and GoV. The resolution of the 3rd Plenum of the Party Central Committee (Congress 10th) in August 2006 focused specifically on the problem of corruption. Moreover, this followed passage of Viet Nam’s first AC law in 2005 while in 2008 the government issued its AC Strategy towards 2020. The AC Strategy is particularly explicit about the dangers from corruption, including acknowledging that the very survival of CPV rule is at stake:

"[Corruption is] leading to adverse effects in many ways, eroding the confidence of the people in the leadership by the Party and the management of the ________

1. The authors are grateful to Ms. Pham Chi Lan, vice-president of the Institute of Development Studies for pointing this out.
State, giving rise to potential conflicts of interest, social resistance, and protest, and widening the gap between the rich and the poor. Corruption has become a major obstacle for the success of Doi moi and the fighting force of the Party, threatening the survival of the regime.” (Government of Viet Nam, 2009: 1).

Looking at the above analysis, it is striking how little emphasis is placed on the effects of corruption on the economy; not unreasonably since Viet Nam’s economy has performed well during the reform years despite widespread corruption. Thus, while economists may make arguments about costs of corruption and the risk that it might make Viet Nam uncompetitive, as yet this has not been the case, or at least not significantly. Moreover, it is not even clear that effects of corruption will become more debilitating as Viet Nam seeks to develop its economy further, including moving into higher value-added industrial production - although such claims are frequently made. In addition, it is often said that accessing capital on international markets requires a greater degree of transparency and more robust corporate government than Vietnamese firms are generally used to. However, what we in fact find is that international lenders are willing to accept government guarantees - for example for state enterprises - if they are unsure about the reliability of the company they are lending to (email communication with international expert in Viet Nam, December 2008).

"Corruption is not good because it undermines credibility [of the system], it undermines morality. The consequences are not just economic, it effects all aspects of life.” (interview with senior Vietnamese academic, October 2008).

Nevertheless, there are other good reasons to strive for efficient and discretion-free administrative procedures in Viet Nam on grounds of social justice, equity, and in order to avert a potential loss of CPV legitimacy. Rapid economic development in Viet Nam is being accompanied by widespread social change such that citizens’ expectations of the state are changing, and there is less tolerance towards officials who make life difficult for people (Gainsborough, 2007b). While it is true that most people if they are able to play and pay the system will do so, there is also a growing sub-section of Viet Nam’s citizens, who are increasingly angry about corruption. Thus, there is a clear link between
the provision of better public services and hence higher levels of citizen satisfaction, and stability of the regime. See Figure 6.5 for data which shows a clear correlation between corruption and the level of government effectiveness comparing Viet Nam with South Korea.

**FIGURE 6.5: East Asia 1997-2008(selected countries):**

![Graph showing correlation between corruption and government effectiveness](image)

*Source: Worldwide Governance Indicators (WGI) (www.govindicators.org).*

A key flash point in relation to unclear and untransparent administrative procedures concerns land, which has been the source of a growing number of protests in recent years (Dinh, 2008a; Kerkvliet, 2003). In addition, while businesses are generally able to navigate Viet Nam’s myriad rules and regulations, securing permissions and opening

1. The well-known cases of social unrest have occurred in Thai Binh in 1996 and the Central Highlands in 2001 and 2004 although the latter was not simply a conflict over land. However, there is scarcely a province or a district that has not witnessed some kind of land dispute as evidenced by the frequency with which people come from the countryside to protest outside government offices in Ha Noi.
doors, firms we spoke to nevertheless expressed profound frustration at
the lost opportunity cost resulting from the time and money lost from
going backwards and forwards to government offices to deal with issues
which should not have been a problem in the first place (Malesky, 2008;
interviews with business people, Ha Noi, October 2008).

“We waiting in a long queue wondering whether our document will be looked at…
coming backwards and forth as they keep asking for more information… it is the lost
opportunity cost [that matters] as you can’t do other things.” (interview with
Vietnamese businessman, October 2008).

We now turn to the causes of corruption and difficulties in
administrative procedures.

2.4. Causes of corruption

Within the academic literature there is a range of views as to the causes
of corruption. Some scholars focus on structures (Oi, 1989; Shore, 2005)
while others look at agents (Chan and Unger, 1982; Womack, 1987).
Some scholars view corruption as a crime of calculation, not passion
(Klitgaard et al., 2000), while others emphasise the importance of
understanding the social foundations of corruption (De Sardan, 1999). In
reality most explanations of corruption draw on a mixture of all these.
Here, we will briefly refer to three explanations as these are the ones
which are most relevant to our purposes: agency-idealistic; structural
material; and structural idealist theories of corruption1.

Agency-idealistic theories of corruption represent some of the oldest
explanations for corruption. They also sit most comfortably with popular
understandings of corruption. Put simply, they argue that bad people
steal, offer or accept bribes, and good people do not. Thus, corruption is
widespread where an individual’s ethical behaviour is in doubt (Wraith
and Unger, 1963).

1. The review of the academic literature on the causes of corruption draws on
work carried out by Till Brucker Ph.D student at Bristol University. We are very
grateful for his useful work in this area.
Structural materialist explanations of corruption, meanwhile, are popular with economists although they have also attracted a following among political scientists. Structural materialist explanations typically treat all agents the same, arguing that their sole motivation is to maximise economic returns. Variations in corruption are then seen as the result of structural factors which create or constrain the incentives within which agents operate. Hence, corruption is likely to be highest, it is argued, when monopoly power and discretion on the part of officials are widespread, and where checks and balances are lacking (Klitgaard et al., 2000). Others from the structural materialist camp have emphasised the way in which in some countries, the administrative system is only able to function if people pay bribes or deploy other informal practices to oil the wheels (Oi, 1989).

Structural-idealist explanations seek to explain how social context and culture lead to variations in corruption levels. Not surprisingly, cultural explanations of corruption are controversial since they seem to imply that certain cultures may be morally inferior to others. Nevertheless, applied sensitively, cultural explanations can be useful as they allow for the possibility that what is viewed as corruption in one context may not be the same as how it is viewed in another context.

With reference to Viet Nam, we can see that all these explanations for corruption have been applied at one time or another. For example, it is not uncommon to hear that corruption exists in Viet Nam because there is too much scope for discretionary behaviour on the part of officials, notably in respect of the economy, or that corruption is the result of a poor ethical outlook on the part of officials, including the assertion that ethical standards have got worse during the Doi moi period (interviews with government officials and Vietnamese academics, October 2008). Other explanations for corruption in Viet Nam view it as a consequence of insufficient reform, including regulatory loopholes as a result of the transition from plan to market; low salaries; a legacy of the state subsidy period, notably the ask-give mechanism. Other commentators see corruption as a result of decentralisation (Anti-Corruption Resource Centre, 2008); preferential treatment of state-owned enterprises;
dangerously close political-business relations (Beresford, 2008); poor implementation of the country’s laws and related regulations (Davidson et al., 2008; Fritzen, 2005); and a lack of political will (Transparency International, 2007).

In a report on corruption in Viet Nam and Russia, the Anti-Corruption Resource Centre, U4 concurs with a large part of this:

“Rapid economic growth is accompanied by increased demand for administrative functions such as the need for more government permissions to engage in economic activities via licenses, approvals, consents and the like; this in turn increases opportunities for administrative or petty corruption” (p. 3).

“Local governments have also been given new authority and greater control over local expenditure, notably in infrastructure, and increased freedom to approve foreign investment projects. These decentralisation efforts have led to the uneven implementation of laws and variations in requirements have given local officials considerable discretion to demand bribes for issuing licenses and permits, leading to more administrative corruption” (p. 4).

“Legal systems...were found to be underdeveloped and unprepared to deal with the demands of economic transition, which not only led to a slew of ad hoc and inconsistent laws. Confusion in the application of these laws also led to greater opportunities for judicial corruption” (p. 6).

For its part, GoV echoes some but not all of these explanations. For instance, it tends to dispute assertions about a lack of political will - particularly at a high level - instead placing emphasis on unclear regulations, weak implementation of AC policies, and a decline in ethical standards on the part of officials (interviews with government officials and Vietnamese academics, October 2008). In its AC Strategy to 2020, GoV explains the persistence of corruption in Viet Nam as follows:

“The main causes of [corruption] are the fact that the system of policies and laws has not been well synchronised or well aligned; the strengthening of agencies and organisations in the political system still fails to keep up with the development of the socio-economic life; the personnel of public officials and civil servants are still unprofessional, the ethics of a significant portion of public officials and civil servants
is downgraded; the implementation of guidelines, policies and solutions for preventing and combating corruption that were put forward during the past few years still fail to meet the requirements and expectations, with poor effectiveness, especially there is the lack of a comprehensive long-term strategy or plan for preventing and combating corruption" (p. 2).

While there is merit in at least some of the above analysis, generally speaking it places far too much emphasis on the failings of individuals, on the one hand, and on unclear regulations and poor implementation of them, on the other. Of course, these things are not irrelevant but to place them at the centre of the analysis is to fundamentally misunderstand the problem of corruption. Put simply, corruption in Viet Nam is a systemic problem. That is, corruption exists not as an aberration of the system - at least not primarily - but rather it is the system. See Box 6.1 for further explanation of what it means to understand corruption as a systemic problem. Controversial though this assertion may be, it can be understood with reference to three key generalisations about the state in Viet Nam: firstly a tendency in Viet Nam to view public office as a vehicle for personal enrichment; secondly; a tendency to pay attention to servicing one’s patronage network rather than working for some notion of the public good; and thirdly a tendency to use uncertainty and a lack of clarity in respect of regulations as an instrument of rule (Gainsborough, 2008).
**BOX 6.1. Corruption as a systemic problem**

To describe corruption as a systemic problem is to emphasise the way in which corruption should be seen less as an aberration of the system but more as the normal workings of the system, which has its own distinctive logic, which is self-perpetuating. The strong connections in people’s minds between public office, making money, and other forms of personal advancement, lies at the heart of this. Viewing corruption as a systemic problem therefore places heavy emphasis on the informal but often institutionalised way in which governance occurs. With reference to Viet Nam, viewing corruption as a systemic problem is helpful in explaining why it is that interventions by the Government of Viet Nam (GoV) in respect of public administration reform (PAR) and Anti-Corruption (AC) have generally failed to have the desired effect such that the problems which the reforms are designed to tackle persist. It also shifts the emphasis away from viewing corruption as primarily an ethical issue or as a consequence of unclear regulations or poor implementation. Viewing corruption as systemic problem is not to be confused with criticising one-party systems in relation to the problem of corruption as it is noted that corruption occurs in all political systems.

How current problems have emerged historically is complex and is beyond the scope of this chapter. Nevertheless, it is important to add that this characterisation of the state is not unique to Viet Nam: indeed, it far more widespread globally than is generally realised. Moreover, to characterise the state in this way is expressly not to point the finger at any particular individual, politician or department, or to highlight their supposed moral degeneracy. Of course, even within this system, there are some people who overstep the mark. However, generally speaking, the approach to understanding corruption advocated here adopts a more sympathetic standpoint in relation to corrupt behaviour, not condoning it but arguing that as the system currently operates, it is simply unrealistic to expect people to behave differently if they want to get anything done.

The validity of our first point, namely that there is a tendency in Viet Nam to view public office as a vehicle for personal enrichment, makes immediate sense if one recalls that public office in Viet Nam comes with
a price tag (i.e. it can be and frequently is purchased) (Acuña-Alfaro, 2008b; Gainsborough, 2009a; Salomon, 2008; Transparency International, 2006). Thus, officials or prospective officials are not buying their seat simply out of the goodness of their heart but rather because they expect to get something in return (i.e. to recoup their investment). And, as was discussed earlier, this happens in a whole variety of ways whether it is officials charging for their services, running businesses, or exploiting their position for private gain in other ways.

In relation to our second point, namely a tendency to pay attention to servicing one’s patronage network rather than working for some notion of the public good, the argument would be that in the Vietnamese system, looking after those in your immediate circle or patronage network is regarded as the ethically right thing to do. In fact, not to do so, would be viewed as behaving badly.

Those regulations in Viet Nam are frequently unclear and overlapping - our third point - is not by design, or the result of the activities of any one official (e.g. inexperience of those drafting such regulations). Rather, the rules are unclear in Viet Nam because there is an inherent logic of the system, which necessitates that they are - as a means of exercising power over people and in order to create opportunities for private gain. A good example would be the persistent difficulties which have been encountered in relation to PAR in respect of attempts to clarify job descriptions (PAR Steering Committee, 2006), leading to the conclusion that despite a formal commitment to such a process, actual commitment is low because a clear job description would limit the ability of office holders to exploit their public position for private gain (interviews with UNDP programme officers, October 2008).

Once it is understood that the system operates in this way, a number of important things fall into place, which are highly relevant in relation to efforts to devise an effective AC strategy. Firstly, it is clear that many of the reasons put forward for the existence of corruption in Viet Nam

1. Note, we accept that not all officials buy their position.
are second-order causes at best, which fail to go to the heart of the problem. For example, corruption in Viet Nam is not primarily an ethical issue: most people in Viet Nam are thoroughly decent people who nevertheless operate in a system which requires certain kinds of behaviour of them if they are to survive in the system, to provide for their families, and to get thing done.

Understanding corruption as a systemic problem also makes it easier to see that low salaries are not a fundamental cause of corruption even if paying officials poorly does not help matters\(^1\). Furthermore, viewing corruption as a systemic problem makes it clear that simply trying to clarify the rules will not actually change behaviour. As we have seen over more than a decade of PAR reform, this is almost impossible to do, not because individuals lack capacity but because the system itself works against this happening.

3. Policy Recommendations

In this section, we first review our key findings prior to setting out our recommendations, focusing on transparency, enforcement, civil society and media. We then relate our recommendations to existing practice in Viet Nam, pointing out similarities and differences in relation to the government’s National AC Strategy to 2020. We then consider scope for greater coordination between PAR and AC work before concluding with some final considerations in relation to moving the policy dialogue forward.

3.1. Key findings of the research

In order to advance towards discussion of our policy recommendations, it is necessary to take stock of the key findings of our chapter so far.

Our first finding is simply that there is a close relationship between PAR

\(^1\) We are aware of the argument that low public sector salaries lead officials to look for ways to supplement their income, including through corruption. Nevertheless, we do not accept that low salaries are a fundamental cause of corruption simply on the grounds that corruption occurs in countries where civil servants are paid well.
and AC. That is, while the remit of both PAR and AC is broader than the other, they both have at their heart the objective of strengthening administrative procedures - amongst other things - and hence substantive progress in one area is likely to result in progress in the other.

Second, we have established that the relationship between corruption and economic development is multi-variegated and complex, and that there is not a clear link between corruption and economic development. The relatively robust performance of the Vietnamese economy during the Doi moi period despite the existence of high levels of corruption is strongly supportive of this conclusion. That said, we have argued that there are strong reasons to move to tackle corruption on the grounds of social justice, equity, and because it is undermining of political legitimacy. In addition, we believe that there is a strong connection between the quality of public services and political legitimacy, which GoV could do more to exploit.

Third, we have established that corruption and many of the associated problems of weak public administration are systemic in nature. That is, they should be seen less as aberrations of the system but more as the normal workings of the system, which has its own distinctive logic. The strong connection in people’s minds between public office, making money, and other forms of personal advancement, lies at the heart of this.

Thus, as we have seen, many of the measures carried out in the name of AC or PAR, simply tinker at the edges and hence fail to alter the overall incentive structures. Consequently, such measures have little or no impact, or as is often the case, the system simply recreates itself such that corruption moves to a new location or takes on a new form. The way in which new offices spring up no sooner than old ones are closed down provides vivid illustration of this (PAR Steering Committee, 2006: 8-9).

The central finding of this chapter, therefore, is that any AC strategy which

1. We are aware of the argument that economic growth in Viet Nam might be better if corruption was lower although we are not especially convinced by it. Faster growth could, for instance, result in overheating.
Chapter 6: Corruption, Public Administration Reform and...  

fails to recognise the systemic nature of the problem, and act accordingly, is doomed to failure.

We would also add that this finding is as relevant to the success of PAR as it is to AC. We also believe that it is insufficient attention to the systemic nature of the problem which explains the relatively poor performance of PAR and AC to date.

Fourth, we have looked at work by Shah (2005) on corruption. Shah argues that in a high corruption environment like in Viet Nam, certain interventions are of low priority from an AC perspective because without more fundamental reform they are unlikely to alter the way people behave. These include: raising awareness about corruption; establishing a specialised anti-corruption agency, increasing public sector wages, seeking to establish a merit-based civil service, and strengthening parliamentary oversight. Shah, meanwhile, highlights a series of other interventions, which he argues should be prioritised, including: economic policy reform; strengthening the rule of law; reducing the size of the public sector; strengthening media and judicial independence, and citizen participation in the fight against corruption; and establishing a service delivery culture within the public sector (Shah, 2005).

While there is much that is valuable in Shah’s analysis, he still says very little about how such measures should be achieved nor is he familiar with Vietnamese conditions. Hence, it still necessary for us to map out the kind of interventions which may make a difference in respect of Viet Nam, including detailing the manner in which such interventions might be pursued.

3.2. Recommendations

Recognising the systemic nature of the problem of corruption, we argue that there is no single approach that can be adopted in Viet Nam in order to reduce corruption and strengthen public administration. Rather, it is necessary to pursue a variety of approaches over time, which cumulatively are designed to change the incentives governing the system.

We argue that an integrated approach to tackling corruption is likely
to pay special attention to increasing transparency and improving enforcement, with the key objective over time being to make the system more accountable, and to increase the costs of corruption. If we had to identify one thing we would prioritise above all else it would be increasing transparency. Strengthening the role of civil society and the media in the fight against corruption is also critical to the strategy proposed in this chapter because along with transparency and enforcement this is crucial to making the system more accountable.

"Unless it is imposed by the people, by society, you won’t achieve transparency”
(Interview with Vietnamese employee of international organisation, October 2008).

In relation to transparency, we believe there needs to be much greater emphasis in Viet Nam on getting public information - and indeed all issues related to the business of government - into the public domain as a matter of course. No government agency should think that it is possible for it to carry out its activities without being subject to public scrutiny. Crucial here is that it should not be left to the discretion of individual offices what they are required to put in the public domain. Rather, this should be decided for them, and enshrined in law, with clear penalties for agencies or individuals who fail to comply.

While the drive for transparency should involve placing a spotlight on all aspects of government, there should specifically be a move towards full disclosure of all inspections and audits carried out by the Government Inspectorate (GI) and State Audit of Viet Nam (SAV) along with publishing the activities of prosecuting bodies, judicial proceedings and rulings. While the precise way in which greater transparency is to be achieved in Viet Nam requires more detailed work, we would recommend the setting up of a “Transparency Roadmap” by the government detailing what different agencies are required to do over a designated timeframe. There may also be scope for sectoral roadmaps whereby different sectors detail their plans to increase transparency.

In respect of enforcement, we advocate building on existing
institutional structures as set out in the fourth group of solutions in the government’s National AC Strategy while paying special attention to the way in which different agencies work together. We do not advocate establishing any new AC agencies in the short term. However, over time it is likely that the role of the Steering Committee on Anti-Corruption, and its supporting body, OSCAC, will evolve such that its relationship with other agencies, such as GI, will need to be kept under closer review to avoid duplication of work.

“There are lots of organisations involved [in the fight against corruption] and they each have their own roles. To be effective, you need to work together, and to achieve this you need someone to direct. This is the Steering Committee on Anti-Corruption’s role. We are like a conductor of an orchestra or the coach of a football team”. (interview with official with responsibilities in the anti-corruption field, October 2008).

Our other recommendations in relation to enforcement include:
- Establishing a watchdog body to review the work of the Steering Committee on Anti-Corruption, including publication of an annual report by the watchdog which would be debated by the National Assembly;
- Addressing problems of conflicts of interest with local inspectorates by ensuring that the head of the inspectorate retains sufficient independence from the People’s Committee chairman; and
- Establishing an independent complaints committee for the public

1. The Steering Committee on Anti-Corruption was set up by the Standing Committee of the National Assembly, and is accountable to the Politburo, Party Central Committee, the Party Secretariat, the National Assembly, the State President and GoV. What we are therefore advocating is the formalisation of a watchdog role in a single body with its findings debated in the National Assembly.

2. Presently, the local inspectorate comes under the jurisdiction of the People’s Committee which limits its ability to carry out its work where there are allegations of corruption involving the People’s Committee.
to log complaints (with sufficient means for the committee to be able to act on complaints).

Furthermore, in the interests of transparency in enforcement, it is crucial that the practice of settling corruption cases as an “internal matter” ceases.

“The key is to have a process to deal with [corruption] cases so you can punish people quickly. In Viet Nam, we don’t have such a process” (interview with senior Vietnamese academic, October 2008).

In relation to strengthening the watchdog role of civil society and the media, our recommendations comprise two parts: firstly, building a supportive regulatory climate for civil society and the media to play a watchdog role in the fight against corruption; and secondly, education and confidence-building work within the state apparatus to ensure that a strong civil society and media is regarded as an asset not a liability. Central in all this is creating a climate whereby whistleblowers, including journalists, are not afraid of speaking out, and are sufficiently protected. Of course, there also needs to be appropriate professional codes of conduct governing the behaviour of editors and journalists but currently more effort needs to be placed on creating a climate in which whistleblowers are sufficiently protected.

1. Under the present system, state agencies are all responsible for receiving and dealing with complaints. Key agencies involved in this include inspectorates, investigation bodies, procuracies and the Steering Committee on Anti-Corruption. Our point is that citizens do not have faith in this system, and a more efficient and centralised system is required. For such a system to work, it will need to be well-resourced.

2. That this occurs was talked about openly in our interviews with officials saying that if a corruption case was not particularly serious they would ask that the organisation head dealt with the matter without recourse to any external body (interviews with officials working in the anti-corruption field, October 2008).

3. Note that we suspect that the emphasis here should be placed on the word “quickly”. Viet Nam does have various processes to deal with corruption cases whether it is the Ordinance on the Handling of Administrative Violations or the Criminal Law and Criminal Procedure Law. The issue is how well they work.
“Without checks and balances...[and] free expression, there is no way you are going to be able to fight corruption" (interview with senior Vietnamese academic, October 2008).

Finally, we suggest that consideration needs to be given to improving coordination between PAR and AC work given heavy overlap in their scope of work. This is discussed in more detail in the section on lessons learnt below.

Since we are not making recommendations in a vacuum, the question inevitably arises as to how our recommendations sit in relation to current and planned practice in Viet Nam. It is to this we now turn, looking at the government’s priorities as set out in its National AC Strategy to 2020.

3.3. Our recommendations and existing practice in Viet Nam

Central to the government’s AC Strategy is its five groups of solutions, which broadly speaking focus on transparency, PAR, business, including the private sector, enforcement, and strengthening the role of society and the media in the fight against corruption (see Box 6.4 below). Thus, it can be seen that while our recommendations overlap with some of the solutions contained in the National AC Strategy, they clearly differ from it insofar as we are suggesting that three of the five groups of solutions be given additional priority in the short and medium term (i.e. solutions 1, 4 and 5). Put another way, what we are suggesting is that the government could afford to be more strategic in its approach, recognising that it is important to prioritise rather than try a little bit of everything, which we believe is a weakness of the National AC Strategy.
BOX 6.4: Five Groups of Solutions in the National AC Strategy

1. To strengthen openness and transparency in the performance of official functions and duties, to minimise conditions and opportunities that give rise to corruption in policy-making, development and enforcement of laws.

2. To control the exercise of State powers; to perfect the civil service, and to improve the quality of the execution of official functions and duties.

3. To perfect the economic management mechanism, to build an equal, fair and transparent environment for business.

4. To improve and enhance effectiveness and efficiency in the performance of inspections, examinations, supervisions, audits, investigations, prosecutions, and court trials with regard to detecting and dealing with corruption.

5. To enhance awareness and to promote the role of the entire society in preventing and combating corruption.


More than this, this chapter emphasises the way in which solutions 1, 4 and 5 should be seen as the means by which progress towards achieving the other solutions (i.e. 2 and 3) is likely to be made. That is, improved transparency, better enforcement, and a stronger watchdog role for civil society and the media - together designed to make the system more accountable - are the means by which public service delivery and economic governance will be improved. At the moment, the government’s National AC Strategy does not appear to make a distinction between means and ends.

To be clear, we are not saying that solutions 2 and 3 are not important, or should be abandoned - on the contrary. However, simply trying to achieve the measures contained in solutions 2 and 3 by seeking to implement these measures is unlikely to be successful because to do so does not address the underlying incentive structure governing the system, which as we have argued throughout this chapter is the principal problem, which needs to be targeted. Thus, it is only through improving transparency and enforcement, and strengthening the watchdog role of civil society and the media, that the goals which PAR
and AC work are ultimately striving for will be achieved.

3.4. Lessons from PAR for AC work and possibilities for greater coordination

One of the main criticisms of PAR - aside from the fact that it has achieved mixed results - is that the programme’s sheer size, along with the involvement of multiple agencies, makes it unwieldy and difficult to manage. Up to a point, this may be unavoidable: the delivery of public services is by definition complex and naturally involves a large number of organisations. Nevertheless, the question arises whether there are lessons for the government as it seeks to develop its AC work. Specifically, is it possible for the National AC Strategy to be rolled out in such a way that some of the problems of PAR are avoided?

An important first step is to recognise that as with PAR also for AC, the nature of the system - and the incentive structures which underpin it - is such that it operates to try to create amorphous and difficult to manage organisations because it here that power is exercised and the system’s money making requirements are served. Put like this, there is a very real danger that without sufficient care and attention, the National AC Strategy will suffer a similar fate to PAR, in turn also achieving mixed results. As a result, we believe that the question of how AC work might be done differently from PAR needs careful thought, ideally prior to the Strategy being rolled out.

The second issue concerning PAR and AC relates to whether there is a need for greater synchronisation or coordination between them. The argument in favour of doing so relates to the fact that PAR and AC so clearly speak to each other, as we discussed earlier. Indeed, in the case of the National AC Strategy’s second group of solutions, PAR and AC explicitly overlap. Given that PAR and AC currently have distinct institutional jurisdictions - albeit both answering in the final analysis to the prime minister - this is cause for concern. Not least, it runs the risk of resource duplication along with a possibility of turf wars, and controversial measures falling through the gaps. Consequently, ways in which PAR and AC might be better coordinated need to be considered as a matter of urgency.
3.5. The “How?” of moving forward

In light of our recommendations, it is necessary to highlight a number of additional considerations which need to be born in mind if such a strategy, or a similar one, were pursued.

Firstly, the central thesis of this chapter, namely that corruption and weaknesses in public administration are systemic problems requiring systemic solutions, may encounter resistance from conservative quarters in Viet Nam. This is not surprising since to see matters in this way entails facing up to some very deep-rooted problems. There are also interests at stake. On the other hand, viewing corruption as systemic shifts the emphasis away from seeing the problem in terms of moral degeneracy - or a particular institution or person’s fault - and instead advocates creating the necessary conditions to enable people to change. Nevertheless, we anticipate that further work - and perhaps research - may be required before there is full buy-in in relation to our argument and its implications.

Secondly, it is important that moves to strengthen enforcement or transparency, or increase the role of citizens and the media in highlighting problems takes place in a concerted but staged manner. This is because sudden moves to clamp down on corruption or to subject the system to new levels of transparency are just as likely to be destabilising as doing nothing.

Finally, it is important for all stakeholders to be realistic about change. Corruption will not disappear overnight. Indeed, it is quite possible that it will get worse before it gets better. Nevertheless, just because measures do not immediately have the desired effect does not mean they are the wrong measures. For instance, in our recommendations we argue that it is through a combination of measures pursued consistently and robustly over time that the incentives governing behaviour will change, i.e. change is likely to be gradual.

References

Chapter 6: Corruption, Public Administration Reform and…


and Recommendations”, input provided for this research.


40. Khan (2002): “State Reform in Developing Countries and Institutional Reform Strategies”, revised version of a paper
presented at the ABCDE-Europe conference, Oslo, June 24-26.


52. Oi, Jean (1989): State and Peasant in Contemporary China (University of
California Press).


We have had both success and failure in the course of public administration reform (PAR). What matters now is how to make PAR a real stepping stone in the whole Đổi mới reform process. It is a honour to host the seminar on provincial public administration reform, supported by UNDP, as we consider this a valuable opportunity to speed up implementation of PAR at the provincial level.

*Mrs. Cao Thị Hải, Vice Chairwoman of the Provincial People’s Committee of Thái Bình province, in her welcoming speech at the northern regional seminar “Provincial Public Administration Reform: Situation and Recommendations” in Thái Bình City on 18 May 2009*

Human resources play a critical role [in the public sector]. In the hands of an incapable civil servant, a simple thing would become a complicated one. Therefore, how to improve the competence and awareness of human resources [in civil service] is the key matter.

*Mr. Trần Văn Minh, Deputy Secretary of CPV and Chairman of Đà Nẵng People’s Committee, in his welcoming speech at the seminar “Provincial Public Administration Reform: Situation and Recommendations” in Đà Nẵng City on 9 May 2009*

It is widely agreeable that our public administration system has not yet caught up with the pace of socio-economic development of the country. The mismatch is shown in such aspects as organisational structure, management, policies, mechanisms and human resources in charge of execution [of the public administration system]. In this context, research on how public administration reform links with economic development and international integration is very important. Therefore, I highly appreciate the timeliness, theoretical and practical implications of the PAR research series that have been commissioned by UNDP.

*Prof. Lê Du Phong, former Rector of Hanoi National Economics University, in his peer-review comments on the draft working paper entitled “Public Administration and Economic Development in Việt Nam”, presented at the national seminar “National Public Administration Reform: Situation and Recommendations” in Hà Nội on 12 March 2009*

The research paper has included justifiable points regarding the achievements in institutional reforms for public administration, including for example the enactment of a significant number of new laws, progress in simplification of administrative procedures, better timeliness and responsiveness in handling administrative procedures as the result of the application of new modalities in provision of public administrative services, with significant results in localities where the modality of “mô hình cửa” (One-Stop Shops) is put in place. In addition, the research paper has pointed out important limitations and bottlenecks in implementation of different components of the Master Plan on Public Administration Reform.

*Dr. Thang Văn Phúc, former Vice Minister of Home Affairs, in his peer-review comments on the draft working paper entitled “Institutional Reform for Public Administration in Contemporary Vietnam” at the national seminar “National Public Administration Reform: Situation and Recommendations” in Hà Nội on 12 March 2009*

Public administrative procedures are not often complicated in the normative term. However, when put into implementation, they have resulted in a lot of problems for the people [or the users]. The law shows the will of the State, but there would be a disaster if that will is put into operation by trouble-making cadres and civil servants. Without transparency [in the public administration system], the people would become victims of corruption.

*Mr. Vũ Đình Lộc, former Minister of Justice, in his oral comments on the draft working paper entitled “Public Administration Reforms, Corruption and Development” at the national seminar “National Public Administration Reform: Situation and Recommendations”, in Hà Nội on 12 March 2009*