MINISTRY OF PLANNING AND INVESTMENT
CENTRAL INSTITUTE FOR ECONOMIC MANAGEMENT

STRENGTHENING THE COORDINATION BETWEEN THE STATE MANAGEMENT AGENCIES RESPONSIBLE FOR THE SERVICE SECTOR

Hanoi, May 2006

Foreword

This report is part of a larger project funded by the United Nations Development Programme (UNDP) on *"Capacity Strengthening to Manage and Promote Trade in Services in Vietnam in the Context of Integration"* (or "Trade in Services" Project VIE/02/009). The Ministry of Planning and Investment is the national executing agency of the Project, while the Department of Trade and Services of the MPI is serving as the implementing agency. The Project is focused on four outcomes: (i) providing technical support to formulate a comprehensive development strategy for the services sector in the context of Vietnam's international integration to ensure a long-term inter-agency and cross-sector coordination on policy formulation and implementation in the services sector; (ii) improving information flows on trade in services; (iii) assessing the competitiveness of service sub-sectors and the impact of services trade liberalization; and (iv) enhancing human resource development in trade in services.

According to the specific objectives and implementation plan of the first outcome, the Project has conducted the present study: *"Strengthening the Coordination between the State Management Agencies Responsible for the Service Sector."* It addresses the current organizational system of the state agencies responsible for services and trade in services in Vietnam, their functions, duties, authority and responsibilities; offers an in-depth review of the relevant legal documents regulating the services sectors' state management and the actual coordination practice in the sector; and provides options and recommendations to improve the coordination between ministries/agencies in charge of services sector development & management, and of trade in services in the country.

The study was conducted by a team from the Central Institute for Economic Management (CIEM), in collaboration with representatives from Ministry of Posts and Telematics; Ministry of Finance; Ministry of Health; Ministry of Education; Ministry of Labour, Invalids and Social Affairs; State Bank; and Vietnam National Administration of Tourism.

We would like to sincerely thank Mr. Truong Van Doan, Vice Minister of MPI, Mr. Ho Quang Minh, General Director of the MPI Foreign Economic Relations Department; and Mr. Thai Doan Tuu, Deputy General Director of the MPI Trade and Services Department. Dr. María Cristina Hernández, Senior Technical Advisor to the Project, conceived the study and assisted the team at various stages of the research.

Acknowledgements are also due to Mr. **Richard Jones**, independent consultant, for his excellent editing work; to Mrs. **Do Thi Nguyet Nga**, Programme Officer UNDP Vietnam, for her support in the publication of this report; as well as to all the representatives from numerous agencies that provided information and data for the research and that participated in consultative workshops to discuss initial drafts of the report.

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Content

Abbreviations

CIEM	Central Institute for Economic Development
CPRGS	Comprehensive Poverty Reduction & Growth Strategy
DFID	Department of International Development
DTP	Department of Telecommunication and Post
DOET	Department of Education and Training
DOF	Department of Finance
DOH	Department of Health
DONRE	Department of Natural resources and Environment
DPI	Department of Planning and Investment
DOST	Department of Science and Technology
DSI:	Development Strategy Institute
FDI:	Foreign Direct Investment
GATS	General Agreement of Trade and Services
IT	Information technology
MCI	Ministry of Culture and Information
MoA	Ministry of Foreign Affairs
MPI	Ministry of Planning and Investment
MOF	Ministry of Finance
MONRE	Ministry of Natural resources and Environment
MTP	Ministry of Telecommunication and Post
MOH	Ministry of Health
MOET	Ministry of Education and Training
MOLISA	Ministry of Labor, Invalids and Social Affairs
MOST	Ministry of Science and Technology
MoP	Ministry of Police
MTEF	Medium Term Expenditures Framework
ND/CP	Decree issued by the Government
ODA	Official Development Assistance
OECD	Organization for Economic Cooperation Development
OOG	Office of the Government
PPC	Provincial People Committee
SARS	Severe Acute Respiratory Syndrome
SBV	State Bank of Vietnam
UNDP	United Nations Development Programs
UNCTAD	United Nations Conference for Trade and Development
VBARD	Vietnam Bank for Agriculture and Rural Development
VTA	Vietnam Tourism Administration
WTO	World Trade Organization

EXECUTIVE SUMMARY

I.   Background

Services have become more important to the world economy as a whole as well as to the Vietnamese economy. Service sectors are strongly linked to and influence all other economic sectors. Infrastructure services (such as construction, transportation, post and telecommunications, etc.) provide inputs for all enterprises. While health care, education and training, have a major impact on the quality of life in general and on the quality of labour in particular. On average, services contribute 68% of the world's total GDP though the contribution of services to Vietnam's GDP is much lower, less than 40%. For the last ten years the value-added growth rate of services has been lower than GDP, illustrating a decline in the service sectors' contribution to GDP. This has fallen from 42.2% in 1996 to 38.2% in 2004. In 2005, according to the initial estimates, growth in services is higher than GDP, 8.5% compared to GDP growth of 8.4% and now contributes 38.8% of GDP.

The reason why the growth rate in services has been lower than GDP growth is the low level of commodity market development, the high percentage of self- served services and the immaturity of high-tech services. On the state management side, the service sector has had lower attention paid to it than in the manufacturing and agricultural sectors in policy making and development strategies and planning. In recent years, the Government has realised that declines in service sector contributions to GDP is inconsistent with current world economic development tendencies. It is expected that the Vietnamese service sector will develop more quickly and make higher contribution to the GDP in the future.

The service sector plays a very important role in creating employment. The labor ratio of employees in the service sector has steadily increased in the past few years, from 8.2 millions workers in 2000 to 9.95 millions in 2004. Development in the service sector also greatly facilitates the application of new knowledge and technologies into many other sectors, helping to increase productivity and to improve performance quality. At least 70% of the inputs for service enterprises are provided by the service sector.

The target for service sector growth for 2006-2010 is 7.7-8.2%, higher than the GDP growth rate; it is projected that the service sector's share of GDP will increase to 41-42%. New service sectors, knowledge-based sectors and business support sectors have a greater focus in the sector. Service sectors such as tourism, IT and biotechnology have been identified as "thrusting industries" in Vietnam's 2006-2010 Socio Economic Development Plan.

With the increasing role of the service sector in socio-economic development and the cross-cutting nature of many service sectors, coordination between state management agencies responsible for the service sectors is become more important. Coordination between state management agencies enables government agencies to share efforts in developing good policies and ensuring effective and efficient implementation of those policies.

Coordination between state management agencies can be vertical and horizontal. Horizontal coordination sees policy development and implementation coordination between institutions at one level. Vertical coordination sees coordination between different levels, such as central and local levels. There are six main types of coordination between state management agencies:

Allocative coordination, which concerns the way in which resources (financial, human, etc.) are allocated across different policy objectives, sectors and priorities.

Strategic coordination, which ensures that all relevant agencies take necessary action to implement major Government strategies. This not only applies between ministries, but also between local administrations where joint action is required.

Impact coordination, which ensures that policy decisions in one area do not have unexpected adverse consequences in another areas. Impact may cross institutional or geographical boundaries.

Jurisdictional coordination, which clarifies roles/responsibilities and minimizes jurisdictional disputes between ministries, provinces and other agencies.

Operational coordination, which ensures that implementing agencies cooperate where necessary in implementing Government decisions.

Event/crisis coordination, which concerns the management of major events or crises.

Coordination between state management agencies responsible for the service sector has a number of constraints many of which are common to coordination between all state management agencies such as a lack of appropriate planning mechanisms and procedures, legal documents being drafted without policy concept approval; the functions and mandates of ministries/agencies, units and staff responsible for state management are not clear and relevant; poor monitoring and evaluation; unsatisfied coordination capacity of some managers and staff; lack of incentives and sanctions for good and bad coordination actors. In addition, there are various service sector related reasons for coordination difficulties due to the service sector's characteristics, such as irrelevance of the state management mechanism for public (education, health…) service delivery agencies, low participation of business associations and associations of users in service quality control.

Intra-government coordination of the service sector has three basic purposes:

To formulate and implement service sector development strategies – sound intra-government coordination would lead to more comprehensive and more coherent service sector development strategies, both for the service sector as a whole and for particular service sectors. The service sector by its nature cross-cuts traditional government functions –implying a greater need for sound coordination in the formulation and implementation of development strategies- requiring a combination of allocative, strategic, impact and operational coordination, with impact coordination providing the basis upon which to draw up appropriate strategies in the service sector and allocative and operational coordination following on.

To ensure the development and implementation of appropriate and coherent regulatory frameworks for individual service sectors (e.g. telecommunications, financial services, etc.) – because of their nature, the regulation of services is fundamental. Devising appropriate regulatory frameworks requires intra-government coordination to ensure coherence and consistency, and to ensure that all public sector stakeholders are involved. This requires a combination of jurisdictional and operational policy coordination.

To inform the WTO negotiation process – in negotiating trade in services commitments, intra-government coordination ensures that as comprehensive an approach as possible is taken, and that the viewpoints of as wide a range of stakeholders as possible are taken into account. This requires a combination of strategic and jurisdictional coordination.

Richards Veryards has defined 3 key symptoms affecting a lack of coordination, delays, duplication and confusion with consequences including missed opportunities and inefficiency[1].

Depending on the level of coordination, macro or micro, different coordination mechanisms can be applied. Henry Mintzberg identified five coordination mechanisms. Firstly, mutual adjustment mechanisms where formal and informal discussions should be made between staff to adjust their programs. Secondly, direct supervision, where a manager or coordinator works between staff to check a report of a staff member and monitor activities. Between staff there is no relationship, such as under the Mutual adjustment mechanism. Thirdly, the standardisation of skills where mechanism staff should be hired with standardised skills, such as bachelor or master degrees. Fourthly, under the Standardisation of process mechanisms all necessary procedures, rules and regulations, specifying the contents of activities should be defined clearly. Finally the standardization of, output mechanism products and services are specified clearly with costs and prices determined. The mutual adjustment, standardisation of process and standardisation of output mechanisms are often used for coordination between government agencies.

In Vietnam, government staff are often recruited without clear job descriptions. It is therefore, difficult to use a standardisation of skills as a coordination mechanism. The standardisation of process coordination mechanism is not used often as not all necessary procedures, rules and regulations, specifying the contents of activities are defined clearly. The coordination mechanism most used is mutual adjustment. Overuse of the mutual adjustment mechanism for coordination has created a danger of corruption, especially where and when there in no or low transparency.

II.   Key findings and recommendations on coordination practice of agencies responsible for the service sector:

1.   Problems in government organizations

 Many new sectors/sub sectors have emerged and sectors/sub sectors have become more important to the economy, however this is not reflected in current National industry classifications, causing various problems in the state organizational system. For example, communications and post is considered as a sub sector, and is under the management of the Ministry of Post and Telematics and also the Ministry of Transport. For some sectors/sub sectors, such as management consulting services, it is unclear what agency is responsible for state management. In many ministries and agencies the organization has been structured for a service delivery function rather than a policy making function.

In terms of the functions and mandates of the government, the Law on Government Organization issued in 2001 states that the Government is in charge of state management in socio-economic development, culture and social affair areas, national defense and security, international cooperation and integration, development and delivery of public services, state asset management and state economic development and legislation, This law doe not clearly separate business management functions from state management functions, nor does it identify the role of the Government in addressing market failures, such as addressing imperfect competition, especially the extent to which the government is involved in delivering public services.

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[1] Richards Veryards, Information Coordination: The management of information models, systems, organizations, 1994, p.3

There have been also problems at ministerial levels. Government agencies have been structured for a service delivery function leaving an inadequate focus on state management, especially policy making, causing delays or gaps in policy making. Unclear functions and mandates of many agencies has sometimes led to incorrect selection of the agencies to be coordinated. Many respondents to this studies survey mentioned that they had received requests for comments on issues which are beyond their function. In many cases, coordination is a way of avoiding personal responsibility or of compromising with agencies that have overlapping functions or mandates.

Recommendations: In order to ensure good coordination in policy making the facilitating role of the Government should be clarified especially for market failures and should be stipulated clearly in the Amended Law on Government Organization, based on the principles of good governance above. The mandate of the Government, ministries, and agencies should be defined, ensuring transparency and accountability in their decision making, with power given alongside responsibility. Clear functions and mandates of government agencies, their units and staff will serve as the basis for applying the standardization of process and skills coordination mechanism.

The 1993 national industrial classification should be amended to reflect the requirements of a transition to a market economy and global integration. At present the GSO is in the process of developing a new National industrial classification, under which some sectors, such as telecommunications or environment services will be classified as sectors (level 1) rather than sub sectors (level 2). Others such as security will be classified as a sub sector (level 2) of the financial sector, rather than a sub-sub sector (level 3). The new classification will cover all sectors, including the sectors sub sectors which have been without clear agencies responsible for state management, such as management consulting.

The government structure and the functions and mandates of government agencies should meet the requirements of the state management aligned with the public administration reform and serve best the needs of businesses and citizens. The government structure does not need to be based on industry classifications.

State management functions have been separated from business management functions. However, there are many institutional problems to be solved to build the management mechanism of state asset ownership representation to remove the role of state asset owner given to ministries and local governments.

Similar requirements have been raised to the ministries/government agencies responsible for public services delivery management (education, health, science and technology, culture, sport…) with the separation of state management functions from the public services delivery functions. Public service delivery is supplied mostly by public institutions. So far these "professional institutions" have been regulated under the same laws as government administrative agencies (both of them have been classified as administrative-professional institutions). To enhance the participation and in consideration of new legislation (Resolution 05/2005/NQ-CP), it is the time to renovate the organizational structure of ministries to promote autonomy of public service delivery institutions and encourage the participation of private sector and foreign investors in service delivering.

2. Regulation on standards of service quality

Standard service quality has not been paid attention to far. The majority of our survey respondents has no knowledge of quality standards defined for the services (67%). Many

government agencies responsible for the service sector's state management do not have a unit responsible for service quality control. For example, MOET did not establish a Department of Testing and Quality Accreditation until 2002. After its establishment most activities focused on testing and ignored the functions of education quality control. Professional service sector associations play a minor role in developing the standards for service quality and controlling quality. The lack of standards for service quality has created difficulties in applying the Standardization of output mechanism for coordination between government agencies responsible for service sector state management.

Recommendations: Service quality control should be defined as a mandate of the relevant government agencies. The capacity of professional service sector associations should be built to take part in developing the standards of service quality and control. Clear standards of service quality will help to apply the Standardization of output mechanism for coordination between government agencies responsible for the service sector state management.

3.   No specific agency responsible for coordination in the development of strategies/plans and policy implementation M&E.

Decree 144/2005/ND-CP, 2005, identified the OOG as the policy, strategies and plans drafting and supervision coordinator at the central level and PPC Administration for the provincial level. However, this regulation has been applied to the preparation and supervision of the policy, strategies and plans, but not to the monitoring and evaluating of the implementation of policy, strategies and plans.

Recommendations: The extension of the scope of this regulation by including responsibility for monitoring and evaluating policy implementation will improve the effectiveness and efficiency of the coordination between state management agencies, including the agencies responsible for the service sector. OOG should be policy performance monitoring and evaluation coordinator at the national level and the administration of ministries/agencies and provinces- at ministerial and provincial level.

4.   Popular Vietnamese coordination methods are not relevant for a quickly changing and integrating economy.

The main coordination practices in Vietnam in drafting legal documents, strategies and plans and executing other state management functions is through the establishment of a task force or drafting team and by getting written comments on issues and holding consultation meetings or workshops. Task force members and drafting teams are often high ranking managers who are often too busy to participate in coordination works. Coordination through written comments or via consultation meetings or workshops also have a number of weaknesses. Coordination via IT and information networks and forums is rarely used (only 16.4% of respondents had positive replies in using networks for coordination).

Recommendations: There are various coordination practices in Vietnam and each way has its advantages and disadvantages. IT networking can avoid many of the pitfalls associated with coordination and has advantages such as rapid communication and providing a forum to share views. However, in order to promote coordination through IT networking adequate facilities, such as computers and websites and user capacity should be ensured. IT networks could be established through "clusters", between service sectors which have close interrelation, such as between tourism and culture, transport and customs for tourism development, between banking, finance and telecommunication for financial services development.

5. Information sharing in coordination is weak

Survey respondents felt that the poor exchange of information is a major reason for poor coordination between agencies (71% of the respondents). Due to the poor exchange of information stakeholders may poorly understand issues to be consulted. Therefore, many comments are not useful or are given due to formality only, and can sometimes have a negative impact on an agency.

Recommendations: The regulation on information sharing should be developed to establish information sharing mechanisms between government agencies and government staff.

6. Policy making procedures do not ensure policy consistency

One of the reasons for ineffective coordination is that the policy making procedures and the preparing of development strategies and plans have not ensured policy consistency. The law making process in Vietnam covers several steps, from submission of laws and their impact to the National Assembly and the government, establishment of a drafting team and then drafting, consideration of international laws and treaties through to further NA discussion and final approval. Missing from this lengthy and detail process is consideration for policy.

In other countries, legislation usually consists of two steps: agreement of the policy concept and then translation of the policy concept into legal documents. The step where authorized organizations/agencies or members of the National Assembly send a proposal on to the Standing Committee of the National Assembly and the Government in Vietnam cannot be considered the same as having a policy concept agreed. A policy concept is more comprehensive than a law proposal as it may cover the need for the drafting of several legal documents and policy initiatives to implement policies. The absence this policy concept agreement step translation of policy concepts into legal documents has made it more difficult to get consensus between stakeholders and even between concerned ministries/agencies.

In Vietnam legal documents are usually drafted by the agency whose functions and mandates are regulated by that legal document without a policy concept being agreed. The practice of assigning line ministries/agencies to draft laws/ordinances/decrees also causes problems in ensuring the consistency and objectiveness of documents and preventing the bias of chairing agencies in drafting legal documents. For example, the Land Law was drafted by MONRE, the Law on Real Estate business was drafted by MOC and the Law on Real Estate registration was drafted by MOJ. Regulations on showing asset ownership is stipulated differently in the different laws: a red book according to the Land Law, a pink book according to the Law on Real Estate business and a blue paper according to the Law on Real Estate registration.

Recommendations: A two step procedure (policy concepts agreed and then legal document drafting) should be applied in issuing legal documents to better mobilize inputs (participation) and to ensure coordination between the relevant agencies in policy making and to avoid the inclusion of the interests of some ministries/agencies, and to ensure transparency and accountability in policy making.

Were the two step process applied, the OOG and Ministry of Justice would need to help the Prime Minister review the policy issues included in the legal proposals based on policy analysis prepared by the related Ministry.. A two step legal document drafting process would

help to improve the quality of legal documents and the coordination between relevant agencies.

7. Planning practices do not meet new requirements

Improved capacity and awareness of the public has strengthened their rights and desire to participate in development planning. However, there remains low participation and transparency in planning due to constraints in timing and resources for planning. Plans have been developed with limited vision and poor coordinated. The objectives of plans remain unranked creating difficultly in identifying objectives and priorities for resource allocation. There is no coordination between relevant agencies in investment prioritizing with no clear linkage of programs/solutions identified in many development plans. The plans often have no linkage to budgets, giving them a risk of ineffectiveness.

Vietnam has strongly pursued decentralization and provinces have been granted considerable powers, in resource allocation. Before the decentralization policy was fully articulated, provinces in Vietnam enjoyed a considerable degree of autonomy from the centre. However, the planning procedures and methodology applied in Vietnam has been more akin to central planning than to planning in a market economy. Input- based planning creates problems for the Central government in evaluating the efficiency of state resource utilization and in uniformly implementing policies across the entire country.

Recommendation: The planning process should be changed to ensure greater participation, transparency, empowerment and accountability in planning. In order to improve vertical coordination between levels, especially between the central and provincial levels, result-based planning should be introduced. Objectives in socio-economic development plans should be identified clearly, structured by priorities to prevent inefficient investment. Plans should be monitored and evaluated closely so that any problems can be identified and resolved on a timely basis and funds can be reallocated if necessary. Planning should be linked to budgeting. Implementing MTEFs may help to link socio-economic development plans to budgeting.

8. Poor monitoring and evaluation

Coordination in policies/strategies/plan drafting, performing and monitoring and evaluation requires adequate information and data analysis capacity. Most central and local agencies do not perform monitoring and evaluation of policy, strategy and plans well and as a result they often lack information to make useful comments. At the same time monitoring and evaluation is yet to be institutionalized. M&E indicators are not yet specific, measurable, affordable, relevant and time-bound and monitoring capacity remains limited. Facilities and capacity for data collection, processing and analyzing are in shortage and information sharing is not the culture of government agencies.

Recommendations: Monitoring and evaluation is a tool for implementing results-based approaches to state management. The performance monitoring and evaluation should be improved with the development of a good set of M&E indicators and appropriate facilities. The M&E capacity of government staff should also be strengthened. It is also necessary to issue regulations on data collection, analysis, use and sharing between agencies/units/individuals to ensure collected and processed information is shared between relevant agencies/individuals and between levels.

9. No incentives or sanctions for coordination

Decree 144/2005/ND-CP has established provisions for incentives and sanctions in coordination. However, this Decree's scope is limited to coordination between the state management agencies in drafting legal documents and preparation of development strategies and plans, but not in other state management activities, such as in public service delivery management or disputes in international negotiations.

Recommendations: As in Decree 144/2005/ND-CP, incentives and sanctions should be incorporated into relevant legal documents which govern coordination between service sector state management agencies in managing public services delivery, settling disputes or claims from service suppliers, or users of other state management agencies. There should be a specific mechanism to allocate state budgets for coordinating activities.

10.   Low coordination capacity

In order to make valuable and useful comments or to make management decisions those responsible should have data collection, processing and analyzing capacity and cross-sector knowledge. Few government staff members have good data collection, processing and analyzing capacities or cross-sectorial knowledge. The low capacity of government staff, especially of the local government staff has made the government's decentralization policy ineffective and inefficient with significant resources used wastefully. Corruption is also significant in many agencies (MOT) and provinces (Ha Giang) as government staff capacity hasn't matched the powers delegated to them.

Recommendations: In order to ensure good coordination in the state management of the service sector, managers and staff working in these sectors should have cross-cutting knowledge and the skills necessary to get adequate information and to process and analyze data. Analytical and policy making capacity skills are vital.

As we have mentioned before, Vietnam is in the process of moving to a market economy. Many functions and mandates of state management agencies are new or have changed. The policy making capacity of government staff has to be strengthened to cope with the changing environment and new demands. Capacity building for government staff, especially local government staff becomes more important under the context of strong decentralisation to ensure uniform implementation of policies across the entire country and to improve resource use efficiency.

Government staff awareness of cross- cutting issues should be raised through greater focus on the interests and opinions of stakeholders who are out of the central government, service users and suppliers, and exploit experience and knowledge from outside policy making.

III.   Principles and challenges to state management coordination in the service sector

1.   Principles for good coordination

Coordination with other agencies is one of the mandates of all government agencies. To ensure good coordination the four pillars of good governance should be followed, transparency, participation, empowerment and accountability. The nine key problems with coordination detailed above originate from a lack of transparency, participation, empowerment of accountability. Vietnam's transparency index is ranked internationally very low. There is weak participation in making policies, development strategies and plans,

especially the participation of grassroots communities and business people. Decentralization has been strong in state management but has been weak in the delegation of power such as revenues assignments. Collective responsibility in decision making still remains as the working culture of many agencies and leaders. Transparency, participation, empowerment and accountability serve as the principles to base on when any recommendation for good coordination is made. The recommendations proposed above to overcome the problems in coordination between the state management agencies responsible for the service sector serve as the specific policy options and should be under the framework of good governance.

2. Challenges in coordination

To implement our recommendations for improved coordination, Vietnam faces particular challenges in developing coordination mechanisms for the service sector.

Firstly, for socio-political and historical reasons, coordination both within and between ministries is extremely weak in Vietnam. This problem is clearly found elsewhere - but in Vietnam, it is especially marked. It is by no means uncommon for different departments within the same ministry to be unaware of what other departments are doing. Between ministries the problem is usually even worse.

Secondly, obtaining information in Vietnam is no simple affair. This compounds the problem of an already difficult environment for coordination.

Thirdly, "vertical" coordination in Vietnam is highly problematic. For socio-political and historical reasons, provinces in Vietnam enjoy a considerable degree of autonomy from the centre. Not only do provinces enjoy considerable de facto autonomy, they are also responsible for a wide range of tasks. This makes it very difficult for central government to uniformly implement policies across the entire country.

Fourthly, Vietnam's ministries are often active in the direct provision of certain services – and not just those (such as education) that are traditionally provided by the public sector. As a result, most of the commercial banking sector is State-owned, as is much of the telecommunications sector. In addition, many provinces are also directly engaged in service provision through their own enterprises (such as SaigonTourism). This blurs the distinction between regulation and production – and adds to the problems of impartial coordination and disinterested regulation. It also increases the burden on government agencies in coordination as in addition to policy making functions they are responsible for services delivery.,.

Fifthly, Vietnam is in the transition to a market economy and there is a shortage of knowledge and experience in market economy management. The legal and regulatory traditions in Vietnam are such that laws are often (and deliberately) very vague – many laws are "social" projects, normative statements of how things "should" be, rather than clear frameworks for rules. As a result, much of what actually makes up the regulatory framework is in the form of decrees, issued by ministries and local authorities. Legal enforcement has been poorly monitored and evaluated so many supporting laws and decrees have been delayed or issued with various provisions which are inconsistent. Due to the incomprehensive legal framework, not all necessary procedures, rules and regulations, specifying the contents of activities have been defined clearly, causing difficulties in using the standardization of process and standardization of skills and output coordination mechanisms.

IV. Action plan for implementing coordination recommendations

The first action for improvement of coordination should be the improvement of the 5 year 2006- 2010 socio-economic development plan so that objectives are ranked by priority and programs/solutions are linked closely to objectives. More resources from the state budget should be allocated or resource mobilization policies should be introduced in high priority areas and leading service sectors. Key indicators for monitoring and evaluating service sector plan performance should be included in the plan M&E framework as a part of the Plan. This should be done *before submitting the Plan to the Prime Minister in May 2006*.

The service sector development strategy for 2006-2015 should be prepared *before the end of this year*. The service sector development strategy should be transparent and participatory with accountability and effective decentralization. With participation of all relevant stakeholders in preparation of the service sector development strategy coordination can be ensured to achieve the overall goals of service sector development agreed by all service sectors already. The strengths and weaknesses, opportunities and challenges of the service sector over the next ten years should be analyzed carefully. Based on the service sector development strategy for 2006-2015 and the 5 year 2006-2010 socio-economic development plan it is important to introduce actions plans with relevant indicators to monitor and evaluate the service sector plan performance.

Over the short term planning practices and procedures should be improved with a move from input-based planning to results-based planning. The Government made commitments to donors to reform planning under the Poverty Reduction Support Credit (PRSC) funded by the World Bank and many other donors. Transparency, empowerment, accountability and participation of all stakeholders, including the business communities and civil society, should be ensured in planning. Empowerment can be reflected in implementing the subsidiary rule in public service delivery management;

To make the legal document drafting process transparent, participatory and accountable, having policy concepts agreed before legal documents are drafted should be made mandatory in the law drafting process. This should be introduced as soon as possible, *before the end of this year if possible*. All supporting decrees should be drafted at the same time as laws to make the law effective immediately after issuance.

The amendment to the Law of Government Organizations should be promoted, to have necessary changes made *before the establishment of the new government* of XII National Assembly term (after the election of the National Assembly in 2007). The Government should restructure its functions and mandates so that it can play a facilitating role in social and economic development. For government bodies responsible for service sector state management, state management functions should be separated from the public service delivery functions.

Coordination between agencies responsible for the service sector in negotiation for WTO accession and beyond WTO is very important. A WTO accession coordination body should be established to ensure coordination in policy making. Members of this body should not only be from government agencies, but also from business communities and civil society. Information sharing mechanisms and transparency, participation and accountability principles should be introduced to build trust between members of the body. Capacity building of government staff should be *continuously* promoted to help improving the knowledge and skills in policy making, monitoring and evaluation and other practices. In addition, incentives should be introduced to attract qualified experts from non-state organizations to collaborate with government staff in policy making

Introduction

The study on "Strengthening the coordination between the state management agencies responsible to the service sectors" is one of a set of studies carried out under the *"Capacity Strengthening to Manage and Promote Trade in Services in Vietnam in the Context of Integration"* project (Project VIE/02/009 MPI-UNDP). The main objective of the study is to investigate the following issues:

The current organizational systems of state agencies responsible for services and trade in services, the functions, duties, authorities and responsibilities of those agencies. Actual coordination between ministries/agencies responsible for the service sector. Options and recommendations to improve coordination between ministries/agencies in charge of the service sector and trade in services in Vietnam.

In Vietnam the service sector, according to the National Industrial Classification issued in 1993, includes all sectors that do not belong to the manufacturing or agricultural sectors. Coordination between agencies responsible for state management of the service sector, implies coordination between those agencies executing state management functions, such as strategic development planning, policy making, monitoring and evaluating implementation of policies, strategies and plans, international negotiation, dispute resolution and public service delivery management. As all sectors in the economy are closely related to each other, coordination between agencies responsible for state management of the service sector can be seen in the context of coordination between all sectors in general with a focus on some specific features of the Vietnamese service sector. The service sector in Vietnam is characterized by several features including:

The service sector was considered to be a non-wealth generating sector according to traditional views;
Markets have not been comprehensively developed;
The percentage of self-served service output to total output of the service sector is still high;
Knowledge- based and high-tech services remain immature

The study reviews relevant legal documents regulating service sector state management, the literature on coordination in state management in general and between agencies responsible for the service sector in particular. In addition, a survey was carried out in Hanoi, Lam Dong and Thua Thien Hue to study the coordination practices of state management agencies responsible for selected service sectors, such as telecommunications and post, education and training, health, banking, insurance, tourism, computer consulting and consultant services at central and provincial levels. The survey aimed to gather the views of service suppliers and users on coordination practices of state management agencies. Based on the survey results, an analysis of the constraints and challenges to coordination was developed and recommendations on better coordination between state management agencies responsible for selected service sectors was made.

The study consists of three parts with six chapters as follows:

Section I: Coordination between agencies responsible for service sector state management

1: The service sector in economic development
2: Coordination: Concept and modalities

3: Experience of other countries in coordination between state management agencies

Section II: Service sector state management and coordination between agencies responsible for service sector state management

4: Service sector state management in Vietnam
5: Coordination between agencies responsible for state management in the service sector in Vietnam

Section III:

6: Principles, choices and challenges for strengthening coordination between agencies responsible for service sector state management, and an action plan for implementing recommendations to strengthen coordination between agencies

PART I: COORDINATION BETWEEN AGENCIES RESPONSIBLE FOR SERVICE SECTOR STATE MANAGEMENT

1 THE SERVICE SECTOR IN ECONOMIC DEVELOPMENT

1.1 General background

Vietnam achieved good socio-economic gains in recent years. Despite a number of shocks in recent years including avian influenza, severe floods and droughts, a sharp rise in the prices of key imported commodities, and the introduction of market barriers in textiles, garments, and other products, Viet Nam has maintained high economic growth while significantly reducing poverty. GDP grew by more than 7% in 2002, 2003, and 2004 and at 8.4% in 2005. The main force behind this strong economic performance is rapid private sector growth, as seen in strong private consumption, investment and fast export growth. The gross domestic investment/GDP ratio increased from 33.7% in 2003 to 35.5% 2004. The export growth rate jumped sharply from 20.4% in 2003 to 30.3% in 2004. The poverty rate dropped from 58.1% in 1993, to 37.4% in 1998, 28.9% in 2002, and 24.1% in 2004.

The service sector has played an increasingly important role in the economy, with the industrial and service sectors contributed most to overall economic growth, nearly 80% of GDP. In 2005, the GDP growth rate of service sector was higher than GDP growth, 8.5% versus 8.4%. In the service sector the biggest event in recent years has been negotiations for accession to the WTO. Bilateral agreements have been finalised between Vietnam and many countries on accession to the WTO. In order to join WTO many policy commitments have been made, requiring good coordination between the government agencies, especially the agencies responsible for the service sector in deciding what policies can be committed to.

1.2 Role of the service sector in economic development

1.2.1 Services Help GDP Growth

Services have become increasingly important to the world as a whole as well as to the Vietnamese economy with services contributing 68% of the world's total GDP on average. Although the contribution of services to Vietnam's GDP is much lower (40%) partly because of the exclusion of contruction, it is rapidly increasing. The annual growth rate of the service sector in the past 5 years has been around 7% and 8.5% in 2005. Compared to the contribution of the service sector to GDP in other countries, Vietnam is not high. In India, the growth rate of the service sector is 12.5%; 16,1% in Indonesia, 49% in Albania, 19% in Bulgaria, 19,8%in Korea. In Vietnam the service sector has a lower growth rate compared to the industrial sector (7% compared to 10.3%).

In 2004, Vietnam's GDP growth rate was about 7.7%. Growth in the service sector made an important contribution to overall economic growth (39.3% to overall GDP in 2004). The growth rate of value-added of production-related services[2] was 7.6% in 2004, the highest rate since 2001. These service sub sectors contributed 79.3% (equivalent to 5.9 percentage points of added value of the service sector). Production-related service sectors had the

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[2] The service sector consists of three groups: a) Production- related service groups (including trade in services, restaurants, hotels, transport, telecommunication and post, tourism, banking, insurance, real estate, consulting services, community and personal services, and maids); b) service sector of a social nature (including science, culture, health, education and training and associations); and c) service sector of state administration (including security and defence).

highest growth rate among all service sectors (trade, transportation, posts and telecommunications, finance, banking and insurance).

The main reason for the high growth rate of finance, banking and insurance was diversification of service markets and a more open business environment. Capital mobilization and money lending have developed rapidly. Specifically, state-owned commercial banks have started to set up inter-bank automatic teller machine networks, contributing to increased cash turnover of state-owned commercial banks. Banking has gradually become the key tool for macro economic management in Vietnam. The insurance industry has also steadily developed in Vietnam, substantively contributing to risk reduction in doing business, improving the investment environment, reducing the burden of the state budget and contributing to the socio-economic development of the country. Information technology is now a key economic development industry with an annual growth rate of 25-30%, with a direct GDP contribution of 3.5%.

Table 1.1: Value- added growth rate and share of service sub sectors in the service sector, 2001-2004, Unit: (%)

	2001	2002	2003	2004
GDP growth rate	6.89	7.08	7.34	7.69
Services growth rate	6.10	6.54	6.45	7.47
Services' contribution to GDP (% points)	2.52	2.68	2.63	3.02
Services' contribution to GDP's growth in %	6.54	37.84	35.86	39.33
Growth rate *(price of 1994)				
Service sector	6.10	6.54	6.45	7.47
Market business services	6.22	6.58	6.30	7.58
Social and Professional services	5.85	7.62	7.82	7.66
Public administration services	5.21	3.90	5.25	5.91
Contribution to added value of service sector (by percentage points)				
Service sector	6.10	6.54	6.45	7.47
Market business services	4.88	5.15	4.94	5.93
Social and Professional services	0.86	1.12	1.16	1.15
Public administration services	0.36	0.27	0.36	0.40
Contribution to added value of service sector by percentage				
Service sector	100.00	100.00	100.00	100.00
Market business services	79.84	78.73	76.49	79.28
Social and Professional services	14.10	17.07	17.93	15.36
Public administration services	6.06	4.20	5.58	5.36

Source´GSO and CIEM

In 2004, as in 2002 and 2003, the professional service sector was still the fastest growing part of the service sector; however, the growth rate had reduced compared to 2003 (7.7% against 7.8%).

The service sector is considered a potential sector for socio-economic development. Transportation, posts and telecommunications, tourism, finance and banking, insurance, real estate business and consultancy services are high potential industries with many opportunities for creating value-added. To date the contribution of the professional service sector to economic growth has remained relatively limited since these services were not fully recognized as commercial services. Estimates show that if private-public partnerships in health care and

education services were promoted well, these sectors could contribute 10% of the GDP growth rate[3].

1.2.2   The Service Sector Creates Employment and Supports Poverty Reduction

The service sector plays a very important role in creating employment. The ratio of employment created by the service sector in Vietnam is quite low, equal to a half of some other countries, such as Korea (at 62.4%), India (59.7%) or Russia (56.5%). The ratio of labor working in the service sector has steadily increased in the past few years because the ratio of labor working in agriculture has rapidly decreased, while industry has increased slowly. However, the growth rate of employment creation in the service sector has been quite slow, 24.5% in 2000 and 28% in 2004.[4]

Labor structure by economic sectors has shown a positive shift, with a reduction in the percentage of labor working in Economic Section I, and increases in the percentage of labor working in Economic Section II   (industry and construction) and in Economic Section III (service sector). In 2004, among 42,329 employees nationwide, 57.9% were working in Economic Section I, 17.4% in Economic Section II and 24.7% working in Economic Section III (by 0.7% higher than 2003)[5]. While 80% of the population still live in rural areas and are mainly employed in agriculture, this is declining. The ratio of semi-unemployment in rural areas was still high (at 20% in 2004) and it is forecast that this will continue to increase.[6] Service sector growth will be an important resource for employment creation, especially for the poor. Most under-employed in rural areas have moved to unofficial service industries, mainly in whole and retail sale.

1.2.3   Development of the Service Sector Supports Adoption of Science and Technology

The development of the service sector greatly facilitates the application of new knowledge and technologies into many other sectors, helping to increase their productivity and to improve the quality of services. In Vietnam, information technology and communication is a fast-growing sector. The application of information technology and communication into other economic sectors helps increase productivity. In the course of administrative reform and economic re-structuring, information technology and communication is an effective tool that can make positive and comprehensive changes to the competitiveness of a country. E-government and e-commerce, for example, can greatly improve the investment environment, attract more foreign investment and expand the market for exports. Information technology and communication can be further involved in many economic sectors to improve productivity and the efficiency of investment. Sectors that are strongly dependent on international transactions including banking and finance, telecommunications, transportation, import-export, automated manufacturing processes, tourism, etc. require information technology and communication of an international quality.

The quality of education and training is a key determinant in the success of the application of new technologies, changes in government management and business management and improved economic efficiency. The development of education and training, banking,

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[3] In 2004, market oriented business service industries contributed 30.7% of GDP, professional service industries contributed 6.5% and public management service industries contributed 2.1%.
[4] Statistical Yearbook 2004, Hanoi, Statistical Publishing House
[5] Report on Vietnam's Economy, 2004, Hanoi, Vietnam
[6] The Socialist Republic of Vietnam, CPRGS*, Hanoi*, 11/2003.

insurance and health will help provide skilled labor and adequate funding for the development of high-tech and science-intensive industries.

1.2.4 Service Sector and Socio-Economic Development Plan, 2006-2010

The socio-economic development strategy 2001-2010 and the five-year socio-economic development plan 2001-2006 gave service sector development a larger role. GDP growth in the service sector for 2006-2010 is targeted at 7, 7-8, 2%, higher than the general economic growth rate. This will enable the service sector to increase its share of GDP to 41-42%. New service sectors, knowledge-based sectors and business support sectors will be focused on. Service sectors with comparative advantages such as tourism, maritime transport and finance will be further developed. Social service delivery will be improved, giving higher autonomy to social services supplier-enterprises and encourage them to improve the quality of services, and encourage the participation of the private sector in the delivery of public services in order to concentrate state budget resources on support for disadvantaged groups and poorer areas.

Tourism, communication technology, and bio-technology are identified as leading sectors, serving as the base for rapid but sustainable development and poverty reduction. By 2010 Vietnam is expected to join the ranks of the top tourism countries in the region. The socio-economic development plan for 2006-2010 states that tourism should cooperate with other sectors to develop several models of tourism of high quality, such as eco-tourism, historical-cultural tourism, etc. To create conditions for communications technology and bio-technology to become leading sectors, financial management mechanisms for technology need to be improved with greater autonomy and accountability in technological activities. The establishment of Venture Capital Funds for high-tech research and development is currently under consideration in order to help technology research and development institutes to reduce the risks associated with their investments. The Law on Intellectual Property Rights and the Law on Technology Transfer will serve as a basis to develop the technologies market.

In monopoly sectors, such as post and telecommunications, more open market policies are planned in line with commitments made through some key international treaties such as the US-VN Bilateral Trade Agreement. The financial and banking legal framework will be revised and improved upon in accordance with Vietnam's WTO commitments. In the service sub-sectors/sectors such as research and development, management consulting, legal services, quality control services, technology transfer, design services, etc., state management mechanisms will be developed to be more market-oriented, encouraging the participation of the private sector (local and foreign) in service delivery[7]. The delivery system for social services such as education and training, health care, etc. will be improved for better quality, creating good and fair opportunities for all, especially the poor and the ethnic minority people, in accessing these services.

Although the contribution of the service sector to GDP and total employment is not so high, it is nonetheless becoming more and more important to the Vietnamese economy. However, in order to develop the service sector and reap the full benefits of service sector development, much more needs to be done in terms of reform and strategic orientation.

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[7] 2006-2010 Socio-economic Development Plan Draft, MPI, 2005

1.3 The Necessity for Coordination between the State Management Agencies Responsible for the Service Sectors

interactive relations between each other. One service sector may provide inputs to many other service sectors and, on the other hand, may use services from other sectors.

Table 1.2. Relations between some service sectors/sub-sectors

Inputs- suppliers sectors	Service sectors	Output- users sectors
- Education and Training - Water supply and sanitation; - Trade	Health care sector	All sectors
- Education and Training - R&D - Engineering service - Financial service	Telecommunication	All sectors
-Telecommunication- Education and Training - IT - Management consulting - Architecture (for schools building) - Construction - Financial service	Education and Training	All sectors
- Education and Training - Telecommunication - R&D - Market research - Management consulting	Financial service	All sectors
- Education and Training - Telecommunication - R&D - Market research - Management consulting - Financial service	Business services (Market research, IT consulting, Management consulting)	All sectors

- Education and Training
- Telecommunication
- Business services :
  + IT
  + Market research
  + Management consulting
  + Design & parking
- Construction
- Financier service
- Environnent
- Transport
	Tourism	Restaurants & hotels

Education and training provides services, directly or indirectly, to most sectors. Human resources, the output of education and training services, have an impact on the quality and productivity of all national economic sectors. The quality of this service becomes increasingly important in the context of a market economy and international integration, and is decisive in determining the competitiveness of a nation and the living standards enjoyed by its citizens.

At the same time, the education sector also utilizes the services of other sectors, such as communication, computer consultancy, software development, health care service, banking, research and development etc. The development of information technology and communication supports the education and training sector in providing various new services, for example distance education and training. It creates advantages for teaching and learning, improving the quality of education and training. The development of transportation, particularly in mountainous and remote areas, improves the access of students (including poor students) to education. The gap (although still significant) in literacy and education levels between mountainous and lowland people, between rural and urban areas, has been reduced as a result of improvements in access.

Health care services also play an important role in human resource development. As with education, all economic sectors need to access and use health care services. The quality of health care workers depends very much on the quality of their education and training. The development of insurance services creates favorable conditions for the development of health care services, so that the poor can benefit from this. The development of various insurance forms with high quality does not only bring benefits to health care users, but also to health care providers. It lays the foundation for a transition from state-owned health care service delivery to market-oriented forms of health care. Hospitals and clinics need investment so they must use finance and banking services. Advanced health care services, using modern equipment, can only be operated when using outputs of high-technology sectors, such as telecommunications and information technology.

Telecommunications is also an input for all sectors. Broadcasting, internet or telephone support the development and modernization of other service sectors such as health care, education, tourism, and insurance sectors. Thanks to the utilization of information technology and telecommunications products, state management is steadily renovated. The development of e-government is considered a fundamental target of public administration reform in Vietnam. In turn, the telecommunications sector uses the services of many sectors, of which the most important are: information technology, design service, research and development, education and training, and finance. The quality of current human resources is a major challenge to the development of information technology and communication services. The application of information technology in order to improve the efficiency of state management is constrained by the low capacity of staff, particularly at the local levels. That the legal sector is not strongly developed and is of relatively poor quality is also a challenge to the utilization of information technology in e-transactions and a constraint to the development of computer and telecommunication services, if only because citizens' confidence in the legal system (and the recourse it offers) is under-developed.

Finance and banking and related services play a vital role in providing financial resources and other services for the operation of the economy and for social development. All economic sectors need to use financial and banking services. Capital, one of the three main production factors, is provided to manufacturers and consumers through financial and banking services. The development of financial services has created favorable conditions for enterprises in mobilizing capital, thus enabling them to access new high-cost technology. On the other hand, finance and banking need other services such as education, telecommunications, management consultancy, market research etc.

Contrary to international practice, construction is not considered a service sector in Vietnam. Taking it as a service sector, the contribution to GDP and to employment by the service sector would be higher. Construction is a client of various sectors and provides inputs for many others. It appears in all construction and building activities of all sectors, including road

construction, school buildings, or construction of offices and restaurants. Products of the construction service sector have been rapidly improved with high technology and skilled workers. The development of banking and insurance also helps in the development of the construction sector.

Tourism does not provide inputs for many other service sectors. However, the development of tourism requires contributions from many service sectors. Naturally, tourism is a product of various factors. Products provided to tourists such as tourism programs, accommodation, food, entertainment, vacation, and tourism transportation are cross- sector products of different service sectors, including transportation, custom, education and training, health care, environment protection, post and telecommunications, information technology, banking and insurance. The development of a strong tourism sector in countries such as Singapore or Switzerland is mostly attributable to good coordination in using advantages between many sectors, rather than due to the advantages created through natural resources or cultural and historical endowments. It is impossible to develop new forms of tourism such as eco-tourism or cultural and historical tourism without coordination with other service sectors such as environment and culture.

Transport is a major service sector. Investment in transport development, especially road development, comes mostly from the state budget. As with many other services, all economic sectors, including security and national defense, have to use transport services. Good quality transport services help to reduce transportation costs, and raise the quality of products for various sectors. Though it is an infrastructure sector, transport is considered as a vital sector in hunger elimination and poverty reduction. Transport partly helps increase the attraction of local tourism, attracting more tourists into Vietnam. Some forms of tourism such as eco-tourism, cultural and historical tourism, adventure and sports tourism can only be developed through the development of transport infrastructure and services, so that tourists can access remote and scenic areas with rich and special cultures. Vice versa, transport has to use the products of other service sectors. Construction, design, management consultancy or telecommunications have strong impacts on the transportation sector. For example, because of weak management and an inadequate legal system for management consultancy services, many users face difficulties in obtaining good consultancy services – as a result of the low quality of consultancy services and poor civil work supervision, road development is slower than it might otherwise be.

Due to its cross-sector nature, the state management functions of the agencies responsible for the service sectors can be performed well only though good coordination. There are various forces behind the move towards greater coordination between government agencies across the globe, this includes:

Increasingly problems cannot be resolved within a strategic plan of a specific ministry and thus need a "whole government" approach;
Under service sector reform, the success of a sector/activity usually depends on the set of initiatives or cross-sector approach in policy making;
Many developing countries, including Vietnam, are in the process of negotiating accession to various international organizations (such as WTO). Negotiation needs coordination between many sectors, especially service sectors.
Many emerging problems have become more complex, e.g. international terrorism, disease...
Budget resources are increasingly limited forcing many institutions to focus on their own problems, ignoring cross-sector problems;

People expect more from government in solving big issues, such as security, legislation. The public demands a more responsive, efficient and user-friendly service and requests better management of the private sector by government;
Pressures of public administration reform strategies on central agencies.

Vietnam has been influenced by similar forces to those above in coordination between state management agencies, especially agencies responsible for the service sector. The coordination in policy making and international negotiation is more necessary in Vietnam than in many other countries because Vietnam is in transition to a market economy and in the process of negotiation to join WTO.

2   COORDINATION: CONCEPT AND MODALITIES

2.1 Coordination: concept, criteria for good coordination and modalities

2.1.1   Coordination Definition

Coordination can be defined differently depending on the coordinating actors. In its literal sense, coordination is defined as the organized action of muscles to create purposeful movement, such as standing or walking. A more relevant definition is, coordination is the way of working together harmoniously[8]. T.T Malone and K. Crownston offered a conceptual framework for coordination as requiring four basic components: *actors* performing *activities* directed towards goals with the goals-related *interdependencies* between the activities

Coordination between economic institutions is a mechanism regulating different actors to create a synergized and integrated socio- economic activity for a shared goal. For state management, coordination is the way that government agencies put shared efforts into making good policies and the implementation of those policies with high effectiveness and efficiency.

Different countries use the terminology "coordination" with different policy implications. The term "cross-sectoral issues" used in Thailand means the need for central government agencies to coordinate. This term "cross-sectoral issues" is also used by some OECD countries. In the United Kingdom, policy coordination is perceived as a "policy and cross-sectoral services management" issue. In Australia, policy coordination is considered a "whole government approach"[9]. Some organizations, including the OECD, use the term "policy coherence". Whatever the terminology used, coordination always means a more integrated and coordinated approach in making and implementing policies by governments.

The purpose of coordination is to ensure good governance in a certain process without a single authority. Coordination is between institutions, including interaction between units with different mandates and functions, or between individuals who do not belong directly to any specific authority. Therefore, coordination is different from control when any management decision made is related to a single organization or individual.

2.1.2   Criteria for Good Coordination

Richards Veryards has defined 3 key symptoms of a lack of coordination as delays, duplication and confusion, with 2 consequences as missed opportunities and inefficiency[10].

Box 2. 1: Symptoms of lack of coordination

Delays, waiting, work in progress
Duplication, Overlaps, redundancy
Confusion, cross purposes, misunderstanding
Loss of data-, gaps, poor utilization of resources, missed opportunities
Inflexibility, obsolete standards, Stagnation

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[8] T.T. Malone & K. Crownston, "What is Coordination theory and how it helps design cooperative work system, CSCW 90 proceedings, 1990, 357-366p.
[9] Mark Johnston, International experience in policy coordination, 2005
[10] Richards Veryards, Information Coordination: The management of information models, systems, organizations, 1994, p.3

2.1.3 Coordination Modalities

Coordination can be vertical and horizontal. Horizontal coordination is policy development and implementation coordination between institutions at one level. During development strategy/plan making and implementation, one institution can have a partial contribution to this process, such as providing the infrastructure or services or creating an appropriate regulatory framework. For example, before developing a tourism park some infrastructure facilities (roads and utilities) should be made available or some relevant legal documents (regulation on cooperative ownership and land ownership certificates) should be issued. Environmental impact assessments should also be approved before the development of a resort area. To achieve the goals and targets in the service sector strategy there should be good coordination between many ministries and agencies.

Vertical coordination is coordination between different levels, such as between the central and local levels. Many policies are made by central government, but implemented mostly at local levels. Therefore, vertical coordination is as important as horizontal coordination and it is even more difficult to be implemented. Local governments may play the role of stakeholders, stakeholders' organizers or the implementers of the policies issued by central government.

There are six main types of policy coordination[11]:

Allocative coordination, which concerns the way in which resources (financial, human, etc.) are allocated across different policy objectives, sectors and priorities.

Strategic coordination, which ensures that all relevant agencies take the necessary action to implement major Government strategies. This applies not only to ministries, but also between local administrations where joint action is required.

Impact coordination, which ensures that policy decisions in one area do not have unexpected adverse consequences in another area. Impact may cross institutional or geographical boundaries.

Jurisdictional coordination, which clarifies roles/responsibilities and minimizes jurisdictional disputes between ministries, provinces and other agencies.

Operational coordination, which ensures that implementing agencies cooperate where necessary in implementing Government decisions.

Event/crisis coordination, which concerns the management of major events or crises.

Table 2.1: Six main types of coordination

Types of coordination	Reasons for coordination	Examples of the programs/actions to be coordinated
Allocative	The allocation of scarce resources or	State budget allocation

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[11] Mark Johnston, International experience in policy coordination, 2005

coordination	decisions on certain actions can reduce the revenue or time relating to another decision	
Strategic coordination	To ensure all concerned institutions make the necessary action to implement the government's strategies	- CPRGS - PAR - Tourism development strategy - etc.…
Impact coordination	To ensure decisions made by one institution do not negatively impact on other institutions	- Decisions on the price of some monopoly goods and services: electricity, petroleum...
Jurisdictional coordination	To make the roles/functions of different institutions clear and mitigate disputes on authorities of different ministries/provinces	Processing a dispute between two institutions on their mandate relating to a certain issue
Operational coordination	To ensure coordination between implementers in following the decisions made by the Prime Minister	- Implementation of the decisions, resolutions, decrees... issued by the Prime Minister
Event/crisis coordination	Coordination in solving problems suffered from big events or accidents	- Preparation for WTO accession - SARS, birds flu

2.1.4 Coordination Mechanisms

Henry Mintzberg identified five coordination mechanisms: Mutual adjustment, Direct supervision, Standardisation of skills, Standardisation of process and Standardisation of output (See Figure 1)[12]. In the Mutual adjustment mechanism, formal and informal discussion should be made between staff to adjust their programs. This mechanism can be used at micro level, between individuals, but not between big organizations, such as ministries/agencies. However, relevant individuals (as representatives) of coordinating agencies can participate in inter- sectoral/agency team (steering committee, task-force groups) or the networks to discuss the issues to be coordinated. Under the direct supervision mechanism, there is a manager or coordinator between staff to check staff members and monitor activities. Between staff there is no relationship, such as under the Mutual adjustment mechanism. Under the Standardisation of skills mechanism staff should be hired with the standardised skills, such as with bachelors or masters degrees. Under the Standardisation of process mechanism all necessary procedures, rules and regulations, specifying the contents of activities should be defined clearly. This mechanism is usually applied for coordination between organizations, including government agencies. Under the Standardisation of output mechanism products and services are specified clearly with costs and prices determined. All of these five coordination mechanisms should be used appropriately depending on the nature and scope of the issues and organizations to be coordinated.
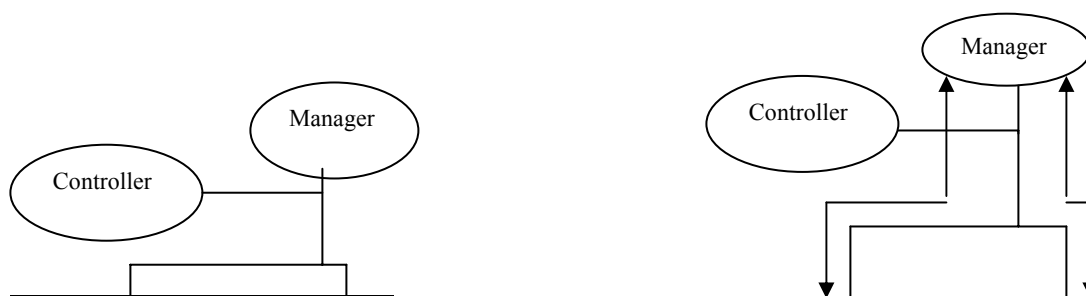
[12] Henry Mintzberg, The Government in fives, 1994

4.1. **Mutual Adjustment**

4.2**. Direct Supervision**

Skill   Skill   Process
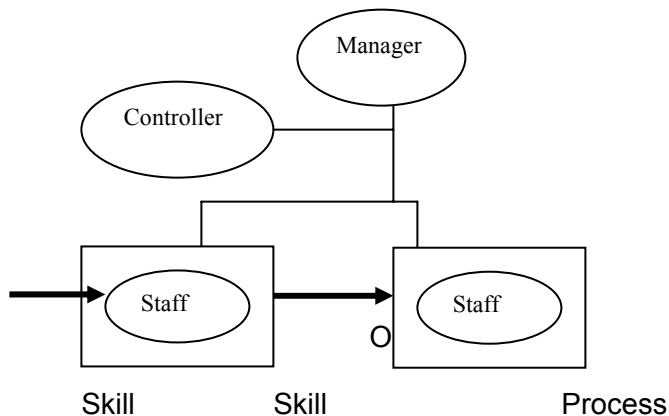
4.3**. Standardisation of skills**
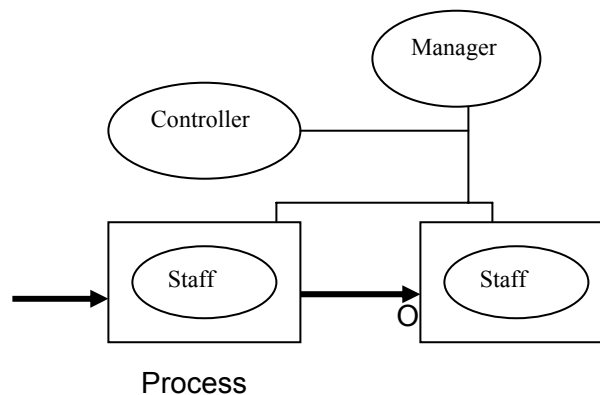
Process

4.4.**Standardisation of process**
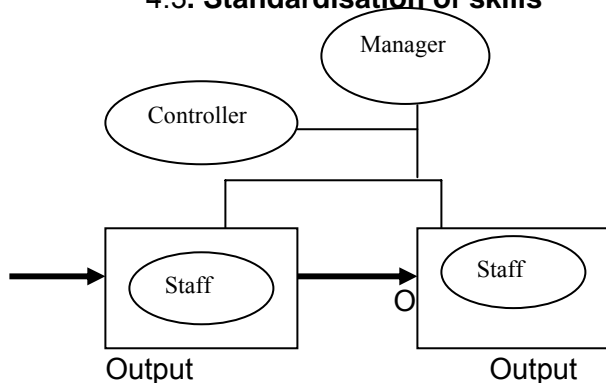
Output   Output

2.1.5   Standardisation of Output

2.1.5.1 Coordination trends

It is increasingly common for developed, developing countries and transitional economies to concentrate on policy coordination and the activities needed to improve the coordination mechanisms. These trends include:

Government concentrates on macro policies and strategic decision making;
Government avoids making operational decisions;
Improving policy development capacity;
Results-based management and responsibility clarification;
Ensuring essential linkages are made;
The potential impacts of the proposals submitted to the government are to be evaluated.
Strengthening M&E.

2.1.5.2 When coordination is needed

Whenever the work to be done needs the participation of more than one person who is not subject to a single authority, coordination is needed. However, there are issues which can be addressed without coordination and issues which cannot be addressed without it. Different types of coordination are needed for dealing with different issues, for example:

Strategic coordination is needed in the case of strategic policy outcomes requiring a top-down approach led by central agencies in order to deal effectively with trade-offs and/or issues affecting several ministries and agencies;

Impact coordination is needed for getting optimal benefits from multi- agency related policies outcomes;

To achieve the best trade-off between conflicting policy outcomes allocation and impact coordination is needed;

Delivery of higher quality outputs and services requires operational coordination;

Better implementation of shared tasks and processes to deliver common or different outcomes needs operational coordination.

2.1.5.3 Inter-sectoral coordination

Individuals and institutions can be coordinated in various ways. Organizational structure can be changed to ensure coordination or structures can be merged within a unified budget. Joint teams, such as working groups, steering committees and task-force groups can be established to play the role of the coordinator. Some shared budget can be earmarked for the work needing coordination. The main type of work for inter-sectoral coordination includes:

Organizational change;

Merged structures and budgets;

Establishment of inter-sectoral working groups/joint teams

Shared budget

Joint customer interface arrangements;

Joint management arrangements

Shared objectives and performance indicators

Consultation to enhance synergies and manage trade-offs

Sharing information to increase mutual awareness.

2.2 Coordination in the service sector

Coordination is especially necessary between service sectors. However, coordination is very difficult to achieve in the service sector because of the complexity of services. The service sector is especially complex precisely because services have multiple "knock on" effects in all other sectors (including, of course, other service sub-sectors). What happens in the telecommunications sector, for example, impacts upon virtually every other sector in the economy (including other service sub-sectors). Similarly, education sector developments can and do have important implications and consequences for many other sectors.

WTO accession negotiations with regard to trade in services will result in binding commitments by Vietnam, which must then be followed[13] or translated into domestic policies

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[13] At present negotiation partners are asking Vietnam to issue and amend the number of legal documents for improving the legal framework to be consistent with WTO regulations before being accepted as a member of WTO. The requirement is set because China has not strictly fulfilled the policy commitments (especially the commitments on banking services management policies) after joining WTO.

and regulations. Getting trade in services negotiations "right" implies having a clear sense of service sector development – and thus clarifying what is to be negotiated (and what is not to be negotiated). Trade negotiations are considerably more complex for services than for goods, largely because trade in services is restricted by regulations, rather than by tariffs (as is the case for goods) – and such domestic regulations are often necessary to achieve national policy objectives (protecting workers' rights, ensuring access to basic services throughout the country).

In turn, once negotiations are complete, internationally binding commitments will need to be translated into domestic policy frameworks and these will then need to be implemented and enforced. Service sector development strategies may also need to be adjusted in the light of negotiated commitments.

All of this implies the need for robust and effective coordination mechanisms – both within Government and between Government and other stakeholders. In the service sector, this is a major challenge (in any country) because of the nature of services and because of the resulting institutional complexity within Government. No single ministry is (or can be) responsible for the entire service sector, and no single ministry or agency is likely to exercise control/influence over all aspects of a given services sub-sector.

As with coordination in general, there are also six main types of policy coordination between service sectors: (i) allocative; (ii) strategic, (iii) impact, (iv) jurisdictional; (v) operational and (vi) crisis/event. In the case of the service sector, the key types of policy coordination are (i) strategic, (ii) impact, (iii) jurisdictional and (iv) operational.

The issue of coordination in the service sector can also be seen in another way, in terms of purpose. Intra-government coordination with regard to the service sector can be seen as having three basic purposes:

1. To formulate and implement service sector development strategies, sound intra-government coordination would lead to more comprehensive and more coherent service sector development strategies, both for the service sector as a whole and for particular service sectors. The service sector by its nature cross-cuts traditional Government functions, implying a greater need for sound coordination in the formulation and implementation of development strategies. This requires a combination of allocative, strategic, impact and operational coordination, with impact coordination providing the basis upon which to draw up appropriate strategies in the service sector and allocative and operational coordination following on.

2. To ensure the development and implementation of appropriate and coherent regulatory frameworks for individual service sectors (e.g. telecommunications, financial services, etc.) as due to their nature, the regulation of services is fundamental. Devising appropriate regulatory frameworks requires intra-government coordination to ensure coherence and consistency, and to ensure that all public sector stakeholders are involved. This requires a combination of jurisdictional and operational policy coordination.

3. To inform the WTO negotiation process, in negotiating trade in service commitments, intra-government coordination ensures that as comprehensive an approach as possible is taken, and that the viewpoints of as wide a range of stakeholders as possible are taken into account. This requires a combination of strategic and jurisdictional coordination.

Whether all three purposes can be met by the same set of coordination mechanisms and arrangements is something that is unclear – it may well be that certain mechanisms are better suited to particular purposes than to others.

3   POLICY COORDINATION- EXPERIENCE FROM OTHER COUNTRIES

3.1 Lack of coordination mechanisms: common practice in many countries

Whilst it is generally well understood that the development of the service sector and trade in services – if it is to be optimal – requires a high degree of coordination within Government and between Government and other stakeholders, it is much less clear how this can or should be done.

Indeed, a good deal of the literature on policy coordination for the service sector concerns the *lack* of effective coordination mechanisms and how this negatively impacts on trade in services. The box below on South Africa is typical in this respect.

Box. 3.1. South Africa: uncoordinated trade negotiations?

"In conclusion, South Africa's trade negotiating machinery is presently ill-equipped to meet the demands of an ever-expanding trade negotiations agenda. This applies in particular to services negotiations and other "Singapore Issues" which are primarily regulatory in nature, have far-reaching consequences and require the interaction of a diverse range of stakeholders. While a number of positive changes are in the pipeline, much work still needs to be done to improve the effectiveness of the interaction between trade negotiators and local stakeholders, and to alleviate the severe capacity constraints within the DTI [Department of Trade and Industry] itself. Furthermore, the state of flux in domestic institutional arrangements to support trade negotiations is having an adverse impact on South Africa's role in the negotiating process, especially on its ability to form strategic alliances in services negotiations."[14]

There is much evidence in the literature of the consequences of inadequate coordination and the resulting disputes that may occur as a result, the box below (concerning intellectual property rights in China) provides an illustration of this.

Box 3.2. China: intellectual property rights (IPRs) and coordination issues

China has recognized the damaging effects of IPR infringement and has implemented steps to combat its effects. As part of the Trade-Related Aspects of Intellectual Property Rights ("TRIPS") Agreement, China committed to adhere to various internationally accepted norms of protection including minimum standards of protection for copyright, trademark, and other intellectual property rights. While China has satisfactorily overhauled its framework of laws, regulations, and implementing rules to comply with the TRIPS obligations, China's enforcement of these measures remains generally ineffective throughout the country. The US Trade Representative (USTR) partly attributed China's shortcomings in IPR enforcement to a lack of coordination among Chinese government ministries and agencies.
The USTR acknowledges that local governments (including Beijing, Shanghai, Guangzhou, and Zhejiang have taken steps to improve IPR protection). However, China has not yet implemented a focused, nationwide effort designed to coordinate central, provincial, and local enforcement into a cohesive scheme necessary for effective reduction of IPR infringement. When IPR infringement is found, China's laws and regulations are unclear as to

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[14] *Opportunities and Risks of Liberalising Trade in Services – Country Study on South Africa,* Steuart & Cassim, February 2005, School of Economics and Business Sciences, University of the Witwatersrand, Johannesburg Trade in Services and Sustainable Development Issue Paper No. 2

whether the prohibited activity warrants administrative, civil, or criminal enforcement. As a result, criminal enforcement is rarely sought and infringing entities are free to continue with business as usual. The USTR reports that coordination on the national and local levels remains problematic as different agencies are using different standards to determine whether criminal conduct exists and some agencies are apparently unwilling or unable to work together.[15]

3.2 Coordinating WTO/GATS negotiations: some international examples

3.2.1   JITAP Initiatives: Inter-Institutional Committees (IICs)

Most of the literature that is available on comparative international experience in service sector policy coordination is about the third purpose of coordination, to inform the WTO negotiation process. In some countries, mostly in sub-Saharan Africa, under JITAP (the Joint Integrated Technical Assistance Programme, managed by ITC/UNCTAD/WTO), new institutional arrangements have been introduced. The focus of these arrangements is the establishment of Inter-Institutional Committees. IICs have the objective of providing for participatory national coordination and management of trade policy formulation, monitoring of the implementation of WTO agreements, and preparation for trade negotiations with a view to strengthening their effective participation in, and drawing maximum benefits from, the multilateral trading system. The IICs have acted as platforms for analyzing negotiating strategies, preparing and supporting trade negotiations, and coordinating and undertaking consensus-building among governmental institutions, and between the Government and the private sectors, academia, civil society and other stakeholders.

IICs – which have taken country specific forms – are usually chaired by national Trade and Industry ministries, which provide the IICs with their secretariats – and which also make budgetary provisions for their functioning. Ideally, IICs also have a legal mandate and status , which permits them to be properly institutionalized and funded. Experience from JITAP indicates the need to provide IICs and their secretariats with sufficient resources, without adequate resources, IICs become ineffective.

Under JITAP, most IICs operated a two-layer structure, namely a plenary of all members and specialized subcommittees dealing with specific trade agreements and/or thematic issues of interest to the country.

The IIC Plenary (or Assembly) is open to participation by all members. It is convened by the JITAP National Focal Point, normally the Ministry of Trade and Industry, which is responsible for international trade. It can meet periodically, at least monthly, to be informed of the status of negotiations, to review the progress of implementation, and to provide inputs to negotiating objectives, priorities and strategies. Participation by business associations, academia, civil society and the media, as well as parliamentarians, is encouraged. The participation of parliamentarians may be facilitated by an arrangement whereby the IIC reports to a relevant parliamentary committee on a regular basis, so that members of Parliament will be able to share information with the members of the IICs. The Plenary provides the overall guidelines for subcommittees and is responsible for the IIC's work programme.

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[15] *China Insights,* Vol. 2 Jan/Feb 2005, Benesch, Friedlander, Coplan & Aronoff LLP, Cleveland, Ohio

Box 3.3. Uganda's Inter-Institutional Trade Committee

In Uganda, an Inter-Institutional Committee (IIC) to address WTO issues was established administratively in 1998, with a membership drawn from public/government institutions, private sector institutions, academicians/researchers and civil society representatives. Subsequently, the mandate of the IIC was expanded to include all trade policy issues. Hence, in 2002, it was renamed the Inter- Institutional Trade Committee (IITC).

The IITC is limited to 40 Members and acts as a policy adviser to the Government. This number is considered large enough to cover all interests, and small enough to conduct serious business effectively. All members are required to show commitment in various forms and in terms of a donating a certain amount of their time. This is reflected in the contributions of different members in terms of analysis of issues, and financial and other contributions to the preparation of working papers and understanding of issues.

The IITC is chaired by the Permanent Secretary in the Ministry of Trade and Industry, the JITAP Focal Point. It has a secretariat within the Department of Trade and Industry, and holds meetings on a quarterly basis. It also holds an annual retreat. It receives reports from its subcommittees, where the technical work is done. In undertaking its work, the IITC consults frequently with Uganda's WTO trade negotiators and when positions are adopted they are immediately communicated to the policy makers and the trade negotiators.

The IITC is assisted by several subcommittees. Originally, there were five such committees dealing with specific sectors. However, because the mandate of the IIC was expanded to include all trade policy issues, additional subcommittees were set up from time to time to address new areas of interest. Currently, the following seven Sub-Committees function:

1. The Sub-Committee on Agriculture and Related Agreements: chaired by the Ministry of Agriculture with the Uganda National Farmers Association as the alternate Chair;
2. The Sub-Committee on TRIPS and Legal Aspects: chaired by the Ministry of Justice with the Uganda Law Society as alternate Chair;
3. The Sub-Committee on Services: chaired by the Bank of Uganda with Uganda Services Exporters Association as the alternate Chair;
4. The Sub-Committee on Trade Remedy and Trade Facilitation Agreements: chaired by the Ministry of Finance with the Uganda manufacturers Association as the alternate Chair;
5. The Sub-Committee on New Issues: chaired by the Ministry of Tourism, Trade and Industry with the Uganda National Chamber of Commerce as the alternate Chair;
6. The Sub-Committee on Regional Integration: chaired by the Ministry of Foreign Affairs with the Private Sector Foundation as the alternate Chair;
7. The Sub-Committee on Bilateral Opportunities and Domestic Initiatives: chaired by the Ministry of Tourism, Trade and Industry with the Uganda Importers and Exporters Association as the alternate Chair.

Ideally, a subcommittee should meet once a month. It has a core membership of 10 and has the latitude to co-opt another 10 technical or interested parties depending on the issue under discussion. An official from the Department of Trade, normally the desk officer for the subject concerned, guides the subcommittees' discussion and helps in preparing working papers along with other interested stakeholders and members of academic/research institutions.

The work of the IITC was originally hampered by lack of resources, both human and financial. Through JITAP, financial and technical support has been extended to the IITC. Also, a National Consultant was engaged to supervise the work of the IIC. Both the Government and stakeholders who are Members of the IIC, recognizing the usefulness of the forum and having a commitment to it, are making financial as well as other contributions necessary for its effectiveness. The Cabinet has been considering a WTO Implementation Bill that will also lead to institutionalizing the IITC.

IIC Subcommittees (or Working Groups) on specific issues are composed of a more limited number of members directly concerned with the specific issues. They have been established on different subjects under negotiation, such as agriculture and SPS, services, market access for industrial products, TBT, TRIPS and WTO rules, according to the importance attached thereto.

The participation of nongovernmental or private sector entities in IICs has made important contributions to the definition and implementation of negotiating objectives and strategies.

However, not all institutions participate in all levels of decision-making in order to maintain efficacy. The number of members is usually limited to allow for the effective functioning of the IICs, particularly in subcommittees. Furthermore, the incorporation of institutional members in sub-committees usually has to meet clearly established criteria with a direct relevance to the issues likely to be discussed.

3.2.2 Regular Processes of Coordination and Consultation for the Purposes of GATS Negotiations

A recent OECD survey (*Managing Request-Offer Negotiations into the GATS – a survey of country preparations for the negotiations,* Working Paper [TD/TC/WP(2002)47] of the Trade Committee, OECD, May 2003) examined how different countries had ensured intra-governmental coordination and wider consultations in the process of GATS negotiations.

Box 3.4. Specific coordination challenges posed by GATS

Services negotiations are relatively new, dating only from the Uruguay Round, and a depth of negotiating experience is yet to be built in many areas.

The range and diversity of services sectors means that a large number of Ministries with responsibility for, and expertise in specific sectors need to be involved in the negotiations. Many of these Ministries may know little about the GATS (or even WTO), and trade negotiations may be only one of many competing priorities.

Within the GATS, each mode of supply raises quite different policy issues - e.g., Mode 1 involves discussion of the legal and regulatory frameworks for e-commerce; while Mode 4 raises issues under the purview of migration authorities, and Mode 3 raises a range of questions about the appropriate policy frameworks for foreign direct investment.

The GATS itself is also a famously non-user friendly agreement, requiring considerable interpretation and explanation.

Confusion and misperceptions about the GATS abound, as well as genuine concerns about the relationship between regulation and liberalisation in a fast-changing global economy.

There is a wide variance in the degree of business interest and involvement in the negotiations. In many countries, the services industry is less well organised than other sectors of the economy and often lacks an industry association to represent services exporters.

The study underlined the specific coordination challenges posed by GATS (Box 3.4.). After examining coordination mechanisms for GATS negotiations in a range of OECD countries, a few transitional countries and a number of developing countries, the OECD survey made a number of general observations:

Intra-governmental coordination

Most countries have some form of working group for services negotiations, though only some countries have additional groups for specific sectors. Some developing countries have one working group covering all WTO negotiations.

There is widespread recognition of the need to involve a wide range of other ministries in consultations in view of their expertise, sectoral knowledge and contacts. The processes for intra-governmental coordination are generally well developed. While this is not always the case, mechanisms for intra-governmental coordination are often more developed than those for consultation with domestic stakeholders.

However, lack of understanding of the GATS within the government is a problem for a number of countries, both developed and developing. Ministries other than the lead agency may also not rank the negotiations high against many other competing priorities.

Developing countries in particular face problems with the limited number of officials working on GATS or WTO issues and the lack of resources to send representatives from other Ministries to Geneva for WTO Services negotiations. This also impacts upon their ability to accurately assess their interests in the negotiations.

For almost all countries, informal and/or *ad hoc* direct contacts between government officials are an important part of intra-governmental coordination, even where formal mechanisms exist.

Coordination processes between capital and Geneva, while important for all WTO Members, are particularly important for developing countries where limited resources in capital can lead to a greater reliance on the Geneva mission to contribute to the development of national positions.

In general, intra-governmental coordination, while not without difficulties, appears to be relatively developed in most countries which responded. One issue may be that some service sectors which are highly sensitive for some countries in terms of public interest may nonetheless not be the focus of detailed and ongoing intra-governmental coordination, given scarce resources, where they are not the focus of many requests and offers in the negotiations compared with other sectors.

Domestic consultations

Mechanisms for consultation amongst domestic stakeholders are less formal than those for intra-governmental coordination, and mechanisms for consultation with industry are generally, but not always, more highly developed than those for consultation with other groups.

While some OECD countries have more formal systems than others, overall, consultations with industry do not vary enormously between OECD members and observers, economies in transition and selected developing countries. All have some form of consultation process with industry, involving advisory groups or regular meetings or briefings or *ad hoc* contact. However, developing countries' efforts are greatly hampered by a lack of resources.

But industry interest varies enormously. In some OECD countries, industry is well-informed and actively engaged in the negotiations, or increasingly taking the initiative to make its views known. However, other OECD countries are experiencing difficulty attracting sufficient interest in GATS consultations, as are the Baltic States. Lack of industry interest in, and understanding of, the GATS are also major issues for developing countries. This compounds the difficulties faced by these countries in identifying sectors of interest to them in the negotiations.

Few respondents have national coalitions of services industries. For developing countries, coalitions of the services industries could help in coordinating and focusing the efforts of Government and could be instrumental in encouraging and participating in a regional co-operation effort.

By contrast, consultation with civil society varies enormously. While some OECD countries have regular formal or informal mechanisms for consultation, a number have no consultation with civil society. In the Baltic States, stakeholders other than representatives of government and business institutions have little if any impact on the preparatory process for negotiations in Estonia and Latvia. A number of developing countries hold consultations with non-industry groups (trade unions and interested members of the public), but resources are again a problem.

Similarly, there are widely differing levels of interest on the part of civil society.

Even amongst OECD countries, there are widely different levels of reliance on information technology. While email is widely used, only a few countries operate web-

sites with contact details of persons to whom questions could be referred or on-line comment facilities. By contrast, the Baltic States actively use available modern technologies for consultations. Developing countries make more limited use of information technologies, in view of resource constraints and the often lower levels of internet access.

Countries try to make consultations as efficient as possible by, for example, working through existing networks and representative groups, using information technology to disseminate information cheaply, making use of materials on GATS produced by other WTO Members or international organisations. However, many countries have lacked resources for GATS consultations given the size and scope of the issues covered.

For developing countries in particular, lack of resources is a significant obstacle - to holding consultations, to increasing understanding of the GATS within the government, as well as amongst industry and the public at large, and to identifying and prosecuting their interests in the negotiations. Capacity constraints are a major problem, and capacity cannot be developed overnight.

3.3 Coordination in policy making

Much less literature is readily available about comparative experience in coordination for developing and implementing strategies and coordination for formulating and enforcing domestic policy and regulatory frameworks, especially in particular service sectors ,although both of these are obviously linked to WTO/international convention negotiations and are of equal importance.

The experience in policy coordination in general from many countries can be studied to learn about improving coordination mechanisms between the agencies responsible for the service sector in Vietnam. In fact, in many countries the development of the service sector concerns all ministries and government agencies. The service sector development strategy also needs the participation of government agencies which are responsible for non-service industries, such as the Ministry of Agriculture (including forestry and fishery). Many state management functions of the Ministry of Health, for example, are executed in coordination with the Ministry of Agriculture, such as avian flu crisis management and food security. Therefore, most of the literature on policy coordination relates to the whole economy through a "whole of government" approach.

Many governments have taken action to improve coordination in policy making, policy implementation and regulatory operations. Thailand, Mongolia, and China are examples of developing countries that have taken initiatives for improving policy coordination. China has tried to strengthen its executive decision-making procedures, in part to improve coordination across sectors. In order to improve coordination between government agencies the reforms started in 2004 include:

accelerating the establishment of emergency response mechanisms and improving the government's ability to deal with public crises;

transforming policy-making processes to make them more scientific and democratic, for example by integrating public participation, expert evaluation and government decision-making to ensure that the government's policies are "scientific and correct";

improving the quality of government legislation, including greater input from all sectors of society when drafting important laws and administrative regulations.

In Thailand, for cross-cutting issues that do not fit within a single Ministry, or where there is no clear "owner" of the idea or proposal within the Ministry structure, the Secretariat of the

Cabinet has moved to handle those issues. In this case the Cabinet has a number of options for dealing with such issues, for example to:

ask the most relevant Minister to consult colleagues and bring forward proposals in the form of a Cabinet submission;
establish a special committee comprising the relevant ministers or Ministries, and chaired by a Deputy Prime Minister, the Secretariat of the Cabinet or the most relevant Minister or Ministry;
seek advice from an outside organization, such as a "think tank" or industry organization.

In the event that none of these mechanisms is appropriate, the Thai Cabinet Secretariat can decide to establish a special unit that will provide an institutional framework for this, with a combination of in-house and seconded expertise. While many issues will continue to be dealt with through committees convened by the Secretariat or others, there are some issues that require more intensive work from a dedicated team for a short period (from 2 weeks to 6 months). These issues usually require expertise not currently available in the Secretariat, but only required on a transitory basis for the specific project. It is important for the Secretariat of Cabinet to be able to move quickly to recruit personnel, and not to get bogged down in negotiations on cost or release of personnel from other ministries/government agencies or from outside government.

To strengthen policy coordination, Mongolia has recently reviewed the mandates of all ministries and examined top-level structures. The key priority now is to "fill in" the functions, including policy making, evaluation/monitoring and other practices at the ministerial level and for the Cabinet Secretariat. Strategic functional reviews will be undertaken in specific sectors to review functions and structures and advise the Government on: (i) the structural implications of strategic decisions, including changes in local government administration; (ii) functions that are no longer required; (iii) functions requiring substantial re-engineering or alternative delivery mechanisms given the government's strategic priorities and the demands of a modern market economy; and (iv) identification of innovative delivery mechanisms that may cut across traditional institutional boundaries, especially in remote areas. All ministries and government agencies are required to develop strategic business plans and to move to output- based accounting. In addition to the development of leadership and strategic planning capacities, a number of other priority training needs have been identified, such as training on strong policy analysis skills and on the implementation of risk management approaches. The current pace in developing effective performance indicators, performance agreements and resource management skills varies considerably between agencies. The Government of Mongolia believes that rewarding agencies that rapidly and effectively meet these requirements (with recognition and greater management flexibility) are important to maintain incentives for reform and to ensure that government agencies work towards shared goals.

Even many developed countries have tried to strengthen policy coordination. The UK government found that whilst its structures and management regimes were highly effective in delivering many of the Government's key policies and priorities, they tended to inhibit the tackling of problems and issues which cross departmental boundaries (cross-cutting issues).

Box 3.5. Cross-cutting issues in U.K

- policy development tended to focus on the perspective of service providers, rather than that of the service users;
- there was little incentive or reward for government organisations or individual managers

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> who contributed to wider goals or cooperated with other ministries or agencies;
> - many managers lacked the skills to develop and deliver cross-cutting solutions;
> - budget and organisational structures were arranged around vertical, functional lines (education, health, defence etc) rather than addressing problems that sometimes cut across those boundaries (e.g social exclusion, sustainable development etc.);
> - accountability processes (e.g audit) and the way risk was handled tended to militate against innovative cross-cutting ways of working; and
> - central agencies were not always effective at giving clear strategic directions, and mechanisms for resolving conflicts between ministries were sometimes weak, leaving local service providers to wrestle with the consequences.

Therefore, the UK Government decided to take a number of concrete steps to address these problems and to improve both the formulation and management of cross-cutting policies and services:

> Stronger leadership from Ministers and senior civil servants through establishing Ministers and senior officials as "champions" for cross-cutting policies and services; assessing and rewarding managers on their performance on cross-cutting issues; requiring greater breadth of experience for promotion; and action to develop leadership skills to deliver on cross-cutting goals in order to create a culture that values cross-cutting policies and services, with systems of rewards and recognition that reinforce desired outcomes;
>
> Improving policy formulation and implementation to take better account of cross-cutting problems and issues, by giving more emphasis to the interests and views of those outside central Government who use and deliver services through using effective channels for feedback from service users and front line providers, and making better use of external knowledge and experience in policy development processes;
>
> More movement or interchange of staff within and outside government agencies would encourage acquisition of these skills, which should be built into selection criteria for recruitment and promotion to equip civil servants with the skills and capacity needed to address cross-cutting problems and issues.
>
> Using budgets flexibly to promote cross-cutting working, including using more cross-cutting budgets and pooling of resources.
>
> Using audit and scrutiny to reinforce cross-cutting working and to encourage sensible risk-taking; and
>
> Using central agencies (the Prime Minister's office, the Cabinet Office and the Treasury) to lead the drive for more effective cross-cutting approaches whenever they are needed.

New Zealand has introduced a sophisticated strategic planning process that aims to ensure that high level government priorities and cross-cutting issues are taken into account by individual ministries and executive agencies[16]. This process hinges on the Government articulating Strategic Result Areas (Box 3.6.), which are defined as "critical medium-term objectives for the public sector that contribute to the Government's longer-term policy goals and objectives".

Box 3.6. Nine SRAs for the period, 1997-2000

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[16] For a detailed description of the original New Zealand approach, see Allen Schick, The Spirit of reform: managing the New Zealand State sector in a time of change, report for the state services Commission and the Treasury, Wellington, 1996

- ensuring that there is a stable and secure overall economic policy climate that is conducive to strong economic growth and development'
- enhancing New Zealand's international influence and position as a successful open and secure trading nation;
- progress towards becoming a more highly knowledgeable and skilled nation through policies and delivery strategies that enhance the effectiveness of education systems to achieve good quality outcomes;
- protecting and enhancing New Zealand's environment.

There has been considerable criticism of this approach, especially with respect to limited success in coordinating policy between ministries and linking overall government objectives with agency planning processes. One criticism was that the SRAs had not been seen as an effective strategy because of their very general nature and that they do not drive agency activities. Some key SRAs did not have a specific minister responsible for driving their implementation or monitoring their achievement. The budget was not structured around the cross-cutting SRAs. In many cases the SRA was so general as to be relevant for every agency, or at least many agencies. The SRAs were seen as everyone's responsibility, and therefore no-one's.

By 2000, the New Zealand Government was responding to these problems with refinements to its original model, including:

changes in budget processes to provide budgetary "envelopes" for particular cross-cutting issues - for example the Government's environmental SRA
making a group of Ministers jointly responsible for allocation of these funds and implementing the package of activities to achieve the SRA.

New Zealand has also directly tackled the problem of fragmentation, an excessive number of ministries, too many budget items and over-emphasis on vertical accountability at the expense of whole of government approaches. Fragmentation makes coordinated service delivery more complicated, adds to the costs of doing business, and blurs accountability for some issues. There was criticism of "structural fragmentation" with many small agencies, which spread leadership talent and other skills more thinly. Specific initiatives to address this fragmentation in New Zealand have included:

establishing networks of related agencies to better integrate policy, delivery, and capability building;
an accountability and reporting system that puts more emphasis on outcomes and high level priorities, as well as output specification;
changes to budget proves to facilitate a greater outcome focus and better prioritisation across agencies; and
step- by- step structural consolidation targeting: small agencies; Crown entities required to give effect to Government policy; policy/operations splits, and sectors where there are Ministerial concerns about agency performance or alignment.

PART II: SERVICE SECTOR STATE MANAGEMENT AND THE COORDINATION BETWEEEN AGENCIES RESPONSIBLE FOR SERVICE SECTOR MANAGEMENT

4 SERVICE SECTOR STATE MANAGEMENT IN VIETNAM

4.1 The Service Sector and Vietnam's National industrial classification:

The service sector includes all the sectors and sub sectors classified as service sectors levels I, II, III and IV in the National Industrial Classification System of Vietnam (NICSV). The NICSV was established in 1993 and is based on international standards in order to enable the national classification to be comparable. However, the sectors in the National Industrial Classification System of Vietnam are not entirely equivalent to the ones in the international classifications. Decree No- 75/CP, 1993, states the national industrial classification is composed of 20 Level I sectors, including 14 service sectors. For the 20 Level I sectors, the General Statistics Office has developed 60 Level II sub-sectors, 159 Level III sub-sectors and 299 Level IV sub-sectors. The classification was based on labor division. The rapid changes in the context of international integration, technology renovation and changes in labor division imply the need to re-assess and amend the national industrial classification system. The General Statistics Office is now in the process of revising and developing a new National industrial classification System to be more suitable to the current context.

According to the 1993 National Industrial Classification System, the 14 service sectors of Level I are trade, repair of engine-driven, automobile and motors, personal and household services, hotels and restaurants, transportation, warehouse, communication, finance, credit, science and technology activities, asset service and consultancy, state administration and national defence, compulsory social insurance, education and training, health care and social aids, culture and sports activities, activities of the party, unions and social organisations, individual and community support activities, maid service and operations of international organisations.

In comparison to international classifications the National Classification of Vietnam has a number of sections absent in International classifications or classified as sub sectors only, such as activities of the party, unions and social organisations and activities of international organisations, maid service. The 1993 National Classification System lacks the environmental service sector and many sub-sectors (Level II). Some service sectors, for instance, posts and telecommunications, are considered independent sectors in international classification, but are classified as sub-sectors in Vietnam's classification. In Vietnam, construction is not classified as a service sector, but an industrial one.

The classification of level II in Vietnam is also different from the international system of classification. For instance, in the finance sector, there is no securities sub-sector (Level II), whilst the securities service is only a Level III sub-sub-sector. The reason is that in 1993, the securities market and securities services did not appear as support activities for the financial sector. Communication is classified as a sub-sector (Level II) of transportation, warehouse and information-communication. In the education and training sector, the classification is based on education levels of pre-school education, primary education, secondary education, higher education, professional and vocational training, continuing education and other forms of education (Level II). Professional development, curriculum development and education management are not listed as independent sub-sectors in the classification system, but only integrated as parts of each education level. In 1993, tourism was considered a sector with only two sub-sectors of restaurant services and hotels. The travel service, tour guide service and tourist guiding service fields are totally new and were not included in the list of tourism

sub sectors. Moreover, there are many sub-sectors which are not in the Vietnamese system, such as personnel placement and supply, security and investigation, environmental protection and sanitation, photography, packing, auctioning and translation.

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Box 4.1. International services clarification

Business support sector: legal services, accounting and assurance services, architecture, design, urban planning, health and dental care, veterinary services, nursery and mid-wife services, computer consultancy, software development, data processing, research and implementation, fixed asset service, asset management, equipment renting and leasing, advertisement, market research, experiment and technical analysis, emergency secure services in agriculture, fishery, mining accidents, industrial processing and energy distributing, personnel management, investigation and security, science and technical service, equipment maintenance and repair, house keeping, photography, packing, printing, translation and conference services.
Post and telecommunications services include five sub-sectors, namely posts, telecommunications, internet, television and radio.
Construction: All sub sectors spread in all construction stages, from launching to completion.
Trade in services: agency, whole sale, retail and franchising sub sectors.
The education and training sector includes eight sub-sectors: primary education, secondary education, higher education, education for adults, professional training, vocational training, program development service and education management service.
The environment sector: water discharge, sanitation, sewage management and environmental impact assessment. - Financial services sector includes two sub-sectors of insurance and the insurance-related services and banking and other financial services, including securities and assets management.
Social health care: hospital services, emergency services and long-term health care services.
Culture, sports and entertainment services are comprised of entertainment, new agency establishment, cultural service and sports service.
Tourism includes four sub-sectors: hotel-restaurant, travel, guiding, and guide providing service.
Transportation is composed of six sub-sectors: maritime traffic, road traffic, air traffic, house ware and offshore service, customary and goods delivery.
Other activities that are not part of the manufacturing sector and the above services are listed under the twelfth service sector, namely public-utility service providing.

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Some sectors/sub sectors are missing in Vietnam's National Industry Classification, which are not relevant to Vietnam. This has caused some problems in state management and coordination between state management agencies. Coordination in monitoring and evaluating policy enforcement has suffered difficulties partly because it is unclear what agencies some sectors belong to. Some authorised agencies have refused registration certificates to some applicants for business registration because they can not find the sectors/sub sectors the applicants apply for in the National Industry Classification.

4.2 Service sector state management: organizational structure

The National industrial sector classification has a strong impact on structuring state management. Each sector of the first level is under the state management of a ministry or

ministerial-equivalent agency. Sub-sectors of the second level belonging to the first sector are also managed by the ministries/ministerial equivalent agencies that manage the first level sector. For instance, postal and telecommunications services are only a sub-sector under transportation, warehouse and information-telecommunications, so this sub sector was under the authority of the Ministry of Transport until recent years.

There are four layers of state administration, but there are two levels where the coordination between the agencies at the same level and between levels is needed most: central and provincial levels. All the central agencies report to the Prime Minister. The provincial Chairman of PPCs reports to the Prime Minister. All provincial agencies report to provincial Chairman of PPCs, but not to the respective line Minister. However, between the central agencies and respective provincial agencies there are functional relationships and provincial agencies technically report to the respective line Minister (Figure 1).

Figure 1: Organizational structure of state management agencies responsible for the service sectors
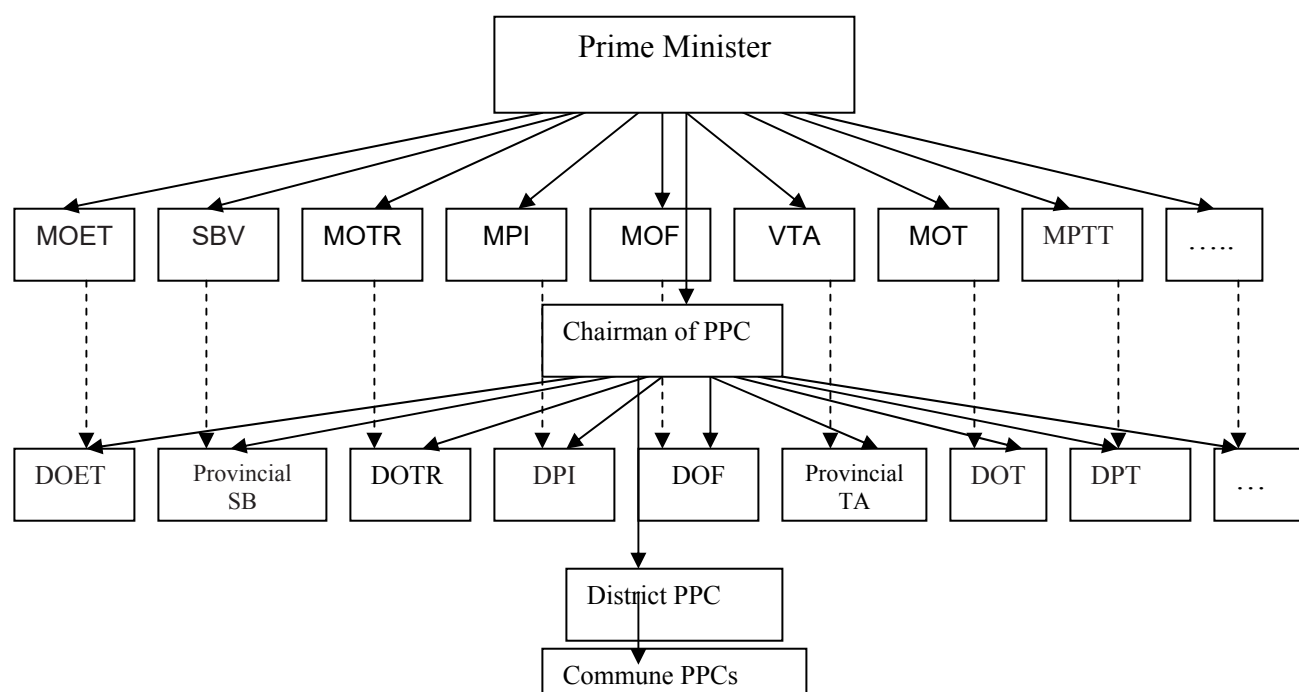
The main changes in the government structure and functions and mandates of the agencies responsible for the service sector state management in the process of being globally integrated are separation of business management functions from state management functions, the establishment of some cross-sectoral ministries and some new agencies to carry out the emerging functions of state management. A strong decentralization tendency has helped increase the efficiency of state management, but at the same time, created the risk of splitting out investment, wasting resources and inconsistency in policy making and implementation between different levels. Some new functions and mandates of many agencies/units reflect the principles of good governance: transparency, participation, accountability and empowerment. However, the functions and mandates of many state management agencies are unclear and irrelevant to a market economy and global integration.

4.2.1 The Telecommunications Sector

Decree No. 90/2002/NĐ-CP of the Government, established the Ministry of Post and Telecommunications as the state agency in charge of postal services, telecommunications, information technology, electronics, internet, radio transmission and emission techniques, radio-frequency management and the national information infrastructure of the country, public services supplier and is the owner of state equities in posts, telecommunications and information technology enterprises on behalf of the government as stipulated by law. The state management functions in the post and telecommunications service sector are assigned to a series of departments in the ministry (Box 4.2).

As the Ministry was recently established, its organizational structure clearly reflects its state administration functions in providing post and telecommunications services for state and private enterprises through the development of policies, strategies and service licensing, development of quality standards and regulating the application of quality standards in telecommunications and internet. The ministry has an independent department, the Posts and Telecommunication Quality Control Directorate, in charge of testing, evaluating, assessing and accrediting in accordance to quality standards of network, construction, products and services in the filed of posts, telecommunications, information technology and internet nationwide.

Box 4. 2. The organizational structure of MPT and its departments' functions

Department of Telecommunications: chairing and developing strategies, policies for the development and management of telecommunications and Internet; chairing the appraisal of applications for licensing on the operation of telecommunications and internet, submitting to the Minister proposals for licensing, postponing, and withdrawing licenses on telecommunications and internet services, organising the evaluation of granted licences, managing telecommunications and internet networking, solving disputes between enterprises/individuals in providing and using telecommunications and internet, providing guidance on the implementation of legal documents on telecommunications and internet, and developing quality standards and regulating the application of standards in telecommunications and internet);

Department of Information Technology Application: assisting the Minister in implementing the management functions for Information Technology application and organising activities to promote Information Technology applications in the country

Department of Science and Technology: assisting the Minister in implementing the state management in research, development and application of science/technology, environment protection in the fields of post, telecomunications, information technology; applying information technology in the state administration and socio-economic development

Department of Information Technology Industry: helping the Minister in implementing the state administration in the hardware and software industry in the fields of electronics, posts, telecommunications and information technology.

Posts and Telecommunications Quality Control Directorate: state management in testing, assessing and certifying the quality of networks, posts, telecommunications, electronics, information technology and internet products and services

National Institute for Posts and Telecommunications Strategy: implementing research, updating information, forecasting, assessment on impacts on socio-economic issues, science and technology, organisation and management in posts, telecommunications, information technology

Department of Planning and Finance: supporting the Minister in planning, finance, statistics accounting, billing, fees, construction investment and managing specilised economic mechanisms

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in the fields of posts, telecommunications, and information technology

Vietnam Internet Network Information Center: managing, allocating and promoting the usage of domain names, e-addresses, number of Internet networks in Vietnam; guiding information and statistics on the Internet network and participating in international activities related to the Internet

Radio frequency department: implementing the state administration in radio frequency, satellite orbit and transmission nationwide

Vietnam Public-utility Telecommunications Service Funds: executing support roles in implementing state administration in providing public-utility telecommunications services nationwide.

4.2.2   Computer Consulting Sub sector

According to the GNS sector classification, computer services include consultancy services on hardware, software, equipment management, network maintenance, data processing, hardware repairing and maintenance and education and training services in computers. The Ministry of Posts and Telecommunications is in charge of state management of these services. Computer services are classified as being a part of the information technology sub-sector in Vietnam. Since this sub sector influences all economic sectors and social fields, its coordination is extremely important. On December 3, 2002, the Prime Minister issued Decision No. 176/2002/QĐ-TTg to establish a National Steering Committee on Information Technology in order to oversee the nationwide implementation of Instruction No. 58/CT-TW.

Figure 2: Structure of IT management organization
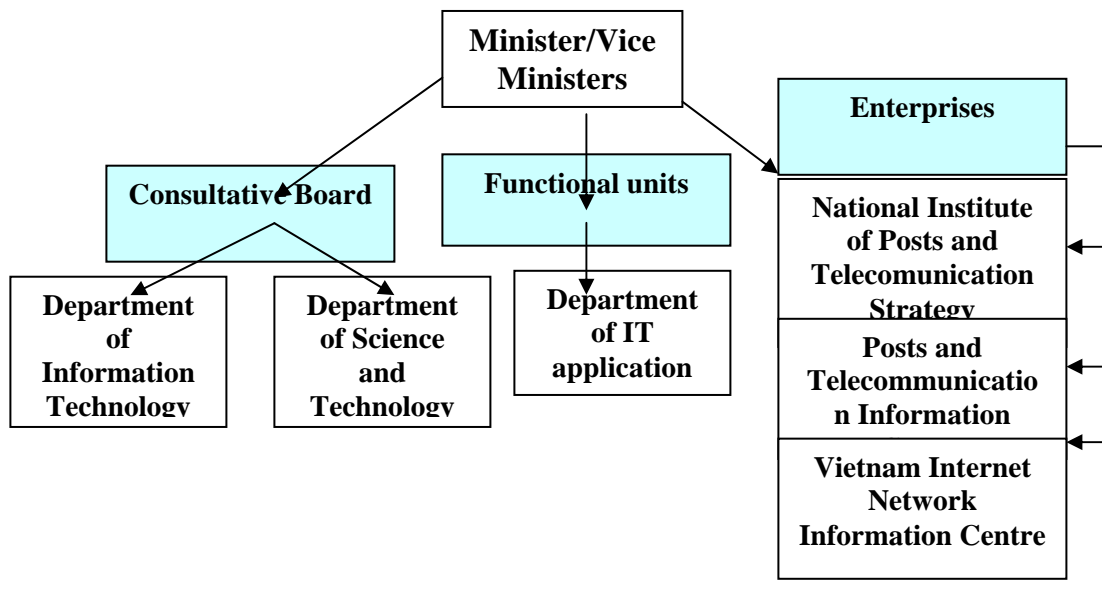
The Steering Committee is responsible for overseeing and coordinating the development of national information technology, consulting the Prime Minister on the management of information technology application and development, proposing policies, strategies and advising the Prime Minister on information technology to support socio-economic development, and oganising evaluations and assessments of the implementation of the information technology duties of ministries, agencies and provinces. The National Steering Committee is composed of representatives from ministries and agencies such as the Ministry of Posts and Telecommunications, Ministry of Planning and Investment, Ministry of Finance,

Ministry of Education and Training, Ministry of Defence, Ministry of Police, Ministry of Culture and Information, Ministry of Trade, Ministry of Home Affairs, Ministry of Industry, and the Government's Office under the chairing of a Vice Prime Minister.

4.2.3 Education and Training

Until 2002, the Ministry of Education and Training consisted only of the Primary Education Department, Secondary Education Department, Higher Education Department, Professional Training Department, Department of Planning and Finance, Department of International Cooperation, Department of Student Affairs, Department of Inspection, Institute for Education Development and Administration Office. No departments/units were in charge of education quality monitoring before 2002. The Department of Testing and Quality Accreditation was established in 2002, but most of its activities have focused on testing and have ignored education quality control.

Although state management functions of education services, including education and training research, development, information and consulting, are reflected in the MOET's structure, there are overlaps and gaps in implementing many specific functions, causing difficulties in coordination. The overarching structure has been without coherence and effective coordination with other agencies and society. The structure of MOET has improved since 2003 with the merging of two research institutes to develop education strategy and policy making, dissolving the Department of Teacher training and changing the functions of some departments to be more policy-based. However, education development policy making and advising functions have not been carried out and have not created favorable conditions for the participation of the private sector in providing education and training services.

4.2.4 Health Care Sector

Decree No. 49/2003/NĐ-CP of the Government, states the Ministry of Health is the state agency responsible for state management of health care services, including preventive health care, curative, functions recovery, medicines and cosmetics, food hygiene and safety etc. and is the owner of the state's equity in enterprises operating in the health care sector.. The Ministry of Health is structured to manage and evaluate the delivery of health care services, such as preventive, curative health care, treatment by traditional medicines, maternity care, health care equipment such as equipment and construction for health care services, medicines and other support activities. The Ministry of Health includes 14 departments/units, the Department of Treatment, Department of Traditional Health care, Department of Maternity care, Department of Health equipment and construction, Department of Science and Training, Department of International Cooperation, Department of Planning and Finance, Department of Legal Affairs, Department of Organisation and Personnel, Administration Office, Inspectorate, Department of Preventive Medicine and HIV/AID Control, Department of Vietnam's medicines management and Department of Food Hygiene and Safety, and 34 professional units, including institutions and universities and specialised centers.

4.2.5 Insurance

The Financial service sector includes two sub-sectors of insurance and the insurance-related services, banking and other financial services, including securities and assets management. For insurance, only one department under the Ministry of Finance is responsible for insurance management, namely the Department of Insurance. Among assigned duties of the Department of Insurance (Box 4.3) is the development of and provision of guidance for the

implementation of insurance policies, granting licenses for insurance enterprises in Vietnam and Vietnam's insurance enterprises operating overseas and resolving related disputes.

Box 4.3. State management functions of the Department of Insurance, Ministry of Finance

1. Submitting to the Minister of Finance long term, five-year and annual strategies, schedules and plans, projects, drafts of legal documents related to insurance business; participating in the development of the national financial strategy
2. Organizing, guiding and evaluating the implementation of approved strategies, schedules and plans legal documents on insurance business;
3. Submitting to the Minister of Finance for the issuance, approval and confirmation of insurance registration procedures, including principles, terms and fee schedules; providing guidelines on the implementation of principles, terms, fee schedules and commission.
4. Submitting to the Minister of Finance necessary applicable methods for insurance enterprises to ensure financial requirements and to implement commitments with insured people.
5. Receiving and checking application dossiers, amending, revising and withdrawing licenses for the establishment and operation of insurance enterprises and insurance brokage enterprises; collecting contributions for appraisal from agencies and organisations of related ministries and submitting to the Minister in accordance to the law.
6. Evaluating, and submitting to the Minister of Finance for licensing, amending, revising and withdrawing representative offices' licences of foreign insurance companies and representative offices of foreign insurance brokerage enterprises in Vietnam.
7. Examining and monitoring the operation of insurance companies and Vietnam's insurance brokerage enterprises, representative offices of foreign enterprises and foreign insurance brokerage enterprises in Vietnam in accordance to the Law
8. Research and propose to the Minister of Finance for the submission to authorised agencies to permit Vietnam's insurance enterprises and insurance brokerage enterprises to operate in foreign countries.
9. Proposing and organising the implementation of duties on international cooperation and integration in the sector of insurance business as delegated by the Ministry.
10. Assist the Minister in implementing duties and rights of the representative of state-owned equities in insurance enterprises under Ministry of Finance's management as stipulated by the Law.
11. Assist the Minister in state management to the operation of non-governmental unions and organisations operating in insurance business sector.
12. Organising statistical data collection and analysis and carryout forecasting about the perspectives of Vietnam's insurance market, providing information and reports in accordance to regulations of the Ministry.
13. Coordinating with the Ministry's Inspectorate in development and implementation of plans on inspecting operations of insurance enterprises; processing complaints and disputes, and administrative violations in insurance business sector.
14. Organising research and cooperation in research with inside and outside agencies according to plans and schedules approved by the Ministry".

4.2.6   Banking Services

The State Bank of Vietnam consists of three dependent clusters: (i) Policy unit cluster including departments responsible for overseeing the development of policies, strategies, plans, schedules and legal documents regulating banking services; (ii) Inspectorate, monitoring and evaluating cluster, including departments responsible for inspecting, monitoring, and controlling banking services and the operations of organisations that provide banking services; (iii) Support Unit cluster, including departments responsible for supporting operations of the State Bank of Vietnam. Besides the units in the head office, the State Bank also has branches in provinces and cities which are responsible for implementing the

Governor's authorized state management functions of banking operation in the local area. In many countries, the Central Bank is mainly responsible for macro economic management through monetary policies. In Vietnam the SBV, along with the role of a Central Bank, is the agency responsible for banking services state management, therefore. Independence from the Government in making and regulating monetary policies by the SBV has not been ensured.

Box 4.4 : The functions of the State Bank of Vietnam

1. Participate in preparation of the national socio-economic development strategy and plan.
2. On behalf of the government, making monetary policies to submit to the National assembly and implement these policies; prepare the banking sector development strategy.
3. Draft laws, ordinances and other regulations on monetary issues and banking operation; issue the regulations on money and banking operation as authorized by the Government.
4. Issue and withdraw the establishment and operation license for credit organizations except in cases decided by the Prime Minister; issue and withdraw banking operation licenses of non-banking organizations; dissolve, split, merge credit organizations as authorized by the Government.
5. Monitor and evaluate the banking operations; control credit activities; process the laws violating cases in monetary and banking operations as authorized by the Government.
6. Supervise the foreign borrowing and debt payment of enterprises as authorized by the Government.
7. Monitor trade balance performance.
8. Manage the foreign exchange and trade in gold.
9. Sign and participate in international agreements on monetary issues and banking operation as authorized by the Government.
10. Representatives of the Socialist republic of Vietnam at the international monetary and banking organizations as authorized by the Government by the President and the government.
11. Provide training courses on banking operation; research, science and technology application on the banking operation.

4.2.7 Tourism

Several decrees establish the functions, mandates, rights and organisation of agencies under the Vietnam National Administration of Tourism[17], including Travel Department, Hotel Department, Department of Planning and Finance, Department of International Cooperation, Department of Organisation and Personnel, Legal Department, Tourism Inspectorate, Tourism Promotion Department, Administration Office, Institute for Tourism Development Research, Tourism Information Technology Center, Tourism Magazine and Tourism Newspaper. These decisions regulate specific issues that are the responsibility of each department. For instance, the Legal Department chairs legal document development and is involved in the development of draft laws, ordinances and other legal documents on tourism as assigned by the Vietnam National Administration of Tourism. Other departments are responsible for the development of legal documents on specific issues under the management of those departments. For the development of strategies, policies, schedules and plans of sector development, functional departments are responsible for submitting to the General Director long-term, five year and annual strategies, policies and plans on activities under their management. Specifically, the Travel Department is responsible for

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[17] Decree No. 94/2003/NDD-CP, dated 28 October 2003, the General Director of Vietnam National Administration of Tourism issued Decisions No. 384/QĐ-TCDL, 385/QĐ-TCDL, 386/QĐ-TCDL, 387/QĐ-TCDL, 388/QĐ-TCDL, 389/QĐ-TCDL, 390/QĐ-TCDL, 391/QĐ-TCDL, 392/QĐ-TCDL, 393/QĐ-TCDL, 394/QĐ-TCDL, 395/QĐ-TCDL, 396/QĐ-TCDL.

travel, tour guidance, tourist transportation, tourist sites and journeys. The Hotel Department is responsible for tourism accommodation, classification of accommodation and other tourism services of hotels. The Institute for Tourism Development Research develops strategies, schedules, programs, and general plans for tourism development as assigned by the General Director.

4.3 Management consultancy services and the sectors/sub-sectors without state management agencies clearly assigned

The state management of some service sectors/sub-sectors is not clearly defined. A review of the various regulations on functions and mandates of ministries/agencies indicates that some sectors/sub-sectors are not governed by any state management agency. For instance, the management consulting sub-sector has no agency to which it is responsible. Article 20 of Decree No. 87/2002/NĐ-CP, 2003, on the delivery and use of consultancy services, regulates that "the Ministry of Science and Technology will assist the Government in state management of consultant services". However, Decree No. 54/2003/NĐ-CP, 2003 by the Government on the functions, mandates, rights and organisation of Ministry of Science and Technology and in Decree No. 28/2004/NĐ-CP on the amendment of articles of the above Decree, there is no mention of any consultancy state management functions. Within the Ministry of Science and Technology, there is no specific department which is responsible for managing consultancy services[18].

As there is no clear regulation on which state management agency is responsible for consultancy services, the procedures for giving business licenses in consultancy services are not consistent. Some consultancy companies can get their business licenses granted by districts, while the establishment of other companies must be approved by specific ministries/agencies, such as education, health care or construction agencies. Consultancy is a cross-sector service and under the management of different sectors and professional fields, that are related to various state agencies. For example, the Ministry of Justice manages legal consultancies, the Ministry of Science and Technology manages technology transfer consultancies, the Ministry of Education and Training manages education consultancies, the Ministry of Labor, Invalids and Social Affairs manages employment consultancies and the Ministry of Construction manages construction consultancies.

In addition to the consulting service sub sector, there are some other service sectors/sub-sectors which have not been assigned to specific ministries/agencies. For example, emergency services for industrial accidents have not been assigned to any ministry/agency. On the other hand, some other sectors/sub-sectors are managed by different ministries/agencies at the same time, such as the sub-sector for research and implementation, equipment renting or hotels and restaurants are under the management of various agencies.

At present, in order to coordinate state management between agencies responsible for the service sector, the Prime Minister has instructed MPI to establish the National Task Force for service sector development[19]. Members of the Task Force are representatives of the service

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[18] The Department of Technology Evaluation, Appraisal and Assessment, which is assigned responsibilities for the management of consultancy services in evaluation, appraisal and assessment of technology, technology transfer, with specific rights of general monitoring consultancy activities in evaluation, appraisal, assessment and technology transfer

[19] Based on the Instruction issued by the Prime Minister MPI issued the Decision No- 995/QD-BKH, in August 26th 2004 on the National Task Force for service sectors development

sector management ministries and agencies, such as Office of the Government, MPI, MOF, MoTr, MOJ, MOT, SBV, MOET, MOH, MOLISA, GSO, PetroVietnam, Vietnam Marine Agency, Customs, Hanoi and Ho Chi Minh city PPCs.

The current organizational structure of state management agencies responsible for the service sector seems irrelevant to the business development facilitating role of a government in the globalization context. The functions and mandates of many government agencies and units under them are not very clear. There are still overlaps and gaps in the functions and mandates of many government agencies and units. Most ministries and agencies are structured based not based on functions, but based on sub sectors. It is planned to submit a revised and amended Law on Government Organizations to the National Assembly. Before restructuring the government organization, the Prime Minister assigned GSO to revise and amend the 1993 National Industrial Classification to be more relevant to the international industry classification practice and realities. GSO is currently revising the 1993 National Industrial Classification.

5 COORDINATION BETWEEN THE AGENCIES RESPONSIBLE FOR THE STATE MANAGEMENT IN THE SERVICE SECTOR: PRACTICE IN VIETNAM

5.1 Legal framework for coordination between the agencies responsible for state management of the service sector

5.1.1 Regulation on Coordination between State Management Agencies in Making and Supervising the Implementation of Policies, Strategies and Plans and Operational Functions:

Coordination between agencies responsible for state management of the service sector is regulated by all sector-related legal documents and specific sector documents. Before December 2005, there was no specific legal document governing coordination in policy making. However, realizing the importance of the coordination between government agencies in policy making, the Government issued Decree No- 144/2005/ND-CP, in 2005, the Regulation on coordination between state management agencies in formulating and overseeing the enforcement of policies, strategies and plans. All central and provincial state management agencies, including agencies responsible for the service sector, are regulated by this Decree.

The Decree serves as a very important instrument for ensuring coordination between state management agencies in formulating and overseeing the implementation of policies, strategies and plans. The requirement for coordination, coordination rules, the ways of coordination in policy making and in overseeing policy implementation, the responsibilities and rights of agencies chairing activities and cooperating, and the responsibilities and rights of the staff/managers in charge of coordination have been clarified in the Decree. The Regulation on coordination between state management agencies in formulating and overseeing the enforcement of policies, strategies and plans also defines very clearly that the agency which is primarily responsible for the formulation of development strategy/plans or policies, must select the coordinating agencies and send the list of coordinating agencies to the OOG in the event that the Government or the Prime Minister must provide approval, or otherwise to the Administration of the chairing ministries/agencies for monitoring. The deadline for cooperating agencies to send their comments to chairing agencies and the necessary time for making comments have also been defined in the Regulation. The coordinating agencies are to share with the chairing agency all information or data requested except classified information. But in this case, the coordinating agencies have to send an official response, explaining the reason for not sending information to the chairing agency.

The Regulation on coordination between state management agencies includes one chapter on performance monitoring of coordination. In this Chapter, the responsibilities of Ministers/Heads of agencies, Chairmen of PPCs, OOG, Administration of ministries/agencies and Administration of PPCs in monitoring coordination have been clearly defined. The OOG has been assigned to help the Prime Minister and Government to monitor and evaluate the coordination performance between state management agencies. Internal ministerial/agency coordination is to be monitored and evaluated by the ministerial/agency Administration.

To help the OOG to monitor the performance of coordination between state management agencies, Articles 27 and 28 of the Decree stipulate that "Ministers/Heads of agencies and Chairmen of PPCs have to submit reports twice per year or ad hoc-based reports on coordination in formulating and overseeing enforcement of policies, strategies and plans to the Prime Minister". "The coordination chairing and cooperating agencies have to send the reports on the accountability for the coordination to be ensured in formulating and overseeing

the proposals to be approved by the Government or the Prime Minister to the OOG" and "the coordination chairing and cooperating units have to send the reports on the accountability for the coordination to be ensured in formulating and overseeing the proposals to be approved by the Minister/Head of Agency/Chairmen of PPCs to the Administration of Ministries and agencies and PPCs".

The provisions for coordination are also defined very clearly in the Decree, in terms of funding, data and time for coordination. As such, the Decree is highly innovative and ground breaking in the Vietnamese context. A lack of incentives for improved coordination has been cited so far as the one of the key reasons for poor coordination. To overcome this problem, Chapter VI ("Incentives and Punishment"), has been included in the Decree. OOG and the Administrations of ministries/agencies and PPCs play the role of the coordination monitors and evaluators between state management agencies or between units in formulating and overseeing the enforcement of policies, strategies and plans. OOG and the administrations of ministries and agencies and PPCs are thus responsible for sending any reports on the incentives or sanctions given to the chairing and cooperating agencies/units on behalf of the Prime Minister or Minister/Head of Agency/Chairmen of PPCs. Chapter VI also defines cases of poor coordination that are to be sanctioned. For example, according to section 1, Article 33,"the cooperating agencies are to be sanctioned in the case of violating the Regulation three times, or not sending comments or not providing information three times."

The Regulation on coordination between state management agencies in formulating and overseeing the enforcement of policies, strategies and plans is a potentially very important and useful instrument for ensuring coordination. However, this regulation has only become effective since 1st December, 2005. This study was largely conducted before December, 2005; therefore, the impact of this regulation is not reflected.

Coordination between state management agencies in the formulation of legal documents is regulated by Decree 144/2005/ND-CP as well as the Law (and the amended Law) on issuing legal documents and related Decrees. The Law on issuing legal documents was issued on November, 12th, 1996, the Amended Law No- 02/2002/QH11 on issuing legal documents was issued on December 16th, 2002, and the Law No- 31/2004/QH11 on issuing legal documents by Local People's Councils and People's Committees was issued on December 3rd, 2004. The 1996 Law states that in order to issue legal documents, the ministry or agency, which sent the proposal, has to establish a Law/Ordinance Drafting team. For Laws/ordinances/resolutions of a cross-sectoral nature or for draft Laws/ordinances/resolutions submitted by the Standing Committee of the NA, by other Committees of NA or by the members of the NA, the Drafting team will be established by the Standing Committee of the NA.

The Drafting team should be chaired by the Head of the agency which is principally responsible for the subject matter in question, with team members being representatives from all relevant ministries/agencies, research organisations and other institutional stakeholders. The agencies with representatives on the Drafting team are expected to make written comments on the draft Laws/ordinances/resolutions. Comments from communities are also to be obtained through VCCI as required by the Decree 161/2005/ND-CP, 2005. According to the Law on issuing legal documents, relevant chairing agencies are responsible for collecting comments from concerned institutional and individual stakeholders. The regulation on the preparation of legal documents (mentioned above) applies to all sectors, including service sectors. In any decisions (issued by the Prime Minister or the Head of the Standing Committee of the NA) on the appointment and composition of teams for drafting Laws/ordinances/resolutions Draft, the name of the chairing agency and the specific names

of ministries/agencies to be members of the team are usually identified. Agencies that chair the formulation/drafting process, then, should know who they have to coordinate with, and to whom they need to refer any decisions.

The problem, in principle, is whether there is adequate capacity, time and information to coordinate the process of drafting legal documents or not. One additional problem, however, is that in the Law on issuing legal documents there is no clear mechanism defined for information exchange, no regulatory impact assessment mechanism and no mechanism is specified whereby the chairing agencies provide feedback to the persons/institutions who provided comments.

Coordination requirements and mechanisms for sector development strategy/plan preparation are regulated by Decree 144/2005/ND-CP. The procedures, rules and coordination methods for sector development strategy/plan preparation and oversight are clearly identified in the Decree. In addition to this Decree, coordination in sector development strategy/plan preparation is also regulated by Decree 23/2003/ND-CP, the Government Operational Regulation. According to this Decree, the agency which initiates a proposal on sector strategy formulation is responsible for preparing the draft sector strategy action plan, which should cover, among other things, the names of the agencies to be coordinated and consulted with in the drafting process. The action plan should be sent to the OOG for monitoring. The chairing agency is expected to invite cooperating agencies to join the drafting team and the cooperating agencies, in turn, are responsible for nominating a relevant representative to join the team. According to the Decree, the chairing agency responsible for preparing the strategy has to coordinate with the relevant agencies not only by establishing a joint drafting team, but also by getting comments through consultation workshops/seminars and by sharing drafts for official comments. In the Decree the deadline for sending feedback to the chairing agency is also defined.

5.1.2 Specific Regulation on Coordination in Performing State Management Functions between State Management Agencies Responsible For Service Sectors:

At present there is no regulation on coordination between state management agencies in implementing policies, strategies/plans and operational functions. The Decrees on the functions and mandates of the ministries/agencies responsible for service sector state management are the key reference for coordination. Based on the functions and mandates of ministries/agencies and the nature of the issues to be resolved, government staff in the ministry/agency responsible for state management of a given service sector should know who they have to coordinate with, in what areas, and for what actions. For example, the Ministry of Health is responsible for state management in the health care sector[20]. (See the Box 5.1).

It is clear that MOH is expected to coordinate with relevant ministries/agencies: for example, MOH is to coordinate with relevant ministries/agencies in submitting to the Government and Prime Minister draft Laws/ordinances and other legal documents relating to health care services, in submitting to the Government and Prime Minister drafts of any health care development strategy and any long-term and annual plans and proposals for important projects/programs of MOH, and in providing guidelines on health care policies to all ministries/agencies and provincial/city People's Committees.

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[20] Functions and mandates of the MOH in health care services state management have been defined in Decree No- 49/2003/ND-CP issued by the Government in May 15th, 2003

Box 5.1. Decree No- 49/2003/ND-CP, 2003: Functions and mandates of the MOH in health care service state management

1. MOH is to coordinate with relevant ministries/agencies in submitting to the Government and Prime Minister Laws/ordinances and other legal documents and proposals relating to health care services;
2. MOH is to coordinate with relevant ministries/agencies in submitting to the Government and Prime Minister drafts of any health care development strategy and long-term and annual plans and proposals for important projects/programs of MOH;
3. MOH is to coordinate with relevant ministries/agencies to provide guidelines on health care policies to all ministries/agencies and provincial/city people committees;
4. MOH is to chair coordination with relevant ministries/agencies in classifying preventive health care institutions;
5. MOH is to chair the coordination with relevant ministries/agencies in providing preventive solutions, to secure and do curative treatment for disasters' victims;
6. MOH is to coordinate with MOF to submit to the Prime Minister the list of reserve medicines and ensure reserves of medicines, vaccines, biological products and equipment;
7. MOH is to chair the coordination with relevant ministries/agencies in appraising the proposals on central hospital/polyclinics establishment, mergers or dissolution and submit the appraisal results to the Prime Minister for approval;
8. MOH is to chair the coordination with relevant ministries/agencies and provinces/cities in appraising the proposals on provincial/ministerial hospital/polyclinics establishment or upgrading and in sending the appraisal results to those ministries/agencies or provinces/cities to make decisions;
9. MOH is to chair the coordination with relevant ministries/agencies in classifying public health care institutions;
10. MOH is to chair the coordination with Ministry of Culture and Information in issuing the guidance on advertisement of curative services, functions improvement, traditional treatment, food and medical equipment;
11. MOH is to chair the coordination with MOF in defining the rate for involuntary health care insurance;
12. MOH is to chair the coordination with MOC in introducing standard designs for health care infrastructure.

In line with the transition to a market economy, the functions and mandates of the Ministry of Health have also been adapted to the new situation. The increased involvement of the private sector in health care services delivery has required changes in state management modalities in the health care sector and required strengthening the coordination between the state agencies (directly and indirectly) responsible for health care. This coordination in state management is one of the important factors ensuring service quality and access. The coordination between relevant state management agencies in the health care service sector is important not only to institutions that are in the process of obtaining business registration licenses, but also to potential health care institutions. For example, MOH needs to coordinate with MOET for health care staff education, with MCI for advertisement and promotion, with MOF for charges and fees and with MPI for business registration. Coordination in these areas between MOH and other relevant ministries/agencies is not been defined in any legal document. There is also no agency or unit that has been assigned to monitor and evaluate the effectiveness of coordination between MOH and other ministries/agencies involved in the management of health care services.

In much the same way, education services have been managed by the Ministry of Education and Training (MOET) in accordance with the functions and mandates defined in Decree No-85/2003/ND/CP, 2003 and the Law on Education. According to the Law on Education, the Government, 26 ministries/agencies and all provinces are responsible for state management of the education sector. Therefore, coordination between those ministries and agencies is

very important to the education state management. However, the coordination mechanism for the education sector has not been defined clearly in either the Law on Education or in the Decree on the functions and mandates of MOET. Education service delivery is overseen by many ministries and agencies. As mentioned in the previous sections, there is little or no coordination between MOET and other relevant ministries in the allocation of resources and in formulating sector development strategies and plans. In the regulations defining the functions and mandates of MOET and those ministries/agencies, there is no provision made for coordination responsibilities, rules,methods.

Decree No- 90/2002/ND-CP, , 2002, states the function and mandates of the Ministry of Post and Telecommunications (MPT), MPT has been assigned the responsibility to carry out state management functions in the telecommunications and information technology sector/sub sector and to act as the manager of state equities in telecommunications and IT enterprises. State management functions in the telecommunications sector include various activities, from appraising proposals and granting business registration licenses, determining tariffs to quality control. For these functions to be effectively carried out, close coordination between MPT and other ministries and agencies (such as MPI, MOF, Ministry of Trade, MOET) is needed. However, there is no provision for such coordination in the Decree. For the function of granting professional permits for doing business in the telecommunications sector there is a requirement (according to Decree 160/2004/ND-CP) that MPT has to coordinate with other ministries/agencies, but this does not indicate the names of the ministry or agency that is expected to collaborate. On the other hand, there is a specific regulation on vertical (between MPT and the Government) and horizontal (between MPT and MOF) coordination for the purpose of controlling tariffs and rates for telecommunications services. According to Article 4, Decree No-160/2004/N-CP, the Prime Minister is responsible for determining policy on telecommunications tariff rate control and making decisions on service rates for some special services. For other services, decisions on tariffs and rates are made by the Minister of Telecommunications, following endorsement by the Minister of Finance. The responsibilities and rights of telecommunications enterprises, with regards to tariff setting, are also identified in the Decree 160.

Quality control is very important to the users of telecommunication services. MPT issued Decision No- 176/2003/QD-BBCVT, regulating quality control of telecommunications services quality, and Instruction No- 10/2005/CT-BBCVT ensuring and improving the quality of telecommunication services. According to the Instruction, the responsibilities of the relevant units within MPT for ensuring and improving the quality of telecommunications services are identified very clearly.

For banking services management there are a number of regulations on coordination between units within the SBV and between the SBV and other related ministries/agencies. The coordination mechanism between the units within SBV are defined in the Operational Regulation of SBV issued in an attachment to Decision No- 30/2005/QD-NHNN, 2005 and in the Operational Regulation of SBV units. According to Decision No- 180/2005/QD-NHNN, the preparation of legal documents or sector development strategies/plans to be issued by the Governor should follow the Annual Legislation Program of the SBV. The responsibilities of chairing and cooperating units are identified clearly in the Program. The deadline for making comments is shown in the Decision. According to the Decision, chairing (or lead) units responsible for preparing legal documents or sector development strategies/plans can send drafts for written comments or organize consultation workshops/seminars. Key issues (such as what is to be revised, what is to be improved or what is agreed) that should be included in comments are clearly stipulated in the Decision. The chairing units must report to the Governor on any disagreements between units on circulated drafts.

There is also a regulation on coordination in banking sector service management. For issues requiring coordination (for example, processing/settling disputes or claims from banking service suppliers or to reply to the queries sent by credit or banking institutions on the sector regulation) chairing units under SBV have coordinated with other units based on the regulation. However, in the regulation on coordination of state management of banking services, there is no mention of incentives and sanctions for good or bad coordination. No unit in SBV has been made responsible by the Governor for monitoring and evaluating coordination in state management of banking services. To ensure state management functions in the banking sector, SBV also needs to coordinate with other government agencies. For example, MPI issues business registration licenses to credit and noncredit institutions or needs to confirm the changes in business activities registered after SBV issues permits. However, there is no regulation on the coordination needed between SBV and other ministries/agencies in state management of banking services.

For international negotiations concerning the banking sector, coordination functions are usually carried out by the International Cooperation Department. The list of cooperating units/departments is selected by the ICD depending on the nature of the issues and the functions and mandates of individual units/departments.

In the tourism sector, coordination in preparing and overseeing the enforcement of legal documents and strategy/plan preparation and implementation between VTA and other relevant ministries/agencies is also regulated by Decree 144/2005/ND-CP, 2005. In addition, coordination in drafting legal documents has been regulated by the Laws on the preparation of legal documents. Besides the general legal documents, there are some specific documents relevant to coordination in the tourist sector. The Law on Tourism, which is effective from January 1st, 2006, provides for coordination between state agencies responsible for the tourism service sector. For example, article 11 under the Law stipulates that "all ministries and agencies are responsible to coordinate with VTA in tourism state management". Coordination requirements have also been identified in the regulation on tourism environmental protection, tourist resources survey, management and protection, on tourism development planning, and on ensuring security The regulation on coordination between some agencies in some areas is quite specific, e.g. in the management of tourist transportation services. Coordination between agencies in the management of tourism-related activities has also been mentioned in some of the legal documents of other sectors. For example, the Land Law or Law on Construction Management requires coordination between ministries and agencies, including VTA, in the preparation of land use plans. However, the specific coordination responsibilities of VTA are not specified in detail.

5.2 Coordination practice in the service sector by types of coordination

5.2.1   Strategic Coordination

5.2.1.1 Absence of a strategy for service sector development:

As mentioned earlier, one service sector usually provides inputs to many other service sectors, and at the same time, uses the inputs from many sectors. Because of the cross-sectoral nature of the service sector products, the development strategies and plans of any service sector, as well as the regulatory documents for specific service sectors, need to be closely coordinated with many other sectors. Single sector development strategies and plans should reflect the contribution of other related sectors. Any scenario of the sector development strategy can be undermined or compromised if the development potential of

cooperation with other sectors is not taken into account. This coordination is not only in-country, but also with other countries, and is especially relevant in the context of regional and global integration.

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%) think that this coordination was useful to their work. Such coordination is usually achieved through meetings, seminars, workshops, and getting official comments in writing. Internal coordination between departments/units in a ministry/agency is achieved in similar ways, such as through meetings, seminars, workshops, getting official comments in writing, and at the same time in most of cases, through the establishment of a drafting team. The establishment of joint drafting teams is the most common method used for ensuring coordination between relevant agencies in the formulation of sector development strategies and plans.

According to most respondents (81.3%), it is not easy to ensure coordination in the formulation of sector development strategies and plans. The main reasons cited for difficulties in coordination are unclear regulations on coordination, weak capacity of coordinating staff, a lack of willingness from coordinating staff or that staff are too busy with other assignments. According to a majority of respondents there are regulations on coordination in the preparation of development strategies/plans and policy making. However, about one fifth (16.4%) do not know whether these are regulations on coordination in the preparation of development strategies/plans and policy making or not. This implies that many staff, even when they are effectively coordinating activities, do not care about the regulation on coordination.

5.2.1.2 The socio-economic development strategy and coordination:

Strategic coordination in the service sector can be achieved through the development of a development strategy for the whole service sector. So far, there has been no service sector development strategy. The national socio-economic development strategy could lead to strategic coordination in the service sector if it ensured coordination between all economic sectors. However, the strategy for service sector development has only been mentioned very generally in the 2001-2010 national socio- economic development strategy. The development goals for some specific service sectors (such as tourism, transport, telecommunication, financial, education and training, science and technology and culture and sport service sectors) have been generally defined in the Strategy. Tourism has been identified as a leading sector[21]. However, in the Strategy implementation Section and Part II (the key development orientations and targets for 2001-2005), nothing is mentioned about how to make tourism a "leading" sector and what efforts will be needed from other sectors for developing tourism. From the strategy, it is unclear which industry is of the highest priority. It is difficult to discern a clear vision for Vietnam's development to 2010 in the Strategy. There is also no link between relevant service sectors in the Strategy. In many countries, when a sector is identified as strategic for national socio-economic development, all other related sectors (providing inputs to that sector) will need to be developed in an appropriate direction in order to make that sector genuinely strategic. The weak strategic coordination is also due to current strategy preparation practices. The strategy has been prepared without wide participation of community, businesses and academic stakeholders and not based on the analysis of comparative advantages of the country.

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[21] Nguyen Manh Hung, Sector development strategy- planning and priority programs in Vietnam's socio-economic development strategy to the year 2010, orientation towards to 2010 and the legal papers on the NTPs.

5.2.1.3 Lack of Coordination in Sector development strategies:

In many sector development strategies, it is unclear how related sectors are to be coordinated to achieve set strategic goals and objectives for sector development. In some sector development strategies there are only development goals and orientations. In others, in addition to the development goals and orientations, there are solutions identified for achieving the goals, but the solutions, if any, are not linked specifically to the goals, this makes it very unclear how the solution will help in the achievement of any goals. In all sector development strategies, implementation arrangements are very general, without clear and specific responsibilities being assigned to relevant individual ministries/agencies for implementing the sub-strategies. Therefore, it is difficult to ensure strategic coordination in many sectors. Individual service sectors prepare their sector development strategies separately, in some cases, without coordination with other sectors. For example, the banking sector development strategy for 2006-2010 is not entirely satisfactory. Firstly, the responsibilities of the relevant agencies for the implementation of solutions identified in the Strategy are not clearly defined. Another problem apparent in the banking sector development strategy for the 2006-2010 is the absence of actions identified for the other sectors that are also linked to banking sector development.

The health care development strategy for the 2001-2010 period sets several objectives: (i) to improve the access to and quality of health care services; (ii) to reduce disease infection and increase life expectancy; and (iii) to ensure the physical and spiritual development of people to live in safe communities. These objectives require direct contribution not only from the Ministry of Health, but also from many other ministries/agencies, such as the National Committee for Population, Family and Children, the Ministry of Education and Ministry of Labor, Invalid and Social Affairs. However, in the Part on Key Solutions, it is unclear who is responsible for what. In the Decision No-35/2001/QD-TTg, issued by the Prime Minister on in 2001, on the approval of the Health care Strategy 2001-2010, there is a very general assignment by the Prime Minister to "Ministry of Health in coordination with Ministries of Science and Technology, Natural resource and Environment, Planning and Investment, Finance, Fisheries, Agricultural and Rural development, Industry, Trade, Education and Training, Culture and Information and Police to implement, monitor and evaluate the implementation of the Strategy". With such a general assignment, the Ministry of Health is unlikely to know how to mobilize contributions from the above mentioned ministries/agencies for the implementation of the health care development Strategy.

In the Tourist development strategy, as well as the Tourist development Master Plan approved in 1995, there was a section on Implementation arrangements; this was very general without clear responsibilities assigned to each agency for individual activities. Based on the Tourist development strategy, it is very difficult to prepare appropriate actions plans. The way coordinatation has been done to date was to get comments on specific projects without a consistent master plan for the whole sector, for a specific region or without the coordination in hotel planning, tourist site planning, which has led inappropriate tourist infrastructure.

The telecommunications development strategy for 2001-2010 was prepared by the General Department of Posts and Telecommunications, which played the role of state management agency in the post and telecommunications sector and of a services supplier at the same time. As a result it was not easy for the General Department of Post and Telecommunications to coordinate with concerned ministries/agencies in identifying solutions to achieve goals for telecommunications development. This is reflected in the

telecommunications development strategy for 2001-2010, which only spells out overall development orientations without specifying solutions and clear strategy implementation arrangements.

In contrast to the telecommunications development strategy, 2001-2010, Vietnam's IT and communication strategy to 2010 and vision to 2020 has been prepared by MPT with quite good coordination. Many stakeholders – the general public, computer consulting (IT) service users and many other sectors, provided inputs to the computer consulting service sub sector. Therefore, the IT development strategy should be linked to the development strategy of many sectors/sub sectors. Due to the cross-sectoral nature of the IT service, MPT established a Strategy drafting team, which included representatives from many departments/units of MPT and other ministries/agencies. Consultation workshops were organized several times after the first drafts were completed. The final draft was sent to the relevant ministries/agencies for written official comments and feedback. Following submission of the draft to the Prime Minister and before its final approval, the Prime Minister requested relevant ministries to appraise the strategy. The Strategy clearly covers the solutions part and the part on strategy implementation arrangements, with clear stipulations as to who will responsible for what.

5.2.2   Allocative Coordination

5.2.2.1 Low participation in planning due to constraints in timing and resources:

The effectiveness of allocative coordination depends very much on the planning mechanism. So far, Vietnam has largely followed a top down process in planning. With instructions issued by the Prime Minister, MPI prepares planning guidance to send to line ministries and provinces. Based on this guidance, line ministries and provinces will work with provincial sector offices (or districts in the case of provinces) to prepare the sector/provincial socio-economic development plans. They have tried to incorporate the needs of the lower levels in the plans, but due to time and resource constraints, the needs of the grassroots levels are not comprehensively incorporated into plans. For the annual planning process, provinces often receive planning guidelines in July and then have to submit the provincial socio-economic development plan to MPI and line ministries by the end of August. As a result they have only one or two months for plan preparation. The time is inadequate for those at grassroots level to participate in planning. Very few communes in the country prepare participatory development plans. Because of such low levels of participation, coordination cannot be ensured at the district level. At the provincial level, provincial sector offices (departments) often prepare their sector plans without consulting with other sectors. Each department usually focuses attention on how to get as much funding as possible from the provincial budget for its sector, ignoring the needs of other sectors, despite the fact that sometimes those sectors may help achieve shared cross-sector objectives. Provincial plans are often not linked to the national and regional development priorities and local comparative advantages.

5.2.2.2 Lack of coordination in investment prioritizing:

Similarly, there is no coordination between central agencies in the allocation of resources. Most central agencies prepare their sector development plans without consultation with other ministries/agencies. There is also a tendency for ministries/agencies to focus on how to get as much as possible funding from the state budget for their sector, ignoring the needs of other sectors. Moreover, as mentioned in the previous sections, there are no action plans in the national socio-economic development strategy and sector development strategies, where

the actions for achieving the strategic goals and objectives set in the strategies are identified with clear functional responsibilities assigned to individual ministries/agencies.

5.2.2.3 No linkage of programs/solutions to objectives

The structure of plans is also such that it is not clear which objectives are of highest priority and to what extent different programs/solutions are expected to contribute to attaining each objective. Only with clear and specific objectives, with given weighted priorities, can it be known which objectives must be achieved first. We also need to know which programs can make a contribution to achieving what objectives so that we can justify which programs need to be implemented first. Resource allocation should then be based on the priority of the objectives and importance of the programs. So far Vietnamese line ministries have not collaborated together to discuss the prioritization of development objectives and to assess the importance of national programs in achieving objectives. Therefore, central ministries/agencies are unable to coordinate the allocation of resources, including coordination for the allocation of resources for cross-sectoral purposes.

5.2.2.4 Cross sectorial activities nature under the management of various agencies:

Some ministries complain that they have no role in allocating funds for their state management functions. For example, the Ministry of Telecommunications' role in fund allocation to IT research and development is unclear, including the allocation of funds under National Programs, such as Program 112 on computerizing state administrative management, the Technical and Economic Program on IT, the Open Software research and development project.

The Ministry of Labor, Invalid and Social Affairs is responsible for technical and vocational training, including the development of relevant curriculum, setting up skills standards and certification, and building up the institutional framework for technical and vocational training development. However, many technical and vocational training institutions are under other ministries/agencies (e.g. Ministries of Industry, Agricultural and Rural Development, Health, Education and Training, Fisheries). More over, the Ministry of Education and Training is responsible for a very important element of technical and vocational training – namely, secondary professional education. MOET is responsible not only for direct service delivery, but also for curriculum development. Coordination between those ministries/agencies in terms of resource allocation is very important in order to avoid overlapping in using resources for the same services- e.g. vocational training services or curriculum development services. In practice, many line ministries have not consulted or coordinated with MOLISA in preparing their sector plans on training sections to avoid overlap.

The same type of problem exists for the Ministry of Education and Training. Universities and colleges in Vietnam are under the management of various ministries/agencies, including MOET, MOLISA, MOI, MARD, SBV, MOF, MOHA, MPI, and Ministry of Foreign Affairs. It is very difficult for MOET to coordinate with other ministries/agencies to ensure cost-effective investments in curriculum development and education services management. Overlap has occurred in many cases of curriculum development, while the rates for curriculum development defined by the MOF are very low, discouraging good curriculum developers or book writers to become involved in curriculum and textbook development.

For telecommunications development, the Ministry of Telecommunications has realized the need for reasonable investment in telecommunications services and the utilization of telecommunication services. Recently, MPT was coordinating well with MPI, MOF, Ministry of

Police and Ministry of Defence to allocate funds for telecommunications services development. The involvement of an increasing number of telecommunications services suppliers has reduced telecommunications tariffs, improved the quality of services, and created a more competitive environment in the telecommunications sector. Various regulations have been issued to remove the monopoly in telecommunications services delivery, and to set standards for service quality.\ To develop telecommunications services relevant ministries/agencies have coordinated relatively well in allocating resources. In order to support telecommunications service development in rural and island areas, the Prime Minister issued Decision No- 191/2004/QD-TTG on the establishment and operation of Vietnam's Fund for public telecommunication utilities. The fund is a state financial facility managed by the MPT. The Fund has been established to mobilize and receive financial resources for public telecommunications projects/programs to be implemented in areas where businesses are unlikely to provide services because of low profits. The responsibilities of concerned ministries/agencies to operate the Fund have been stipulated clearly in the Decision.

Although there are some achievements in levels of coordination between MPT and other concerned ministries/agencies, there is considerable room for improvement. The National Telecommunications development master plan has not been prepared to serve as the umbrella for telecommunications development. At present, various telecommunications development projects have been proposed by different ministries/agencies without sufficient coordination, leading to overlaps in investment and thus an inefficient use of national resources. It is also one of the reasons why MPI, MOF and MPT are in a difficult position to appraise and allocate resources to the telecommunications projects of different ministries.

5.2.2.5 Weak planning monitoring and evaluation systems

Plans should be monitored and evaluated closely so that problems can be identified and resolved on a timely basis. Funds can be reallocated to achieve better targeting and more efficient investment. However, there is no monitoring and evaluation component in the development plans of all service sectors and even in the National Socio-economic Development Plan. There is no relevant, clear, specific, collectable and sensitive set of indicators for monitoring service sectors plans. Equally, monitoring indicators linked to each objective are largely inadequate. For example, in the health sector the key indicators used as the basis for resource allocation are the number of beds, the number of visits of patients to hospital/clinics and the number of medical doctors per bed/per health center. Based on these indicators, it is not easy to determine whether the quality of the preventive health care services or popular curative services or traditional health care services is good or not, and whether the funds used in some sub sectors are more efficiently used than in others. As a result, managers in the preventive health care sub sector complain that the funds allocated to their sub sector are too short to properly implement their assignments, while managers in the curative health care sub sector think that the funds allocated to the preventive sub sector are excessive in comparison to the funds allocated to curative sub sector, if calculating the allocation of resources by activity.

Sound allocative coordination between the units of any ministry/agency is, of course, highly problematic without good monitoring and evaluation. Similarly, the absence of robust monitoring and evaluation systems in many service sectors has resulted in poor allocative coordination between the agencies responsible for state management of the service sector.

5.2.2.6 Lack of legal documents regulating coordination or monitoring and evaluation of plan performance:

There is no legal document regulating coordination between agencies and between levels in monitoring and evaluation of plan performance. The most frequent way to coordinate in the monitoring and evaluation of plan performance is to organize inter-ministerial field missions to spot-check plan implementation progress and to visit civil works. Due to financial constraints, chairing agencies have experienced difficulties in organizing such inter-ministerial field missions. Coordination between agencies by sharing information is very weak. Most agencies are unwilling to share data or have insufficient data to share with coordinating agencies. Information technology has been applied poorly in monitoring and evaluation, causing difficulties in collecting, storing and sharing data. This is confirmed in the survey. Most respondents (75%) felt they had experienced difficulties in coordinating strategy, plan and policy implementation and the monitoring and evaluation of state management performance. The key reasons for difficulties were a lack of information (72%), followed by a lack of willingness on the part of coordinating staff and being too busy with other assignments (28%).

The lack of a sound M&E framework can be seen in the IT Master development plan for 2001-2005, approved by the Prime Minister in Decision No 95/2002/QĐ-TTg, and the Core Program on IT human resources development to 2010, approved by the Prime Minister in Decision No 331/QĐ-TTg. In neither document is there a section on Program/Plan implementation arrangements.

5.2.2.7 No linkage of plans to budgets

The fact that plans have not been linked closely to budgeting also underlines poor coordination in the allocation of resources between sectors. So far there has been very poor linkage of 5 year socio-economic and sector development plans to annual plans and to budget estimates. Some solutions identified in sector or national socio-economic development plans may stay without budgeting. Even if service sector coordination was effective in the process of preparing 5 year plans, it is difficult to see how the policies or solutions proposed on a joint basis could be implemented in the absence of any budgets. The negative impact of poor allocative coordination because of weak linkages between development plans and budgets can be seen in the case of the transport development plan in Ha Nam province (Box 5.2).

At present, with the support of various donors, MPI is trying to introduce some innovations in planning by organizing consultations on the 2006-2010 SEDP with various stakeholders, including civil society, donors, NGOs, and government staff at local levels. In addition, the 2006-2010 SEDP is being improved for submission to the National Assembly in 2006. It is hoped that the 2006-2010 SEDP will reflect the contribution of all sectors and stakeholders.

Box 5.2: Allocation coordination: National Road 21A Improvement project

The National Road 21A improvement project was included in the 2001 transport sector development plan. The total cost of the project is VND175 millions, of which VND 50million is for resettlement compensation. MOT obtained the loan from Investment Funds for the project. The province is responsible for payment of compensation and loan interest.

Due to poor allocative coordination between MOT and Ha Nam province, the funds allocated by Ha Nam for the compensation under the project were inadequate. The resettlement was delayed by two years in comparison to what was planned. Due to delays in resettlement, construction work could not

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start. However, the province had to pay the loan interest, although the funds could not be disbursed for any civil works. Poor allocative coordination has thus created difficulties for Ha Nam and MOT.

5.2.3   Impact Coordination

5.2.3.1 Good coordination between some government agencies in impact coordination

Impact coordination is to ensure that the decisions made by one institution do not impact negatively on other institutions or their programs. Impact coordination can be achieved firstly through coordination in policy making. According to the Coordination in State Management Performance Review, undertaken by the OOG, "coordination in policy making has been seen as taking place between the central agencies and between central agencies and local agencies". Most government agencies realize the need and responsibility for coordination in policy making. Some ministries/agencies have ensured quite good internal coordination and coordination with other government agencies in developing sector development strategies, plans and policy making. For example, internal coordination between departments/units within the State Bank of Vietnam has been good thanks to clear regulations governing internal coordination between the departments and units of SBV. The responsibilities for coordination are stipulated clearly in these regulations. Most of the departments/units in the SBV have met the requirements for coordination by setting clear questions and sending them out to get comments from relevant departments/units (in the case of chairing units) or providing timely and high quality feedback to the chairing units (in the case of cooperating units). As a result of good coordination, the legal framework for the banking sector has been developed and improved with the issuance of the Amended Law on the State Bank, the Law on Credit Institutions, more than 40 related Decrees and hundreds of Circulars and guidelines for the implementation of Laws.

The Ministry of Education and Training has also coordinated well with other central and local agencies in policy making with the development of many legal papers, creating a relatively comprehensive legal framework for education development management. MOET especially, has coordinated effectively with various central and local agencies, with many schools as the education and training services suppliers and with students and parents as the education service users in drafting the Amended Law on Education. The Law Drafting team organized 32 seminars and workshops for the 1998 Law performance review and 33 seminars and workshops for consultation on the new Law Draft. Comments were received from 21 agencies, representing a valuable contribution to the drafting of the Amended Law.

5.2.3.2 Poor coordination due to conflicts of interest and lack of information sharing

Despite efforts made to improve coordination in policy making by the Vietnam Tourist Agency, the coordination is not especially good. During the drafting of legal papers the most common way of coordination is to get comments on the drafts in writing from the relevant ministries/agencies. However, many ministries/agencies did not send feedback, sent low quality comments, or did so on an untimely basis. For example, the comments on the draft of the master plans for three tourist regions and 6 tourist centers were not specific. Some representatives of various ministries and agencies gave negative comments at the last stages of the drafting process, although they had been invited to participate in the discussion process from the beginning and to make comments, but kept quiet. This has caused significant delays as the drafting team then had to revise the final draft significantly.

The establishment of working groups is also sometimes ineffective. For example, in order to develop the trade in services development policy, the Ministry of Trade established a working group comprising of members from many agencies, including VTA. Each participating agency proposed their policies and mechanisms for the trade in service areas relating to their functions. The Draft Decree on Trade in Services development has been prepared based on the proposals from member ministries/agencies. However, the draft has not been finalized despite consultations with the member agencies for more than two years. This demonstrates that even with the inter-ministerial working group established, consistency between the concerned agencies has not been ensured.

Coordination in making management decisions to avoid negative impacts by issuing decisions on other sectors or units is also important. Decisions made by some agencies have caused problems for the Tourist sector. For example, the Ministry of Police has given inappropriate guidance (e.g. the 368/XNC paper) on issuing visas for Chinese tourists to Vietnam, although the Regulation attached to Decision 849/2004/QĐ-BCA on issuing visas for Chinese citizens visiting Vietnam is meant to attract Chinese tourists. This Guidance discouraged Chinese tourists from visiting Vietnam for the last three months of 2004. However, the Ministry of Police has since coordinated well with the VTA to resolve this issue after appreciating the problems caused.

There has also been poor coordination between VTA and the Ministry of Police in issuing Regulations for security in tourism (related directly to the room arrangement for visitors). Circular No 02/2001/NĐ-CP, 2001, by the Ministry of Police (to implement Decree No 08/2001/ND-CP) on the security requirements for some conditional business areas, requires hotels not to arrange a share room for male and female visitors unless they show their marriage certificate. This creates problems for hotels because many visitors do not bring their marriage certificates when traveling.

There is also poor impact coordination in the IT sub sector. A number of legal papers have been issued which have had a negative impact on IT application and development. For example, the Regulation on the controlling and giving licenses on the information supply and website development stipulated in Decision No 27/2002/QĐ-BVHTT, 2002 by the Ministry of Culture and Information (MCI) requires that permits be given by the MCI to organizations that want to provide information on Internet or to set website. It is not convenient for Internet users, especially users such as small enterprises or organizations, to use the Internet for business, learning and communicating. While there are constraints for setting domestic website and providing information on the local Internet defined in the Regulation, all businesses and organizations in Vietnam can freely establish foreign websites and provide information on foreign servers. The requirement for website developers to have adequate technical facilities are not relevant also because they can rent these services from outside.

Although MPT has made a major effort coordinating with concerned ministries/agencies to ensure impact coordination, there are still many problems associated with telecommunications development. For example, Article 8 of Decision No 71/2004/QD-BCA issued by the Ministry of Police defines the responsibility of the Internet agent such that "... *2. The information about the service users is to be stored in the server for 30 days, 3. To keep the record on the service users, including the name, address, ID or Passport number, time of service using. The Internet agents must apply various solutions to prevent access to websites with bad content and to set the software to control the information of the clients*". In practice, this requirement is not feasible and creates difficulties for Internet businesses, while it is not useful to state management.

The recent Inter-ministerial Circular 02 /2005/TTLT-BCVT-VHTT-CA-KHDT issued by the Ministry of Police, MPT and MPI in 2005 to keep Internet agents more closely controlled. However, the regulations in the Circular have been the subject of complaints from the public, especially with regard to their more stringent requirements, such as " Internet users under 14 have to be accompanied by an adult and supervised by an adult during the use of Internet."

Many regulations issued by different ministries and agencies have a major impact on the development of health care services. For example, some hospitals and clinics, which are moving towards greater financial autonomy encouraged by Decree 10, have suffered problems because of the decision made by Vietnam Social Security. According to VSS's regulation, hospitals and clinics that want to sell health care insurance to their clients, have to buy health care cards from VSS and are responsible for the whole payment to their patients, who buy the health cards from the hospitals or clinics. VSS charges a 10% fee on the health care card value from the hospitals or clinics and has no responsibility to the patients who buy the health care cards. VSS's decision has created difficulties for small hospitals such as city or district hospitals, as most of the clients who buy health care cards from them are poor. Those clients usually use the cards more intensively than better-off clients. Therefore, the district or city hospitals have to pay more than they get from selling the health care cards to the poor and are losing money. If VSS takes the responsibility for paying clients, they can get an income from selling the cards to healthier clients to compensate the expenses occurred by paying hospital fees for the less healthy clients.

5.2.4   Operational Coordination

Operational coordination is the coordination which ensures that implementing agencies cooperate where necessary in implementing cross-sector decisions. As we have mentioned before, most of service sectors' products are of a cross-sectoral nature. In order to develop service sector products, various cross-sector decisions should be made which require operational coordination between the agencies responsible for each service sector.

Operational coordination between VTA and other relevant agencies has significantly helped the VTA in performing its state management functions. VTA has no authority to issue ministerial legal documents. In order to issue the legal documents for tourist services regulation, VTA must coordinate with other relevant ministries in developing policies and preparing documents for issuing by those ministries. For example, in order to enhance environmental protection for tourism development, VTA has coordinated with MONRE in drafting the Decision on environmental protection for tourism development for the Minister of MONRE to issue. For education areas, VTA has coordinated closely with MOET in developing the curriculum for secondary professional training schools in the tourist sector. For migration issues, VTA has coordinated with the Ministry of Police in issuing the Decision No- 849 on allowing Chinese tourists to visit Vietnam by using tourist cards. VTA has also coordinated well with the Ministry of Culture and Information and the Ministry of Foreign Affairs in organizing local and overseas events and cultural tours, and with the Ministry of Finance in allocating resources to the National Tourism Action Plan and with the Ministry of Planning and Investment in mobilizing resources for tourist infrastructure development. However, operational coordination is not easily ensured and poor operational coordination in the tourism sector has been experienced in the case of giving licenses to tour guides in Hue (Box 5.3).

Box 5.3. Inconsistency in tour guide permits in Thua Thien Hue

The Hue Ancient Capital conservation center and the Thua Thien Hue Tourism Agency are both under

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Thua Thien Hue Provincial People's Committee. The functions of the Hue Ancient Capital conservation center are to assist the Provincial People's Committee in managing, maintaining, conserving and developing the cultural heritage of Hue's ancient Capital. Thua Thien Hue Tourism Agency is responsible for state management of the tourism sector, including the management of tour guides. According to Decree No-27/2001/ND-CP on travel and tour guiding, in order to work as a tour guide, tour guiding permits should be given by provincial tourism agencies. Thua Thien Hue Tourism Agency follows the requirements stipulated in the Decree 27/2001/ND-CP in giving tour guide permits. However, Hue Ancient Capital conservation center does not follow this requirement in giving tour guide permits to the center's staff who work as tour guides in Hue Ancient Capital area. The existence of two types of permits, given by the Hue Ancient Capital conservation center and Thua Thien Hue Tourism Agency creates confusion in tour guiding (some tour guides with the permits given by Hue Ancient Capital conservation center do their business outside the Hue Ancient Capital area).

This problem will be resolved when the Law on Tourism becomes effective (1st January 2006) because the permits for tour guiding given by the Hue Ancient Capital conservation center will be replaced by permits for commentators. Commentators can work as tour guides within limited areas only.

For consulting services, there is both poor institutional framework and also poor enforcement. The Law on Insurance requires involuntary insurance from the legal consulting services suppliers, but very few lawyers follow this requirement. The Ministry of Finance, as the state management agency responsible for Insurance services and the Ministry of Justice, which is responsible for legal services, has not coordinated well to ensure enforcement.

Many objectives and solutions for the promotion of IT research and development have been identified in the IT development Strategy/Plans or Instructions issued by the Prime Minister, but there is no action plan or guidance for implementation. For example, the tasks of developing the IT procurement process for public agencies, for setting quality standards for IT products, and quality testing procedures and quality certificates is identified in the IT development master plan 2001- 2005, but was not implemented in practice because there has been no coordination between the agencies as to who is responsible for IT management. This lack of coordination happened because the responsibilities of concerned ministries/agencies was not clearly spelt out in the implementation arrangements for the IT Development Master Plan. The IT Venture Capital Fund has been established, but has not worked as according to Instruction 58/CT-TW (issued by the Political Committee in 2000) there should be a separate item in the State budget for the IT Venture Capital Fund.

Operational coordination is especially important to the insurance service sector, particularly for special types of insurance services, such as Fire insurance and Vehicle insurance. For Fire insurance, the Insurance sector has to coordinate with the Ministry of Police; for Vehicle insurance there should be coordination with the Ministry of Transport; for Construction insurance, there should be coordination with the Ministry of Construction; and for Travel insurance the coordination should be made with the Ministry of Foreign Affairs and the Vietnam Tourism Agency. The Ministry of Finance has tried hard to coordinate with relevant agencies to develop insurance services, but the results have not been satisfactory as there is no regulation on coordination and the responsibilities of t cooperating agencies are unclear in legal documents.

Operational coordination is also very important to telecommunications service development. In recent years, MPT has tried to coordinate with various ministries/agencies in implementing cross-sectors or the Prime Minister's decisions. However, there are many problems associated with practical coordination in the telecommunications sector. For example, Inter-

ministerial Circular No 02/2005/TTLT-BCVT-VHTT-CA-KHĐT issued by MPI, the Ministry of Culture and Information, and the Ministry of Police on Internet agency management has been implemented with poor or even no coordination. According to the Circular "MPT, in cooperation with MCI and Ministry of Police, is to chair the issuing of regulations on software for controlling the Internet agents' programs, MCI, in cooperation with MPT, the Ministry of Police and provincial/city People Committees, is to propose measures to prevent the development of immoral web-pages on the Internet; and Ministry of Police, in cooperation with Telecommunications and IT Inspectors, Culture and Information inspectors, is to chair the inspection of the activities of Internet agents". But in practice, these ministries/agencies perform their tasks with poor coordination.

The Ministry of Health tries to ensure good operational coordination between itself and other agencies and between the units in MOH by issuing implementation guideline decisions for specific areas. For improving ODA project management, MOH, in cooperation with MPI and MOF, has issued Guidance on ODA project management. However, delays still occur, not because of any regulation, but because of negligent staff. For example, the Procurement Plan of the ADB-funded "Rural Health" project was held up in the OOG for five months pending approval causing delays in project implementation.

5.2.5   Jurisdiction Coordination

Jurisdiction coordination is the coordination needed to make the roles and functions of different institutions clear and mitigate disputes between different ministries/agencies and provinces. For computer consulting services there are some regulations which are inconsistent each with other. For example, according to Decree No- 90/2002/NĐ-CP on the mandates, functions and responsibilities of MPT, MPT is responsible for providing training for staff in the telecommunications and IT sector. However, according to Decision No- 331/QĐ-TTg, 2004 by the Prime Minister, the function of providing training to IT managers, CIO and IT staff belongs to MOHA. At the same time, OOG is also responsible for providing training for government staff who work in IT areas according to Decision No- 112/2001/QĐ-TTg , 2001, on the 112 Program on the application of IT in the state administration for the period 2001-2005, while responsibility to provide CIO training is delegated by the Prime Minister to MPT according to Decision No- 777/QĐ-TTg, 2005, on approving the pre-feasibility report of the "IT development in Vietnam" project.

5.2.5.1 Difficulty in jurisdiction coordination due to the unclear functions and mandates of some government agencies:

Although the functions and mandates of telecommunications management agencies are defined in various legal documents and there are almost no overlaps in the functions of those agencies, there are still been many problems as related agencies do not fully understand their functions and mandates. What is defined in the current legal documents on functions and mandates is not clear enough for them to take correct and timely action. We can see this poor coordination through the example of the Military Telecommunication General Corporation (Viettel) and Vietnam's Post and Telecommunications (VNPT). (Box 5.4).

Box 5.4. Competition between Viettel and VNPT and poor jurisdiction coordination

Viettel Mobile is a state-own general corporation, established in 2000. under the Ministry of Defense to provide mobile phone services. VNPT is a state-own general corporation, which was separated from the General Department of Post and Telecommunications, who played the role of the state regulator in the post and telecommunications sector. Viettel offers lower rates in comparison to the rates offered

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by VNPT and Mobiphone, therefore, many of there clients moved to Viettel. In May 2005 the network of the Viettel became overloaded. Many Viettel clients couldn't access Vinaphone or fixed telephones. In fact, VNPT had not provided adequate connection from Viettel to the VNPT network, although Viettel sent 8 requests to VNPT to increase the connection load from Viettel to VNPT in the beginning of 2005. Viettel would be bankrupted if the situation continued for much longer. Viettel sent the request to MPT asking for help and the Ministry of Defense, the owner of Viettel, also sent the request to the Prime Minister asking for help to protect the interest of mobile phone services users.

MPT, as the government agency that has been assigned responsibility by the Prime Minister for telecommunication services state management, organized a meeting with Viettel and VNPT and asked VNPT to increase the connection load from Viettel to VNPT. However, Viettel did not believe that VNPT would follow the decision made by the MPT after the meeting and sent another request for help to the Government. The PAR Working Group 23 of the OOG was assigned by the Prime Minister to help resolve this problem. With the instruction from the Prime Minister, MPT issued the Decision No-07/2005/CT-BBCVT in September, 2005 on the network connection and public telecommunication services. Due to unclear jurisdiction, The PAR Working Group 23 of the OOG involved in the process, which was not in consistency with its functions- public administration reform promotion.

Jurisdiction coordination is almost absent in the consulting services sub sector, leading to poor state management in this area. According to Decree No- 87/2002/ND-CP, 2002 on the supply and use of consulting services, the Ministry of Science and Technology has been designated by the Prime Minister as the state management agency responsible for consulting services, while Decree No- 54/2003/ND-CP, 2003, by the Government on the mandates, functions and organizational structure of the MOST, as well as Decree No-28/2004/ND-CP on revising and amending some articles of Decree 54 do not mentioned the responsibility of MOST for consulting service management, although Decree 28 was issued after Decree 87. Among all the departments and units under the MOST there is no one who is responsible for consulting service state management.

Some ministries have issued regulations on consulting services management in specific areas. For example, the Ministry of Planning and Investment issued Decision 98 BKH/PLDT, 1997 on the Regulation of Foreign Investment Consulting services. According to Article 2 of this Decision, businesses which want to provide Foreign Investment Consulting services have to obtain professional operation permits from MPI. In order to get these professional permits businesses need to have business licenses registered in the Consulting services areas and equipped with adequate physical facilities and technical capacities for providing Foreign Investment Consulting services. They also have to submit the request for the permit with the reference from the agency which issued the business establishment decision. Decree 87/2002/ND-CP, 2002, states that any business with a business license registered in consulting service areas can work as a consulting service suppliers without professional permits.

Based on the request of the Ministry of Construction, the Prime Minister issued Decree 16/2005/ND-CP in 2005 on the Management of Civil works projects, which includes an Article on the conditions for a consulting firm to become a project management consultant. According to Article 56 of this Decree, in order to be eligible to be a level 1 project management consultant, the consulting firm should have a good project management consultant director of level 1, at least 30 engineers, architectures, and economists and have experience of management in at least 3 similar projects. Projects of level 2 have less stringent requirements, such as, having at least 20 engineers, architectures, and economists and with the experience of management in at least 2 similar projects.

Due to unclear regulations on state management of consulting services, many consulting service users suffer shortages of information on consulting service suppliers. Consulting services are services of a special type. It is not easy to assess the quality and price before purchase. With only the curriculum vitae and references provided by consultants, consulting service users can incorrectly appraise consultant skills and qualities and make poor decisions concerning the recruitment of consultants.

In terms of jurisdiction coordination, there are some contradictions in jurisdiction in the banking sector. For example, according to the Law on State Bank and the Law on Credit Institutions, SBV is responsible for giving operation permits to non-credit institutions which are involved in banking activities. However, some non-credit institutions which are involved in banking activities (e.g. Deposit Services of VNPT or the development Funds, Export promotion funds) do not follow the above mentioned Laws. They have been established based on separate decisions issued by the Prime Minister. There is also poor coordination between SBV and other relevant agencies in providing establishment permits to subsidiary financial corporations. According to the Law on Credit Institutions and Decree 79/2002/ND-CP, Regulation on Organization and Operation of financial companies, SBV is authorized by the Prime Minister to provide establishment and operation permits to financial corporations. However, Decree 180/2004/ND-CP on new establishment, organizations and dissolution of SOEs defines that Ministers and Chairmen of PPCs are authorized to give establishment permits to financial companies, which are members of state general corporations. This practice has caused delays in the establishment of some financial companies controlled by state general corporations.

5.2.6   Event/Crisis Coordination

Event/crisis coordination is coordination in solving problems suffered from big events or accidents. In recent years, this type coordination has been practiced well in Vietnam. The biggest "event" so far has been preparation for WTO accession. Accession to the WTO concerns all economic sectors, including service sectors. The working group on preparation for WTO accession has been established with representatives from many concerned ministries/agencies, such as the Ministry of Trade, MPI, MOF, OOG, the Ministry of Foreign Affairs, MOI, MARD, MCI, the Ministry of Justice, VTA, MONRE, SBV and MOST. The Ministry of Trade is responsible for chairing and coordinating WTO negotiations. The commitments that Vietnam has to make to become a WTO member concerns various sectors, especially the service sector. All the ministries/agencies responsible for service sector state management have coordinated well with the Ministry of Trade and other members to accelerate the preparation process and have helped in successful negotiations.

In many service sub sectors Vietnam has committed to full liberalization. Vietnam has also removed the MNT for financial services and has committed to opening the financial market equally for all WTO member countries after joining WTO. To follow the commitments made for joining the WTO all ministries and agencies responsible for service sectors/sub sectors state management have to review the legal and institutional framework to see which policies are inconsistent with policy commitments, and which need to be changed and where there are gaps to be improved. Many ministries and agencies have prepared their sector development programs or sector policy reform programs to improve the legal and institutional framework to meet the commitments made for becoming a member of WTO.

The State Bank of Vietnam has developed an Action Plan for Global integration of the banking sector following a commitment "to open the financial market equally for all WTO members' countries after joining the WTO". The State Bank of Vietnam has coordinated well

with the WTO accession preparation Working Group to identify gaps between the current legal and institutional framework and commitments in the banking sector to develop relevant action to be carried out for global integration. Four state-owned commercial banks are to be reformed. Various legal documents have been recently issued or amended, such as the amended Law on Banking, the Law on Anti-Money Laundering and the Law on Transmittance instruments. However, the Action Plan for Global integration of the banking sector has not been successfully implemented because the Programs Implementation arrangements were divided amongst too many departments/units with SBV playing the role of chair. For example, the Administration is responsible for organizing the workshops to improve the awareness of the staff and managers from SBV and the state-owned commercial banks on integration, the Legislation Department is responsible for coordinating with other departments and units to review the current legal framework and propose the legal documents to be amended or replaced or newly issued. The Banking development strategy department is to chair the improvement of the Global integration strategy in coordination with other departments/units. No department/unit is assigned to coordinate the implementation of the whole program in general, so no single body is responsible for monitoring and evaluating Program performance as a whole. As a result, many departments/units have not completed their assignments, with the Banking development strategy department, for example, having yet to complete the drafting of the Global integration strategy.

Avian Flu is one example of emergency/event coordination, not only in Vietnam but also in the world. Vietnam was successful in fighting Avian Flu last year and this year. A National Steering Committee was established to ensure good coordination between all relevant ministries and agencies in dealing with this emerging problem. The Ministry of Agriculture and Rural Development has coordinated well with other ministries, especially the Ministry of Health in keeping the disease under control to prevent human losses and in supporting poultry farms to cope with difficulties. The Ministry of Telecommunications has also coordinated with the National Steering Committee and other relevant ministries/agencies in fighting Avian Flu. MPT is assigned to develop the website on Avian Flu and to disseminate information to as many stakeholders as possible. At the request of MPT, VASC has developed the Website "Urgent message- to prevent rightly the Avian Flu" on www.cumgiacam.gov.vn. On this website all the decisions, messages, and guidance introduced by the Anti-Avian Flu National and Local Steering Committee have been published and updated. VASC receives the messages and processes the information about the disease sent by government staff and people through the Avian Flu hot line.

5.3 Coordination practice in the service sector: ways of coordinating

In Vietnam, Standardization of skills is rarely used as a coordination mechanism because there are no clear job descriptions defined for individual positions in most government agencies. The Standardization of process and of output coordination mechanisms are not often used as not all necessary procedures, rules and regulations, specifying the contents of activities are not defined clearly. The coordination mechanism most popular is Mutual adjustment. For coordination through mutual adjustment various ways of coordination can be used, depending on the types of coordination and resources available. They are:

> to establish a drafting team, comprising members from relevant ministries/agencies and departments/units;
> to get official comments in writing from the relevant ministries/agencies;
> to get comments through organizing consultation workshops or seminars; and
> to get inputs from senior experts.
> Information sharing network

5.3.1 Establishing a Drafting Team:

Establishment of a drafting team, comprising members from relevant ministries/agencies and departments/units is a popular way of strategic coordination between agencies responsible for state management of the service sector in Vietnam. The establishment of a drafting team, comprising members of relevant departments or units to draft the strategy is required according to the Prime Minister's Decision on the preparation of a sector development strategy. This practice has also been used in allocative, jurisdiction, operational, impact and event/crisis coordination. However, it has been used most in strategic and jurisdiction coordination. The study's survey found the establishment of working groups to be the most popular form of coordination in implementing strategies, plans and policies and state management performance monitoring and evaluation (68.7% respondents agree with that opinion). To prepare legal documents, such as Laws, Ordinances or Decrees the agency responsible for chairing the preparation of legal documents usually establishes the Drafting team, comprising of representatives from relevant ministries/agencies. For important events, such as the negotiations for WTO accession, or fighting Avian Flu, in order to ensure coordination, Task Forces are established with members drawn from all relevant ministries and agencies, chaired by the Minister, Vice Prime Minister or Prime Minister.

The establishment of working groups or drafting team mobilizes the collective intellectual contribution with cross sectoral knowledge to ensure inclusiveness, cross sectoral coordination and transparency of policy making. Legal documents can be an effective regulating instrument for state management in the service sector, provided they are socially inclusive, transparent and reflect the national and cross-sectoral interests. However, some drafting teams and working groups are unable to fulfill assignments as members do not spend enough time and effort contributing towards coordinated exercises as most members are high ranking, or at least at deputy director level. Some members send different staff to different meetings of the group or team, thus compromising consistency and continuity.

Establishment of steering committees working groups is usually used for coordination between agencies when it is impossible to apply the Standardization of process, output and skills coordination mechanisms or in emergency cases. In emergencies, such as SARS or bird flu, various agencies make efforts together to solve the problem. They must mutually adjust their interests for the urgent needs of the national interest. This explains why coordination through the establishment of steering committees or working groups has been effective in solving SARS or bird flu problems, but not for service sector development such as in the case of the service sector development working group.

5.3.2 Official Comments in Writing from Relevant Ministries and Agencies:

Coordination through collection of written comments is frequently used including strategic, allocative, jurisdiction, impact and operational coordination. Many people think that coordination through written comments has the advantage of being official. Given that written comments can be kept and recorded, the staff who make comments may take a higher accountability in making comments. However, this way of coordination is time-intensive, and may lead to delays for the chairing agency in processing their work. Moreover, because of a lack of communication and information, the staff that make comments may not fully understand the issues and may make comments of limited value or even incorrect, causing problems for the agency which asked for comments. Sometimes, and even where written comments are requested (which can be filed and stored), staff may not take their feedback functions seriously for want of appropriate incentives or sanctions Whatever the advantages

or disadvantages, getting written comments is used most extensively in policy and development strategy, plan implementation and in processing administrative disputes (45% of all respondents agreed with this).

5.3.3   Comments through Organizing Consultation Workshops or Seminars

Organizing meetings, seminars or workshops are frequently used to ensure strategic, allocative and jurisdiction coordination. During the legal document or strategy drafting process they often organize consultation workshops or seminars to mobilize inputs or to get comments on a draft. Some ministries/agencies (such as the Ministry of Education and Training) have organized regional workshops to get comments from provinces on their sector development plans. The advantage of this method of coordination is that the participants have opportunities to share problems and ideas with each other, so that they can understand better the issues to be solved. A better understanding of the issues increases the likelihood of the comments made being more relevant and useful. However, if the meetings, seminars or workshops are prepared poorly, the results may not be as expected. Moreover, this way of coordination can be costly due to the expenses incurred for travel or accommodation. Organizing consultation seminars/workshops can be done more often with the support from ODA projects.

5.3.4   Inputs from Senior Experts

Due to the cross sectoral nature of service sector coordination, the staff of government agencies may have no time, information or capacity to make comprehensive and objective comments. To get comprehensive and objective inputs for sector development strategies or policy making, the chairing agency can use expert inputs. The experts should be top experts from government agencies, professors or independent consultants. This method is rarely used due to budget allocation constraints in the preparation of legal documents and sector development strategies.

If chairing agencies have access to adequate resources, especially financial resources, they may organize field trips or surveys. The purpose of surveys or field trips is to collect data for situational analysis. The information obtained from surveys or field trips will help improve the practical background for sector development strategies or plans. However, given the limited budgets allocated to policy making or sector development strategies or plans, surveys are rarely organized; or if so, with samples that are too small to be representative or with questions that do not provide adequate information.

5.3.5   Information Sharing Networks

Few government staff have used information sharing networks in Vietnam (16.4% of respondents). Information sharing networks can help mitigate the many weaknesses of other ways of coordinating and brings the benefit and advantage of quick information sharing, providing a forum for discussion. However, to promote the coordination through information sharing networks adequate capacity and facilities, such as computers and internet services should be ensured.

Agencies responsible for service sector state management have tried to coordinate with each other in addressing issues of a cross-sectoral nature by using different ways of coordination. And as mentioned before, coordination has been achieved in many cases. However, coordination between agencies responsible for service sector state management in making policy and drafting sector development strategies/plans is not efficient and is often a mere

formality. Comments made were often non specific, unclear or useless. Some state management agencies do not strictly follow coordination requirements, even though there may be clear regulations about the timing requirements for making comments. Some agencies, chairing the coordination process, do not respect the comments made by the cooperating agencies and ignore the comments which are contrary to their own opinions. In other cases, the agencies chairing the coordination process have sent out documents to get comments to too many agencies, without carefully studying their mandates and functions.

From the coordination practices seen above the main reasons for ineffective coordination can be summarised as follows:

There are problems in government organizational structuring

Poor regulation on standards of services quality

No specific agency is responsible for coordination in development strategy/plan and policy implementation.

The most popularly coordination practices used in Vietnam are not relevant in a quickly changing and globalized environment

Information sharing for coordination between ministries/agencies responsible for service sector state management has been weak;

The procedures for policy making and preparing development strategies and plans have not ensured policy consistency;

Planning practice has not met the new requirements

Poor monitoring and evaluation

The capacity of government staff and managers is weak;

There are no incentives or sanctions for good and poor coordination.

PART III:

6 PRINCIPLES, CHALLENGES, RECOMMENDATIONS AND ACTION PLANS FOR STRENGTHENING COORDINATION BETWEEN AGENCIES RESPONSIBLE FOR STATE MANAGEMENT IN THE SERVICE SECTOR

Recommendations for strengthening coordination between agencies responsible for state management in the service sector

6.1.1 Restructuring the Government

Many new sectors/sub sectors have emerged and sectors/sub sectors have become more important to the economy, however this is not reflected in current National industry classifications, causing various problems in the state organizational system. For example, communications and post is considered as a sub sector, and is under the management of the Ministry of Post and Telematics and also the Ministry of Transport. For some sectors/sub sectors, such as management consulting services, it is unclear what agency is responsible for state management. In many ministries and agencies the organization has been structured for a service delivery function rather than a policy making function.

In terms of the functions and mandates of the government, the Law on Government Organization issued in 2001 states that the Government is in charge of state management in socio-economic development, culture and social affair areas, national defense and security, international cooperation and integration, development and delivery of public services, state asset management and state economic development and legislation, This law doe not clearly separate business management functions from state management functions, nor does it identify the role of the Government in addressing market failures, such as addressing imperfect competition, especially the extent to which the government is involved in delivering public services.

There have been also problems at ministerial levels. Government agencies have been structured for a service delivery function leaving an inadequate focus on state management, especially policy making, causing delays or gaps in policy making. Unclear functions and mandates of many agencies have sometimes led to incorrect selection of the agencies to be coordinated. Many respondents to this studies survey mentioned that they had received requests for comments on issues which are beyond their function. In many cases, coordination is a way of avoiding personal responsibility or of compromising with agencies that have overlapping functions or mandates.

Recommendations:

In order to ensure good coordination in policy making the facilitating role of the Government should be clarified especially for market failures and should be stipulated clearly in the Amended Law on Government Organization, based on the principles of good governance above. The mandate of the Government, ministries, and agencies should be defined, ensuring transparency and accountability in their decision making, with power given alongside responsibility. Clear functions and mandates of government agencies, their units and staff will serve as the basis for applying the standardization of process and skills coordination mechanism.

The 1993 national industrial classification should be amended to reflect the requirements a transition to a market economy and global integration. At present the GSO is in the process

of developing a new National industrial classification, under which some sectors, such as telecommunications or environment services will be classified as sectors (level 1) rather than sub sectors (level 2). Others such as security will be classified as a sub sector (level 2) of the financial sector, rather than a sub-sub sector (level 3). The new classification will cover all sectors, including the sectors sub sectors which have been without clear agencies responsible for state management, such as management consulting.

The government structure and the functions and mandates of government agencies should meet the requirements of the state management aligned with the public administration reform and serve best the needs of businesses and citizens. The government structure does not need to be based on industry classifications.

To improve the quality and overcome weaknesses in training and science-technological research, one of choices is to establish the Ministry of Science, Technology and Training and revising the functions and mandates of the Ministry of Education to be focused on the general education up to upper secondary education only. Government agencies/ministries should focus on policy making as the main mandate of the minister assisted by various departments.

State management functions have been separated from business management functions. However, there are many institutional problems to be solved to build the management mechanism of state asset ownership representation to remove the role of state asset owner given to ministries and local governments.

Similar requirements have been raised to the ministries/government agencies responsible for public services delivery management (education, health, science and technology, culture, sport…) with the separation of state management functions from the public services delivery functions. Public service delivery is supplied mostly by public institutions. So far these "professional institutions" have been regulated under the same laws as government administrative agencies (both of them have been classified as administrative-professional institutions). To enhance the participation and in consideration of new legislation (Resolution 05/2005/NQ-CP), it is the time to renovate the organizational structure of ministries to promote autonomy of public service delivery institutions and encourage the participation of private sector and foreign investors in service delivering.

6.1.2   Regulation on Standards of Service Quality

Standard service quality has not been paid attention to far. The majority of our survey respondents have no knowledge of quality standards defined for the services (67%). Many government agencies responsible for the service sector's state management do not have a unit responsible for service quality control. For example, MOET did not establish a Department of Testing and Quality Accreditation until 2002. After its establishment most activities focused on testing and ignored the functions of education quality control. Professional service sector associations play a minor role in developing the standards for service quality and controlling quality. The lack of standards for service quality has created difficulties in applying the Standardization of output mechanism for coordination between government agencies responsible for service sector state management.

Recommendations:

Service quality control should be defined as a mandate of the relevant government agencies. The capacity of professional service sector associations should be built to take part in

developing the standards of service quality and control. Clear standards of service quality will help to apply the Standardization of output mechanism for coordination between government agencies responsible for the service sector state management.

6.1.3 OOG as the Policy, Strategy/Plan Drafting and Supervision Coordinator at the Central Level and PPC Administration at Provincial Levels

Decree 144/2005/ND-CP, 2005, identified the OOG as the policy, strategies and plans drafting and supervision coordinator at the central level and PPC Administration for the provincial level. However, this regulation has been applied to the preparation and supervision of the policy, strategies and plans, but not to the monitoring and evaluating of the implementation of policy, strategies and plans.

Recommendations:

The extension of the scope of this regulation by including responsibility for monitoring and evaluating policy implementation will improve the effectiveness and efficiency of the coordination between state management agencies, including the agencies responsible for the service sector. OOG should be policy performance monitoring and evaluation coordinator at the national level and the administration of ministries/agencies and provinces- at ministerial and provincial level.

6.1.4 Popular Vietnamese coordination methods are not relevant in a quickly changing and integrating economy.

The main coordination practices in Vietnam in drafting legal documents, strategies and plans and executing other state management functions is through the establishment of a task force or drafting team and by getting written comments on issues and holding consultation meetings or workshops. Task force members and drafting teams are often high ranking managers who are often too busy to participate in coordination works. Coordination through written comments or via consultation meetings or workshops also has a number of weaknesses. Coordination via IT and information networks and forums is rarely used (only 16.4% of respondents had positive replies in using networks for coordination).

Recommendations:

There are various coordination practices in Vietnam and each way has its advantages and disadvantages. IT networking i can avoid many of the pitfalls associated with coordination and has advantages such as rapid communication and providing a forum to share views. However, in order to promote coordination through IT networking adequate facilities, such as computers and websites and user capacity should be ensured. IT networks could be established through "clusters", between service sectors which have close interrelation, such as between tourism and culture, transport and customs for tourism development, between banking, finance and telecommunication for financial services development.

6.1.5 Establishing an Information Sharing Mechanism

Survey respondents felt that the poor exchange of information is a major reason for poor coordination between agencies   (71% of the respondents). Due to the poor exchange of information stakeholders may poorly understand issues to be consulted. Therefore, many comments are not useful or are given due to formality only, and can sometimes have a negative impact on an agency.

Recommendations:

The regulation on information sharing should be developed to establish information sharing mechanisms between government agencies and government staff.

6.1.6 Two Steps in Legal Document Making

One of the reasons for ineffective coordination is that the policy making procedures and the preparing of development strategies and plans have not ensured policy consistency. The law making process in Vietnam covers several steps, from submission of laws and their impact to the National Assembly and the government, establishment of a drafting team and then drafting, consideration of international laws and treaties through to further NA discussion and final approval. Missing from this lengthy and detail process is consideration for policy.

In other countries, legislation usually consists of two steps: agreement of the policy concept and then translation of the policy concept into legal documents. The step where authorized organizations/agencies or members of the National Assembly send a proposal on to the Standing Committee of the National Assembly and the Government in Vietnam cannot be considered the same as having a policy concept agreed. A policy concept is more comprehensive than a law proposal as it may cover the need for the drafting of several legal documents and policy initiatives to implement policies. The absence this policy concept agreement step translation of policy concepts into legal documents has made it more difficult to get consensus between stakeholders and even between concerned ministries/agencies. In Vietnam legal documents are usually drafted by the agency whose functions and mandates are regulated by that legal document without a policy concept being agreed. The practice of assigning line ministries/agencies to draft laws/ordinances/decrees also causes problems in ensuring the consistency and objectiveness of documents and preventing the bias of chairing agencies in drafting legal documents. For example, the Land Law was drafted by MONRE, the Law on Real Estate business was drafted by MOC and the Law on Real Estate registration was drafted by MOJ. Regulations on showing asset ownership are stipulated differently in the different laws: a red book according to the Land Law, a pink book according to the Law on Real Estate business and a blue paper according to the Law on Real Estate registration.

Recommendations:

A two step procedure (policy concepts agreed and then legal document drafting) should be applied in issuing legal documents to better mobilize inputs (participation) and to ensure coordination between the relevant agencies in policy making and to avoid the inclusion of the interests of some ministries/agencies, and to ensure transparency and accountability in policy making.

Were the two step process applied, the OOG and Ministry of Justice would need to help the Prime Minister review the policy issues included in the legal proposals based on policy analysis prepared by the related Ministry. A two step legal document drafting process would help to improve the quality of legal documents and the coordination between relevant agencies.

6.1.7 Planning Reform to Ensure Good Allocative Coordination

Improved capacity and awareness of the public has strengthened their rights and desire to participate in development planning. However, there remains low participation and transparency in planning due to constraints in timing and resources for planning. Plans have been developed with limited vision and poor coordinated. The objectives of plans remain unranked creating difficultly in identifying objectives and priorities for resource allocation. There is no coordination between relevant agencies in investment prioritizing with no clear linkage of programs/solutions identified in many development plans. The plans often have no linkage to budgets, giving them a risk of ineffectiveness.

Vietnam has strongly pursued decentralization and provinces have been granted considerable powers, in resource allocation. Before the decentralization policy was fully articulated, provinces in Vietnam enjoyed a considerable degree of autonomy from the centre. However, the planning procedures and methodology applied in Vietnam has been more akin to central planning than to planning in a market economy. Input- based planning creates problems for the Central government in evaluating the efficiency of state resource utilization and in uniformly implementing policies across the entire country.

Recommendation:

The planning process should be changed to ensure greater participation, transparency, empowerment and accountability in planning. In order to improve vertical coordination between levels, especially between the central and provincial levels, result-based planning should be introduced. Objectives in socio-economic development plans should be identified clearly, structured by priorities to prevent inefficient investment. Plans should be monitored and evaluated closely so that any problems can be identified and resolved on a timely basis and funds can be reallocated if necessary. Planning should be linked to budgeting. Implementing MTEFs may help to link socio-economic development plans to budgeting.

6.1.8   M&E Improvement for Results- Based Management

Coordination in policies/strategies/plan drafting, performing and monitoring and evaluation requires adequate information and data analysis capacity. Most central and local agencies do not perform monitoring and evaluation of policy, strategy and plans well and as a result they often lack information to make useful comments. At the same time monitoring and evaluation is yet to be institutionalized. M&E indicators are not yet specific, measurable, affordable, relevant and time-bound and monitoring capacity remains limited. Facilities and capacity for data collection, processing and analyzing are in shortage and information sharing is not the culture of government agencies.

Recommendations:

Monitoring and evaluation is a tool for implementing results-based approaches to state management. The performance monitoring and evaluation should be improved with the development of a good set of M&E indicators and appropriate facilities. The M&E capacity of government staff should also be strengthened. It is also necessary to issue regulations on data collection, analysis, use and sharing between agencies/units/individuals to ensure collected and processed information is shared between relevant agencies/individuals and between levels.

6.1.9   No Incentives or Sanctions for Coordination

Decree 144/2005/ND-CP has established provisions for incentives and sanctions in coordination. However, this Decree's scope is limited to coordination between the state management agencies in drafting legal documents and preparation of development strategies and plans, but not in other state management activities, such as in public service delivery management or disputes in international negotiations.

Recommendations:

As in Decree 144/2005/ND-CP, incentives and sanctions should be incorporated into relevant legal documents which govern coordination between service sector state management agencies in managing public services delivery, settling disputes or claims from service suppliers, or users of other state management agencies. There should be a specific mechanism to allocate state budgets for coordinating activities.

6.1.10 Capacity Building for Managers and Staff of the Ministries/Agencies

In order to make valuable and useful comments or to make management decisions those responsible should have data collection, processing and analyzing capacity and cross-sector knowledge. Few government staff members have good data collection, processing and analyzing capacities or cross-sectorial knowledge. The low capacity of government staff, especially of local government staff has made the government's decentralization policy ineffective and inefficient with significant resources used wastefully. Corruption is also significant in many agencies (MOT) and provinces (Ha Giang) as government staff capacity has not matched the powers delegated to them.

Recommendations:

In order to ensure good coordination in the state management of the service sector, managers and staff working in these sectors should have cross-cutting knowledge and the skills necessary to get adequate information and to process and analyze data. Analytical and policy making capacity skills are vital.

Vietnam is in the process of moving to a market economy. Many functions and mandates of state management agencies are new or have changed. The policy making capacity of government staff has to be strengthened to cope with the changing environment and new demands. Capacity building for government staff, especially local government staff becomes more important under the context of strong decentralisation to ensure uniform implementation of policies across the entire country and to improve resource use efficiency.

Government staff awareness of cross-cutting issues should be raised through greater focus on the interests and opinions of stakeholders who are out of the central government, service users and suppliers, and exploit experience and knowledge from outside policy making.

6.2 Principles and challenges to state management coordination in the service sector

6.2.1   Principles for Good Coordination

Coordination with other agencies is one of the mandates of all government agencies. To ensure good coordination the four pillars of good governance should be followed transparency, participation, empowerment and accountability. The nine key problems with coordination detailed above originate from a lack of transparency, participation, empowerment of accountability. Vietnam's transparency index is ranked internationally very

low. There is weak participation in making policies, development strategies and plans, especially the participation of grassroots communities and business people. Decentralization has been strong in state management but has been weak in the delegation of power such as revenues assignments. Collective responsibility in decision making still remains as the working culture of many agencies and leaders. Transparency, participation, empowerment and accountability serve as the principles to base on when any recommendation for good coordination is made. The recommendations proposed above to overcome the problems in coordination between the state management agencies responsible for the service sector serve as the specific policy options and should be under the framework of good governance.

6.2.2   Challenges in Coordination

To implement our recommendations for improved coordination, Vietnam faces particular challenges in developing coordination mechanisms for the service sector.

Firstly, for socio-political and historical reasons, coordination both within and between ministries is extremely weak in Vietnam. This problem is clearly found elsewhere - but in Vietnam, it is especially marked. It is by no means uncommon for different departments within the same ministry to be unaware of what other departments are doing. Between ministries the problem is usually even worse.

Secondly, obtaining information in Vietnam is no simple affair. This compounds the problem of an already difficult environment for coordination.

Thirdly, "vertical" coordination in Vietnam is highly problematic. For socio-political and historical reasons, provinces in Vietnam enjoy a considerable degree of autonomy from the centre. Not only do provinces enjoy considerable de facto autonomy, they are also responsible for a wide range of tasks. This makes it very difficult for central government to uniformly implement policies across the entire country.

Fourthly, Vietnam's ministries are often active in the direct provision of certain services – and not just those (such as education) that are traditionally provided by the public sector. As a result, most of the commercial banking sector is State-owned, as is much of the telecommunications sector. In addition, many provinces are also directly engaged in service provision through their own enterprises (such as SaigonTourism). This blurs the distinction between regulation and production – and adds to the problems of impartial coordination and disinterested regulation. It also increases the burden on government agencies in coordination as in addition to policy making functions they are responsible for services delivery.

Fifthly, Vietnam is in the transition to a market economy and there is a shortage of knowledge and experience in market economy management. The legal and regulatory traditions in Vietnam are such that laws are often (and deliberately) very vague – many laws are "social" projects, normative statements of how things "should" be, rather than clear frameworks for rules. As a result, much of what actually makes up the regulatory framework is in the form of decrees, issued by ministries and local authorities. Legal enforcement has been poorly monitored and evaluated so many supporting laws and decrees have been delayed or issued with various provisions which are inconsistent. Due to the incomprehensive legal framework, not all necessary procedures, rules and regulations, specifying the contents of activities have been defined clearly, causing difficulties in using the standardization of process and standardization of skills and output coordination mechanisms.

6.3 Action plan for implementing recommendations for strengthening coordination between agencies responsible to the services sector

1.   The first action for improvement of coordination should be the improvement of the 5 year 2006- 2010 socio-economic development plan so that objectives are ranked by priority and programs/solutions are linked closely to objectives. More resources from the state budget should be allocated or resource mobilization policies should be introduced in high priority areas and leading service sectors. Key indicators for monitoring and evaluating service sector plan performance should be included in the plan M&E framework as a part of the Plan. This should be done before submitting the Plan to the Prime Minister in May 2006.

2.   The service sector development strategy for 2006-2015 should be prepared before the end of this year. The service sector development strategy should be transparent and participatory with accountability and effective decentralization. With participation of all relevant stakeholders in preparation of the service sector development strategy coordination can be ensured to achieve the overall goals of service sector development agreed by all service sectors already. The strengths and weaknesses, opportunities and challenges of the service sector over the next ten years should be analyzed carefully. Based on the service sector development strategy for 2006-2015 and the 5 year 2006-2010 socio-economic development plan it is important to introduce actions plans with relevant indicators to monitor and evaluate the service sector plan performance.

3.   Over the short term planning practices and procedures should be improved with a move from input-based planning to results-based planning. The Government made commitments to donors to reform planning under the Poverty Reduction Support Credit (PRSC) funded by the World Bank and many other donors. Transparency, empowerment, accountability and participation of all stakeholders, including the business communities and civil society, should be ensured in planning. Empowerment can be reflected in implementing the subsidiary rule in public service delivery management;

4.   To make the legal document drafting process transparent, participatory and accountable, having policy concepts agreed before legal documents are drafted should be made mandatory in the law drafting process. This should be introduced as soon as possible, before the end of this year if possible. All supporting decrees should be drafted at the same time as laws to make the law effective immediately after issuance.

5.   The amendment to the Law of Government Organizations should be promoted, to have necessary changes made before the establishment of the new government of XII National Assembly term (after the election of the National Assembly in 2007). The Government should restructure its functions and mandates so that it can play a facilitating role in social and economic development. For government bodies responsible for service sector state management, state management functions should be separated from the public service delivery functions.

6.   Coordination between agencies responsible for the service sector in negotiation for WTO accession and beyond WTO is very important. A WTO accession coordination body should be established to ensure coordination in policy making. Members of this body should not only be from government agencies, but also from business communities and civil society. Information sharing mechanisms and transparency, participation and accountability principles should be introduced to build trust between members of the body. Capacity building of government staff should be continuously promoted to help improving the knowledge and skills in policy making, monitoring and evaluation and other practices. In addition, incentives

should be introduced to attract qualified experts from non-state organizations to collaborate with government staff in policy making

7.	Capacity building to the government staff should be promoted continuously to help improving the knowledge and skills in policy making, monitoring and evaluation and other practices. In addition, relevant incentive should be introduced to attract the qualified experts from non-state organizations to collaborate with government staff through participating in workshops/seminars, in research committees or in policy making as a chance government and non-government staff to be cooperated and inter-exchanged and replaced or supplemented if necessary.

7   CONCLUSION

Coordination between state management agencies responsible for the management of the service sector is very important in order to improve the quality of service delivery. So far, coordination between state management agencies responsible for the service sector has not been good in Vietnam. The main reason for this lack of coordination include (i) there are problems in the government structure; (ii) no specific agency is made responsible for monitoring and evaluating coordination performance; (iii) coordination methods used in Vietnam are not relevant to the quickly changing and globalized environment; (iv) legal document making procedures do not ensure policy consistency; (v) planning procedures and practices have not met new requirements; (vi) Information sharing for coordination between ministries/agencies responsible for service sector state management has been weak; (vii) poor monitoring and evaluation; (viii) the capacity of government staff and managers is weak; and (ix) there are no incentives and sanctions for good and poor coordination.

In trying to improve coordination between the state management agencies responsible for service sectors, we should start by reforming the structure of the government and some relevant ministries/agencies so that they fulfill their state management functions in all service sectors/sub sectors. The functions and mandates of ministries/agencies responsible for the service sector should also be more specific in order to serve as a better reference for coordination. New ways of coordination, such as through networking, should be enhanced to take full advantage of all ways of coordination and overcoming the disadvantages associated with other approaches to coordination. There should be a specific agency at the national level and a unit at ministerial/agency/provincial level to monitor and evaluate coordination performance.

With its defined functions, mandate and current position, the OOG is well-suited to play this role at the national level; and Administration offices should play this role at the ministerial/agency/provincial level. The functions of these monitoring agency/units can only be performed with an appropriate monitoring and evaluation framework, which needs to be established in all ministries/agencies. The monitoring and evaluation capacity of government staff and managers should also be strengthened. With the M&E system strengthened, a results-based approach can be introduced to all state management activities, in general, and to planning, in particular. To support the application of a results-based approach, planning procedures and practices should be renovated to ensure coordination between agencies for consensus about priority objectives and the programs and /solutions to achieve those objectives.

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Appendix 1: Ministries/agencies responsible for service sector state management

GATS Category	Service	Agric	Construction	Culture & Info	Education	Finance	Fisheries	Health	Justice	Nat Res &Envir	Post & Telec.	S&T	Sports	Tourism	Trade	Banking	Transport	Labor
Business services	Legal services								*									
	Accounting and auditing					*												
	Architectural Services	*	*														*	
	Engineering services	*	*														*	
	Urban Planning		*							*							*	
	Medical & dental services							*										
	Veterinary services	*																
	Nursing & midwife							*										
	Computer consulting										*	*						
	Software development				*						*	*						
	Data processing										*	*						
	Database services				*	*					*	*		*				
	Research & development	*	*		*		*	*			*	*					*	
	Real estate services	*	*							*				*			*	
	Property management								*	*								
	Equipment rental & leasing	*	*			*	*				*	*					*	
	Advertising			*							*			*				
	Market research	*												*				
	Management consulting																	
	Technical testing & analysis	*	*								*	*					*	
	Services incidental to agriculture	*																
	Services incidental to fishing	*					*			*								
	Services incidental to mining		*							*							*	
	Services incidental to manufacturing																	

Category	Service	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
	Services incidental to energy distribution		*		*												
	Placement & supply of personnel		*													*	
	Investigation and security																
	Scientific and technical services	*	*				*			*	*					*	
	Equipment maintenance and repair	*	*							*	*					*	
	Building-cleaning service	*	*							*					*	*	
	Photographic services			*					*								
	Packing services	*	*												*	*	
	Printing, publishing	*	*	*	*	*				*	*					*	
	Translation services			*	*				*								
	Convention services														*		
Communications	Postal services									*							
	Courier services									*						*	
	Telecommunication									*	*					*	
	Internet-related services			*						*	*						
	Audio- visual services			*						*							
Construction	All stages	*	*				*			*				*	*	*	
Distribution	Commission agents' services	*	*					*		*	*					*	
	Wholesale services	*	*				*	*								*	
	Retailing services						*	*									
	Franchising services						*										
Educational services	Primary education services			*													
	Secondary education services			*													
	Higher education services			*													
	Adult education			*													
	Vocational training	*	*	*	*	*	*	*		*	*	*	*	*	*	*	*
	Career development services			*													

Category	Service																		
	Curriculum development services				*														
	Education administration services				*														
Environmental services	Sewage services								*									*	
	Waste management services								*									*	
	Sanitation services								*									*	
	Environment impact assessments	*					*		*										
Financial services	Insurance					*													
	Banking					*											*		
	Securities					*													
	Asset management					*													
Health-related & social services	Hospital services							*										*	
	Ambulance services							*											
	Long – term care services							*											
	Spa services							*											
Recreational, cultural, sporting services	Entertainment services			*															
	New agency services			*							*								
	Cultural services			*									*						
	Recreational services			*									*						
	Sporting services											*							
Tourism & travel – related services	Hotels & restaurants	*	*		*	*	*				*					*	*		*
	Travel Agency services	*	*	*	*								*					*	
	Tour operators												*						
	Tourist guides services												*						
Transport services	maritime transport																	*	
	Air transport																	*	
	Road transport		*				*											*	
	Storage & warehousing	*	*				*				*						* *	*	
	Customs brokerage					*											*	*	

Other	Freight forwarding										*						*	
	Utilities provision									*								