



The United Nations Development Programme Viet Nam

**Public Administration Reform and Anti-Corruption
A Series of Policy Discussion Papers**

**Public Administration and
Economic Development in Viet Nam:
Remaking the Public Administration for
the 21st Century**

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The series of *Policy Discussion Papers on Public Administration Reform and Anti-Corruption* is lead and edited by Jairo Acuña-Alfaro, Policy Advisor on Public Administration Reform and Anti-Corruption at UNDP Viet Nam.

The series aims to analyze trends in Viet Nam regarding the implementation processes and options in specific public administration reform areas. In order to confront the social, economic, political and environmental challenges facing Viet Nam, policy makers need to be informed by evidence. These policy papers aim to contribute to the current policy debate by providing discussion inputs on policy reforms – thereby helping to improve Viet Nam's development efforts.

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Executive Summary

This policy discussion paper examines Viet Nam's public administration system developed under the rubric of the Public Administration Reform Master Program (PAR-MP) to assess its role in current economic development. The paper raises the following questions: how has Viet Nam's public administration system contributed towards economic growth and poverty reduction? How has the public administration facilitated or hindered the provision of better public services, especially for the poor? What type of public administration does Viet Nam need in order to achieve and sustain a middle-income status? What are the measures aimed at enhancing Viet Nam's public sector contribution towards improving the quality of Viet Nam's economic growth? This paper focuses on two aspects of the public administration reform, the simplification of administrative procedures aimed at redefining the relationship between government agencies and citizens; and organizational reform aimed at redefining relationships between sectors and levels within the public administration itself.

This paper argues that Viet Nam's PAR-MP has transformed the public sector inherited from the central planning period. The reform agenda has endorsed the need for the development of public administration as an active element within the political system. The PAR-MP has also created a framework for the development of a uniform national public administration. Nevertheless, there remain challenges to the operational effectiveness and efficiency of the public administration system. To further consolidate the reform process, this paper calls for initiatives and innovations in problem identification, analysis of alternative strategic directions, solutions, and methods of implementation. At a macro level, the paper emphasizes the need for Vietnamese reformers to formulate a strategic approach that systematically links reform outcome with the public administration's effectiveness and efficiency in promoting economic development, the inter-connectedness of institutional, organizational and civil service reform measures, and the partnership between state management agencies and "PAR-clients" outside the state sector. This strategic emphasis will, in the long run, support the redefinition of Viet Nam's post-central planning public administration. At the operational level, this paper puts forth specific recommendations related to the simplification of administrative procedures and organizational reform for Vietnamese reformers' consideration. The cross-cutting themes of these recommendations are innovation, pro-activeness, and differentiation within the public administration system.

Sources of inspiration for Viet Nam to move forward come from international and domestic, successful and failed practices. Japan, South Korea, Taiwan, and Singapore indisputably represent success stories for the role of public administration and economic development. The second generation of "late developers" in the Southeast Asia region such as Thailand, Malaysia, Indonesia, and the Philippines represent mixed phenomena of both success and failure. When encouraging Vietnamese reformers to consult existing international practices, the paper warns that Viet Nam's entry point into the world capitalist economy has its own uniqueness—as does the starting point for Viet Nam's public administration. Writings on the history of state formation and economic development have shown that different generations of early and late developers improvise their own state models for historically-specific development purposes. This paper reviews the practices of a limited number of provinces (Bình Dương, Thừa Thiên - Huế and Vĩnh Phúc) that have become, or are in the process of becoming, middle-income provinces at the \$1,000 USD threshold. In doing so, the paper emphasizes that systematic reflection on local experiences is an indispensable input for any discussion on how the public administration may expedite the process to reach the country's aspired middle-income status, and sustain it.

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Introduction¹

Viet Nam's success in promoting economic growth and poverty reduction is well documented. According to the 2008 World Bank report to the Viet Nam Consultative Group Meeting, when the period 2001-2007 as a whole is considered, Viet Nam ranks 24th among 139 countries in terms of the growth of its GDP per person measured at constant prices (the ranking excludes countries and territories with a GDP of less than 2 billion dollars in 2007). Measured in current dollar terms, Viet Nam rose from a per person GDP of \$413 USD in 2001 to \$836 in 2007, and will mostly likely surpass the \$1000 milestone a couple of years, ahead of the target set by the Socio-Economic Development Plan of 2006-2010.² The same report postulates that if Viet Nam keeps growing at its current pace, the prospect of catching up with its Asian neighbors in one generation would not be unrealistic.³

When asking "How many years to catch up?" a World Bank report, calculated on the basis of per person income growth rates measured in US dollars, estimated that the time needed for Viet Nam to catch up with Indonesia is 15 years, with Thailand 22 years, and with Singapore 63 years.⁴ Will Viet Nam's public administration help or hinder this catching-up process? Owing to deterioration in the global economic environment in 2008 and 2009, Viet Nam's economic growth rate reportedly slowed to 3.1% during the first quarter of 2009.⁵ The Vietnamese government planned a stimulus package to respond to the crisis.⁶ How sustainable Viet Nam and the current generation of "late developers" will grow economically depends, to a large extent, on how effective the public administration is in reconciling global economic pressures with domestic development objectives.

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

This policy discussion paper aims at examining how the public administration system developed under the rubric of the Public Administration Reform Master Program (PAR-MP) has contributed to economic development, what type of public administration Viet Nam requires in order to sustain a middle-income status, and what measures are needed to enhance Viet Nam's public sector contribution towards improving the quality of Viet Nam's economic growth. This paper employs the term "public administration", often translated in Vietnamese as *hành chính công*, to refer to a set of organizations executing public duties.⁷ This paper acknowledges that in Viet Nam the alternative term commonly used to refer to public administration is "state management agencies," or *cơ quan quản lý nhà nước*. This paper conceptualizes economic development not only to refer to growth and poverty reduction but also to the provision of services, the conditions for equitable access to growth, and the sustainable nature of growth itself.

This paper makes use of the existing literature on Viet Nam, central and local government reports, information gathered from face-to-face interviews with central and local government agencies, and field studies in Bình Dương, Thừa Thiên – Huế, and Vĩnh Phúc.⁸ These three provinces were selected as field study sites to investigate the role of local public administration systems in local economic development. From the perspective of state formation and development, the three provinces belong to two different generations of developers. Bình Dương applied various measures on PAR and economic development after its split from Song Be in 1997 at the time of a regional financial crisis. It later attained the status of a "middle-income province" around 2006. Thừa Thiên – Huế and Vĩnh Phúc began their PAR process and economic development in the 2000s within the rubric of the

PAR-MP. The three provinces represent varying degrees of economic development success and varying sets of local problems.

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

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

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

1. Approaches to the Study of Public Administration and Economic Development

There has always been a question as to the role a state should have in economic development. Broadly defined, the state refers to a set of organizations involved in administering governance. Scholars working in public finance, development economics, and the political economy have highlighted five arguments for government intervention in a developing economy: a concern about market failure; concern for the prevention and reduction of poverty and the improvement of income distribution; the right to certain facilities including education, health care, and housing; the importance of paternalism, which relates to such issues as pensions and drugs; and the rights of future generations, which relate to concerns about the environment. When discussing specific economic areas where the state may intervene, existing writings highlight a number of activities to be carried out, including subsidizing traditional inputs such as capital, land, and labor; lowering the political costs of doing business, including tax abatements and incentives; limitations on the regulatory environment; promoting entrepreneurial market development activities (export promotion, research and dissemination); providing business services (policy planning, research and development support); and developing attractive social amenities (arts, environment).⁹ The state's involvement in economic development has in turn often precipitated an interest in necessary changes and improvements in public management practices. The existing literature on economic development and public management has pointed out that successful state intervention requires economic development planning, organizational re-arrangement, operational improvement, economic development financing, and leadership support.

Viet Nam watchers often refer to the East Asian "miracle" when discussing the course of economic reform in Viet Nam. As such, a review of Asian experiences serves as an appropriate starting point for the study of Viet Nam.¹⁰

1.1. Asian Experiences and the Viet Nam Context

Analyzing Japan, South Korea, and Taiwan, whose economic achievements are irrefutable, East Asian scholars draw a link between the "soft authoritarianism" of the one-party rule system and capitalist development.¹¹ They identify four factors considered key driving forces in these countries' successes: an autonomous or semi-autonomous professional government bureaucracy that is sheltered from direct political pressure; reliance on financial means to guide and direct private economic activities; a working partnership between government bureaucracy, businesses and foreign capital; and the strict management of labor relations. In the 1990s, the World Bank recognized the development approach of East Asian countries, calling them the "miracle economies." The "state autonomy" element was sometimes called "technocratic insulation" which referred to the ability of economic technocrats to formulate and implement policies in keeping with politically formulated national goals, with a minimum of lobbying for special favors from politicians and interest groups.

While the four factors mentioned are commonly considered crucial for the economic development of East Asian countries, social scientists have pointed out that even among the "first generation of late developers", there was no monolithic model for economic development.¹² In addition, there are differences between East Asia and the second "generation" of developers emerging in the Southeast Asia region in the 1980s. Southeast Asian specialists argue that with the exception of Singapore, countries in the region follow different formulas in their relationships between government and industry. Bureaucracies in countries such as Thailand, Malaysia, Indonesia, and the Philippines were not insulated from political pressures. Most Southeast Asian governments have a good reputation with businesses seeking government protection. All four Southeast Asian countries were opened

up to foreign direct investment. In terms of state intervention, in Southeast Asia the move to export-oriented growth came with less state intervention. Of the four Southeast Asian countries, Indonesia had the most extensive record of state interventionism, while Thailand had the least. These differences between the first and the second generation of developers resulted from the different domestic and international settings at the time when they were integrated into the world capitalist economy.¹³

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

Secondly, although familiar to most developed countries and also to the Republic of Viet Nam (South Viet Nam) prior to 1975, the concept of "public administration" did not officially exist, distinct from the concept of the state, during the central planning period. The state itself was often referred to as the "bureaucratic subsidizing apparatus" (*bộ máy quan liêu bao cấp*). Under central planning, the structural organization of the government corresponded with the development of economic production sectors. Each government agency was responsible for formulating economic-sector policies, directly managing sector and state-owned enterprises, overseeing production activities, and guaranteeing distribution.¹⁴ Under *Đổi mới*, Viet Nam's public administrators are confronted with both traditional and new approaches toward public management. Key terms include: rule by law, bureaucracy, new public management, public services, service delivery, multi-sector ministries, output-budgeting, public finance, medium term expenditure framework, result-based management, performance management, and meritocracy, to cite just a few. These terms have been translated into Vietnamese with varying degrees of local flavor. In practice, however, there remain problems related to their definition, content, and application.

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

The fourth key difference between Viet Nam and other East and Southeast Asian countries is the international context. East and Southeast Asia benefited politically and economically

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

These basic domestic and international differences highlight the uniqueness of Viet Nam’s starting point. For Viet Nam, there is a close connection between administrative procedural reform and the redefinition of the functions of post-central-planning public administration. In general, the simplification of administrative procedure serves to deregulate cumbersome government requirements imposed on businesses, citizens, and even the state management agencies themselves. It must be noted however, that there is a major difference between “socialist deregulation” in the case of Viet Nam and “capitalist deregulation” found in developing and developed countries without a central planning tradition. In Viet Nam, the simplification of administrative procedures has mainly served to deregulate the many complicated regulations inherited from the central planning period or fostered by central planning legacies. Vietnamese reformers’ struggle with the various versions of laws on enterprise and investment in the 1990s and 2000s to facilitate business entry and a level playing field among various business sectors manifests this very process of “socialist deregulation.” The process signifies a switch in the public administration’s relationship with citizens from “command and control” to “facilitation”, thus creating a more favorable economic development environment. In this way, the simplification of administrative procedures directly contributes to the reform of functions, as well as jurisdictions, of post-central-planning state management agencies.

Owing to central planning legacies, the process of rebuilding public administration in Viet Nam involves a multi-path strategy. The Party-State has been correctly advocating three key policy directions. First is to separate state-owned enterprises (SOEs) from the jurisdiction of state management agencies, or the abolition of the concept of “*chủ quản*”, or “owning units,” at different levels. This commitment is reflected in Clause 168 of the Law on Enterprises (2005) on the exercise of owner’s rights of state owned capital in enterprises.¹⁵ The second policy direction is to separate public service units from state management agencies. The third is to strengthen the overall capacity of state management. Although early developers in interventionist states were confronted with these same problems, the scope and the scale of state interventionism in Viet Nam are more extensive in comparison. So is the scope of the reform measures.

Table 1: Socio-Economic Profiles of Selected East and Southeast Asian Countries, 2008*

	Viet Nam	Indonesia	Singapore	Thailand	Malaysia	South Korea	The Philippines	
Population	86,116,560	237,512,352	4,608,167	65,493,296	25,274,132	48,379,392	96,061,680	
Birth rate(per 1000 population)	16.47	19.24	8.99	13.57	22.44	9.09	26.42	
Death rate (per 1000 population)	6.18	6.24	4.53	7.17	5.02	5.73	5.15	
Literacy (age 15 to over can read and write)	90.3%	90.4%	92.5%	92.6%	88.7%	97.9%	92.6%	
Education Expenditures	5.6% of GDP**	3.6% of GDP (2006)	3.7% of GDP (2001)	4.2% of GDP (2005)	6.2% of GDP (2004)	4.6% of GDP (2004)	2.5% of GDP (2005)	
GDP (Real growth rate)	6.3%	5.9%	3%	4.8%	5.5%	4.3%	4.5%	
GDP per capita (purchasing power parity)	\$ 2,900	\$3,900	\$ 52,900	\$ 8,700	\$15,700	\$27,100	\$3,400	
GDP composition by sector	Agriculture	19%	13.5%	0%	11.4%	9.7%	13.8%	
	Industry	42.7%	45.6%	33.8%	44.5%	44.6%	31.9%	
	Services	38.4%	40.8%	66.2%(2007est)	44.1%	45.7%	54.3%	
Unemployment rate	4.9%	8.2%	2.3%	1.4%	3.7%	3.2%	7.4%	
Population below poverty line	14.8%	17.8%	N.A%	10% (2004 est.)	5.1%	15%	30%	
Investment (Gross fixed)	44.5% of GDP	25.2% of GDP	27% of GDP	29.4% of GDP	20.7% of GDP	27.7% of GDP	16.2%	
Budget	Revenues	\$ 22.39 billion	\$90.17 billion	\$ 27.7 billion	\$ 49.37 billion	\$44.42 billion	\$230.6 billion	\$26.75 billion
	Expenditures	\$24.19 billion	\$96.87 billion	\$ 26.22 billion	\$ 54.26 billion	\$55.01 billion	\$221.8 billion	\$28.2 billion

*All figures are for 2008 unless otherwise stated.

** Quoted by Deputy Prime Minister Nguyễn Thiện Nhân

Sources: CIA Worldfact Book 2008

For the earlier generations of late developers, the expansion of capitalist economic development in the context of the Cold War gave rise to a centralized government structure under either civilian or military rule. This is the case in almost all East Asian countries, such as Taiwan, South Korea, Singapore, and Hong Kong (prior to 1997). This rise of a centralized government, to some extent, is also the case for certain development periods of Southeast Asian countries such as Indonesia, Malaysia, the Philippines and Thailand, although the forms and degree of centralization varied from country to country. In these countries, the process of various forms of decentralization did not fully unfold until the 1980s and 1990s. In Viet Nam, the relationship between the central and the local public administration structures was reversed. Despite central planning in northern Viet Nam, wartime conditions to some extent decentralized power to the locality. Viet Nam's take-off point is a one-party rule system with fragmented authority relations within the public administration. In the 1990s, this situation could be detected in both the traditional saying "*phép vua thua lệ làng*" (the emperor's edict stops at the village gate) and the newly-coined phrase "*phép vua thua lệ tỉnh*" (the emperor's edict stops at the provincial gate). The rebuilding of the public administration necessarily involves the redefinition of central and local authority relations within the public administration system.

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

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

1.2. Viet Nam's Public Administration Reform Master Program (PAR-MP) and Economic Development Implications

During the post-central planning period, the development of Viet Nam's public administration has taken place under the rubric of the public administration reform program first endorsed by the Eighth Plenum of the Central Committee of the Vietnamese Communist Party (VII Congress) in January 1995. In 2001, the Prime Minister approved the framework for the Master Program on Public Administration Reform for the Period 2001-2010.¹⁶ The PAR-MP targets four important reform areas: institutional reform; organizational reform; improvement of the contingent of cadres and civil servants; and public finance reform. It specifies nine objectives to be achieved between 2001 and 2010, with emphasis going to simplification of the administrative apparatus, professionalization, accountability, transparency, coordination, reduction of compartmentalization in the preparation of legal documents in general and in policy implementation in particular, and reduction of corruption.¹⁷ The implementation of the PAR-MP is to be carried out through seven national action programs in two stages, from 2001 to 2005 and from 2006 to 2010.¹⁸ To reinforce the implementation of the reform from 2006 to 2010, Resolution 17- NQ/TW dated August 1, 2007 of the Fifth Plenum of the Central Committee confirms the need for public administration reform to increase the effectiveness of state management. Resolution 53/2007/NQ-CP dated November 7, 2007, based on Resolution 17, outlines ten specific tasks for the period from 2007 to 2010, and also includes a list of sub-tasks, prime responsible agencies and coordinating agencies, end products, and completion times.¹⁹

Despite comprehensive coverage, the PAR-MP and its implementation documents are not designed to explicitly and systematically link with government economic development programs at the goal/impact or the objective/outcome level. The PAR-MP's goal focuses mainly on the improvement of the public administration, that is, to build a public

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

The linkage between the public administration and economic development can only be clearly discerned at the output level through the sub-tasks mentioned in Resolution 53. Task 4 on the reform of administrative procedures, for example, calls for the "review and renovation of administrative procedures to create the most favorable environment for enterprises, production and business, and to satisfy the people's legitimate demands." The procedural areas listed include the setting up, dissolution and bankruptcy of enterprises; business registration and investment certification; investment in the construction of works and houses; land use rights and property ownership rights; import and export; tax payments; civil status and household registration, people's identity card, passport and visa authentication; and inspection and supervision of enterprises. Task 5 lists 16 sub-tasks related to organizational reform. It is fair to conclude that a number of sub-tasks listed are relevant to the reform of state management agencies for economic development purposes, especially the sub-tasks related to structural reform, redefinition of functions and responsibilities along the lines of state management decentralization, and the reform of work processes. Task 6 contains details of approaches to the reform of public duty and civil servant regimes, the reform of the training and retraining of cadres across all public administration sectors and levels, having implications for economic development-related tasks.

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

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

The Vietnamese government has gradually fine-tuned its approach towards the building of the institutional/legal framework for economic development, moving away from creating an institutional/legal framework that focuses on government granting permission, to recognition of the rights of citizens to engage in business activities. The 2005 Law on Enterprises and the Law on Investment, effective from July 1, 2006, have basically changed the regulatory framework for business operation in Viet Nam, advocating equality among different economic sectors. The two laws guarantee an equal business opportunity structure for all businesses and investors compared with previous laws. The two Laws have expedited the simplification of administrative procedures related to business registration, investment, a change in the appraisal system for registration licenses, and a review of investment proposals.²⁰ These changes indicated the Party-State's changing attitudes toward entrepreneurship in general and the private sector in particular. They were further buttressed by the Government Action Plan to implement the Resolution of the Sixth Plenum of the Central Committee (Xth Congress) on continuing improvement of market economic institutions with a socialist orientation (2008).²¹

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

2.1. Administrative Procedural Reform for Economic Development

Within the newly-designed institutional/legal framework for economic development, the Vietnamese government has continuously emphasized the simplification of administrative procedures with the aim of deregulating procedures inherited from the central planning period, and the building-up of a procedural framework suitable for a market-oriented economy. Resolution 53 labels the process "a breakthrough for public administration reform." In the 1990s and 2000s, attempts to simplify the procedures were mainly reflected in the concept known as "*một cửa*", literally translated into English as "one door". The process to concretize the concept has been reflected in both the move to organize the unit responsible for key administrative procedures at various administrative levels and to organize the key intermediary to handle administrative procedures requiring deliberations from various government sectors and levels known as the "inter-sector/inter-level one door". International Vietnam watchers have used the term "one stop shop (OSS) to refer to the concept "one door".

2.1.1. OSS and Inter-sector/Inter-level OSS²²

The Vietnamese government issued a number of key legal documents to regulating government-society/government-business procedural relations along the one-door/one-stop (OSS) concept. Decision no. 366/HDBT dated November 7, 1991 was issued to guide the Management Boards of Industrial and Export Processing Zones in their approval of foreign direct investment projects. In the mid-1990s, Resolution 38/CP called for the simplification of administrative procedures in the handling of citizens' and organizations' matters. Decision 181/2003/QĐ-TTg dated September 4, 2003, institutionalized the administrative procedural relationship between government and society through the use of the one-door mechanism.²³ At the province level, four departments were compelled to expedite the setting up of the OSS office: the Department of Planning and Investment, Department of Labor, War Invalids and Social

Affairs, the Department of Natural Resources and Environment, and the Department of Construction. OSS offices were also to be set up at the district and commune levels. Some procedural areas addressed were the issuing of business registrations, certificates recognizing the right of ownership of houses and land, construction permits, investment decisions, household registration, and permits related to social policies.²⁴ At the central level, Resolution 01/2004/NQ-CP required that ministries and ministry-level agencies review and abolish inappropriate administrative procedures when handling issues involving citizens.²⁵ Finally, Decision 93/2007/QĐ-TTg dated June 22, 2007, further reformed the OSS mechanism, extending the coverage of the OSS concept to governmental agencies with a vertical management structure such as the Taxation Department, the State Treasury and the Police. It also outlined the concept of an inter-sector, inter-level OSS (*một cửa liên thông*) to coordinate horizontal procedures among agencies at the same level, or vertical procedures among administrative levels.²⁶ In 2008, Government Decision 889/QĐ-TTg dated 11 July 2008 removed the concept *một dấu*, or one stamp, from all pilot models at the district-level administration while continuing to emphasize the role of the unit responsible for receiving and returning administrative procedures' files and the strengthening of the *một cửa liên thông* concept.

The simplification of procedures through the OSS mechanism was supplemented by Prime Minister's Decision in 2005 to set up the Inter-Sector Task Force (known as Task Force 23) to handle recommendations on administrative procedures from businesses. Most recently, it was supplemented by Decision no. 30/QĐ-TTg dated January 10, 2007, which focused on simplification of administrative procedures in each state management area; simplification of business conditions; simplification of application forms and administrative declarations; and simplification of the mechanisms to receive and handle the reactions and recommendations of individuals, organizations, and businesses about inappropriate procedures.

The OSS mechanism assumes two major functions. Firstly, it serves as a touchstone for the handling of administrative procedures within an administrative agency. The unit is obliged to post detailed information on procedural requirements, including the type of documents the applicant has to submit, the processing duration, and service fees. It is generally expected that this mechanism will help enhance transparency, reduce the abuse of power, and increase the sense of responsibility among public officials.²⁷ Secondly, the concept of inter-sector, inter-level OSS (*một cửa liên thông*) is designed to simplify those administrative procedures which require the deliberation of several administrative levels and/or sectors. The need for *một cửa liên thông* stems from the fact that previous administrative procedures were handled on the basis of the jurisdiction of a particular administrative level or a sector. As a result, citizens had to visit several government agencies in situations when their petitions fell under the jurisdiction of several levels or sectors.

Although only officially endorsed by the central government in 2003 and later in 2007, the concept of OSS had, in fact, been piloted in many localities as early as the mid-1990s as a means of expediting the handling of administrative procedures. Ho Chi Minh City, an early developer, for example, piloted the operation of the "one-door, one-stamp" at the district level, i.e. in Quarter 1, Quarter 5 and Cu Chi District. In 2003, the City also began to experiment with a "Public Administration Professional Unit" (*tổ nghiệp vụ hành chính công*) in four quarters as a means to separate public service functions from state management.²⁸ Bình Dương Province applied OSS to procedures related to investment. The Management Boards of Industrial Zones served as the sole "intermediary" between investors and relevant provincial departments. Quảng Trị promoted an inter-sector OSS that linked the Natural Resources and Environment sector, the local Taxation Department, and the local State Treasury Office in handling procedures for land allocation and the issuing of land-use rights titles.

In 2007-2008, late developing administrative units began to institutionalize the OSS mechanism. In 2008, a group of “late developers” at the central level, including the Ministry of Planning and Investment, the Ministry of Finance, and the Ministry of Public Security, institutionalized inter-sector and inter-level OSS in the areas of business registration, seal registration, and the application for a tax number. The 2000 Enterprise Law had required that business registrations be processed within 15 days. The later 2005 Law reduced that processing time to 10 days. Circular O5/2008/TTLB-BKH-BTC-BCA dated July 29, 2008, jointly drafted by the three government agencies, further reduced the processing time for a partly-merged permit to five days. The reduction of processing time mainly resulted from a reduction in the total number of permits required. This reduction was achieved through the merger of permits and standardization of the required application documents.²⁹ Circular 05 abolishes the permit for seal making and the issuing of a tax number—the latter being replaced by the business registration permit number. Circular 05, from an organizational perspective, represents a breakthrough for the OSS; it addresses reform of the work process of the relevant government agencies themselves as a precondition for the provision of better service.

The inter-sector, inter-level OSS principle has also been adopted by many cities under the management of the province. In Vĩnh Phúc, for example, Vĩnh Yên City has formulated a proposal on the “modern OSS” (*một cửa hiện đại*) to be implemented in 2009. A close look at the OSS mechanism in Vĩnh Yên City sheds some light onto how administrative procedural reform is being carried out. Placed under the management of the City Office of the People’s Committee and People’s Council, it has a total of 13 staff members, eight of whom come from specialized offices (the People’s Committee and People’s Council Office), two newly recruited for office work and three staff members nominated by the City Police, the Taxation Office, and the State Treasury Office. The modern OSS in Vĩnh Yên City covers business registration, land management, construction, finance, household registration, social services and cultural affairs (see Table 2).

Table 2: Areas covered by the modern OSS, Vĩnh Yên City

Areas	Inter-sector/Inter-level coordination
Business registration for households	Coordination with the Commune-Level People’s Committee and the City police in the case of business operation with conditions; independent operation in the case of business operation without conditions.
Issuing of land use rights certificates	Coordination with the Commune-Level People’s Committee
Issuing of construction permits	Coordination with the Commune-Level People’s Committee on the issuing of permits under the jurisdiction of the District-Level People’s Committee
Certification and household registration	Full-time staff operating independently from the rest of the OSS office
Issuing of registration permits for cultural services	Coordination with the Commune-Level People’s Committee and the City Police
Procedures related to labor, war invalids, and social affairs	Coordination with the Commune People’s Committee
Other household registration procedures	Coordination with the commune and heads of relevant agencies
Procedures related to taxation	Coordination with the Commune People’s Committee to collect land-use rights transfer taxes and other land-related fees
Procedures related to the State Treasury	Carried out independently with a full-time staff member to fulfill the requirements of transferring collections to the State Treasury

Source: Ủy ban Nhân dân thành phố Vĩnh Yên, “Đề án thực hiện cơ chế một cửa hiện đại thuộc Văn phòng HĐND và UBND Thành phố Vĩnh Yên,” ngày 12 tháng 6 năm 2008 (Proposal for the implementation of the modern OSS under the Office of the People’s Council and the People’s Committee of the City of Vĩnh Yên, 12 June, 2008).

The OSS applies *một cửa liên thông* between the ward/common level administration and the City (equivalent to the district level administration). The proposal also specifies the expected reduction in processing times (see Table 3). The working procedures of the modern OSS involve the commune level receiving files and verifying their accuracy and adequacy; internal handling of files among commune-level civil servants; internal processes at the commune level to handle issues under its jurisdiction; transfer of files to the city; handling of files at the city level; and following-up on fee collection in cases where the City has authorized the commune to collect fees.

Table 3: Process Reengineering for Selected Administrative Procedures, Vinh Yên City, Vinh Phúc Province

Administrative procedural items	Total number of days	Duration at the Commune/ Ward Level	Duration at the City Level
Issuing of land use rights certificates for old residential land	55 days (excluding the time to announce the list of applications and the time spent by the applicant to fulfill financial obligations)	40 days	15 days (including the work period between the City and the Taxation Department to determine financial obligation of the applicants)
Issuing of land use rights certificates for newly allocated land	15 days (excluding the time required by the Taxation Agency to determine the financial obligations of the applicant)	7 days	8 days
Issuing of land use rights certificates to those winning the land use rights bid	10 days	5 days	5 days
Reissuing or changing the land use rights certificates (not including the reissuing of lost land use rights certificates, a process that takes longer)	28 days	20 days	8 days
Transfers of land use rights	10 days	5 days	5 days

Source: Ủy Ban Nhân Dân Thành Phố Vinh Yên, “Đề án thực hiện cơ chế một cửa liên thông trong lĩnh vực đất đai tại UBND xã, phường thuộc Thành phố Vinh Yên”, Vinh Yên, tháng 9 năm 2007 (Proposal to implement the inter-sector, inter-level OSS in the land management area at the commune-level administration in the City of Vinh Yên, September 2007).

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

2.1.2. Results and Limitations

Administrative simplification is a worldwide movement aimed at reducing centrally planned regulatory complexity, as well as unnecessary burdens created by bureaucracy. “Burdens” are defined as the regulatory costs involved with the asking for permits, filling out forms, and the reporting and notification requirements for the government. A review of government agencies’ reports of the implementation of the Laws on Enterprises and Investment and business-related procedures, interviews with the Hanoi Association of Businesses, and statistics from the Viet Nam Provincial Competitive Index (VPCI) provide information on the positive results and limitations of procedural reform and economic development.³⁰

Improvement of the Administrative Procedural System

The most successful area of administrative procedural reform has been in enterprise entry registration. According to statistics provided by the Federation of Trade and Industry Associations of Hanoi, the number of registered enterprises nationwide increased from 53,244 in 2000 to 349,300 by June 2008. In Hanoi, the number of registered enterprises rose from 6,559 to 64,000. Small and medium size enterprises form 93.95% of the total number of enterprises and employ 50.13% of labor (Tables 4 and 5). Most central and local government reports consider the OSS as the spearhead for public administration reform and economic development. Vinh Phúc authorities contributed the rise in investment to the reform procedures. In 2008, Vinh Phúc had 2,354 enterprises registered under the Enterprise Law with total capital of 10,285.5 billion VND. This is an increase of around 15 times the number of enterprises and around 35 times the volume of registered capital compared with 1999. There were 95 foreign investment projects with total capital of around \$1,700 million USD.³¹ Statistics collected by the Viet Nam Provincial Competitive Index for the year 2007 also showed improvement in the area of entry registration. Overall, survey respondents felt that the entry cost had been reduced. The time it took to register and acquire land, to receive the necessary licenses, the number of licenses required to operate a business, and the perceived degree of difficulty in obtaining all licenses/permits, were comparatively less than in previous years.³²

Table 4: Number of Registered Small- and Medium-Size Enterprises and Small- and Medium-Size Enterprises in Operation in Hanoi and Nationwide, 2000 - June 2008

	2000	2001	2002	2003	2004	2005	2006	2007	June 2008
Hanoi									
Number of registered enterprises	6,559	10,040	14,320	20,209	28,082	37,121	46,721	56,000	64,000
Number of enterprises in operation	5,060	76,806	10,955	14,752	20,499	26,541	31,904	34,680	44,500
Percentage	76%	76.5%	76.6%	74%	73%	71.5%	69%	69.5%	70.6%
Viet Nam									
Number of registered enterprises	53,244	73,071	94,540	122,291	159,515	199,466	246,122	303,000	349,300
Number of enterprises in operation	37,526	46,023	56,496	67,827	83,256	103,320	123,799	156,354	227,045
Percentage	70.48%	63.03%	59.76%	55.46%	52.19%	51.80%	50.18%	50.20%	65%

Source: Federation of Trade and Industry Associations of Hanoi, 15 October 2008

Despite improvements in terms of registered numbers, the statistical picture also reflects the limitations of the reform of administrative procedures in fostering simplification of the administrative apparatus, accountability, transparency, and coordination as well as in reducing corruption. Overall, the number of required administrative procedures remains large. Hanoi's Department of Planning and Investment, for example, reports 20 key procedures and 64 detailed procedures governing business operations under its jurisdiction.³³ Some studies suggest that cutting 40% of administrative procedures can reduce business costs by 13-30 billion VND, a significant amount for small and medium size enterprises.³⁴

Table 5: Position of Small and Medium-Size Enterprises within Vietnam's Overall Business Scene

	In Percentage
Proportion of the total number of enterprises	93.95%
Use of labor in relation to total use of labor	50.13% ³⁵
Capital in relation to the total amount of capital	28.92%
Revenue in relation to overall revenue	22.07%
Profits in relation to overall profits	11.78%
Contribution to the State Budget in relation to overall contributions	17.64%
Average salary/labor/month	VND 1.47 million

Source: Federation of Trade and Industry Associations of Hanoi, 15 October 20

The report on the two-year implementation of the Law on Enterprise and Investment points to a number of key procedures. For example, administrative procedures for construction investment, especially for projects requiring the use of land outside industrial zones, remain cumbersome and costly. A study carried out by Nguyễn Đình Cung at the Central Institute for Economic Management on administrative procedures involved in construction, calculates that the application process requires the applicant make 38 visits to state management agency offices, submit 67 documents, and wait around 451 days in total. The procedures for Vietnamese to invest overseas, and the BOT and BOO investment procedures, are even more complicated. Furthermore, administrative procedures for registration and appraisal for investment permits have shortcomings. Problems center on the lack of a uniform set of templates and the lack of necessary details in those templates, as well as difficulties in the recall of permits and the merger of business permits with investment permits. Finally, the number of regulations with conditions for business operation remains high and is likely to increase. This is considered a key obstacle for entry registration.

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

2.1.3. Analysis of Problems

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

Organizational Design of the OSS

There are signs that the policy of setting up the OSS in all administrative units may not be cost-effective. This is because need for OSS is uneven across sectors, administrative levels, and in rural and urban contexts. At the central level, the need for the OSS to provide administrative services for businesses varies from ministry to ministry. As the pilot period showed that some ministries have more contact with citizens than others. The OSS was not useful for agencies engaged in policy-making and macro management, such as the Ministry of Finance and the Ministry of Home Affairs. It was useful for government agencies that regularly deal with providing services to citizens such as taxation units, the State Treasury, customs units and specialized agencies such as the Ministry of Natural Resources and Environment, the Ministry of Education, and the Ministry of Agriculture and Rural Development. In addition, because of decentralization, the number of procedures to be solved by the upper echelon has been reduced. Within the context of the delegation of responsibilities, the OSS at the commune-level administration has become busier, while the number of commune officials remained unchanged.³⁷ The need for an OSS also varies from province to province, and even among different localities within the province. Provinces with a booming or potentially booming economy require an effective OSS network, as it has proven to be a driving force for further growth. A report from Binh Dương mentions that its OSS was so crowded that there were “queuing intermediaries” who offered to help the “customers” get served quickly in exchange for a fee.³⁸ For some remote districts or provinces where capital transactions are limited, the OSS reportedly operates less regularly.³⁹ Box 1 summarizes the difficulties confronted by a rural district OSS.

Box 1: OSS in a Rural District: The Case of Cai Lậy District, Tiền Giang Province⁴⁰

A study on the development of the OSS at Cai Lậy District, Tiền Giang Province sheds light on the challenges to a model implemented by the central government. The study observed that the OSS model made official by Decision 181 in 2003 to be applied to the district and the commune level was in fact based on experiences from Ho Chi Minh City, which, between 1995 and 1997, carried out and expanded pilots of the OSS at the district level as well as at key City departments.

After a period of implementation, it became clear that the model was far from appropriate for a rural district. Limitations could be seen in both the services provided and the impact of the changing work processes at the district level. Cai Lậy District was not capable of covering all service areas listed in Decision 181. Its services focused on land registration, business registration, certification, and the issuing of housing certificates, while Decision 181 called for the provision of services in the issuing of business permits for households, the issuing of construction permits, the issuing of housing and land use certificates, household registration, certification, and social policy. Furthermore, the workload of the District OSS was gradually reduced owing to the re-division of responsibilities and decentralization. From the beginning, the District Office of Finance and Planning was responsible for business registration. In 2005, a number of work areas such as the public notary and the certification of land use contracts were transferred to the public notary office and the commune-level OSS. In 2005, the District set up the Office of Land Use Rights Registration following the inter-ministerial instruction from the Ministry of Natural Resources and Environment and the Ministry of Home Affairs. Land management has always been one of the most complicated and time-consuming public service areas in a rural district such as Cai Lậy. After transferring this work to the newly set-up Office, the OSS was left with only

services related to housing. Two years after its inception, the district OSS lost its service functions. The taxation personnel assigned to be stationed at the OSS later returned to the Taxation unit. At the end of 2005, the district OSS was closed.

When the central government issued Decision 93 in 2007 on the inter-level, inter-sector OSS as well as on other OSS requirements, Cai Lậy District's OSS was reopened. Attached to the Office of the People's Council and the People's Committee, it was mainly responsible for land registration and the issuing of housing permits. It consisted of five staff members but was not formed into a separate staff; the personnel were from different district offices.

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

Scope of *Một cửa Liên thông* and Cross-Sector Procedural Coordination

The concept of *một cửa liên thông* as defined in Decision 93 refers to two types of internal administrative relationships, one between units at the same level and the other among different administrative levels. In practice, setting up a *một cửa liên thông* is diverse in terms of (1) the administrative procedural areas to be covered; (2) the number of public administration units involved; and (3) the scope of the level and sector involved. At the moment, the key legal document governing *một cửa liên thông* is the Prime Minister's Decision 93 (2007), which has yet to be translated into detailed implementation documents by ministries and provinces. Although the Ministries of Planning and Investment, Finance, and Public Security issued Circular 05 to coordinate the issuing of a business licenses, there exist a large number of business-related procedures that require guiding circulars, if not decrees, to govern the operation of relevant public administration units.

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

A Strategic Link between Procedural Reform and Organizational Reform

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

Linkage between Procedural Reform and Institutional Reform

It is generally acknowledged that Viet Nam's current legal framework has a number of crucial limitations, ranging from operational impracticality and lack of clarity, to overlapping procedures -symptoms that generate administrative procedural bottlenecks. In the area of business development, at the national level, the report on the two-year implementation of the Law on Enterprises and Investment points out that there remain overlapping, divergent, and contradictory areas in the content of the Law on Investment, the Law on Construction, the Land Law, the Law on Environment, and the Law on Real Estate Business. The legal incoherence focuses on the concept and form of investment projects; documentary requirements; agencies responsible for handling procedures and for state management; and the criteria for approval. In addition, a number of stipulations in the Law on Enterprises and the Law on Investment, as well as implementing documents, remain unclear. At the local level, the report observes that provincial-level people's committees promulgated separate regulations on various laws leading to differences in the required processes and procedures, especially in the area of construction investment.⁴¹

There are also objective local variations among provinces in different regions. In the land management area, in provinces in the Red River Delta, for example, families own a large number of separate fragments of land as divided up after decollectivization. Local authorities are confronted with the question whether families should be granted a certificate for each segment of land, whether they should be able to register all segments of land in one certificate, or whether they should be able to choose the number of segments per certificate. In addition, there are problems related to compensation for land clearance owing to the price framework for agricultural land. In rural provinces, the price of agricultural land increases only when local governments allow a change in its use purposes. The question is whether when compensating, in addition to the agricultural prices allowed, the local government should also cover the difference shown when the land-use rights are changed to non-agricultural purposes to make it easier for farmers to accept the transfer of agricultural land for industrial development purposes. These detailed practical questions all need answering for the handling of land-related administrative procedures to be effective.⁴²

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

2.2. Organizational Reform and Economic Development Implications

Under central planning, the structural organization of the government corresponded with the development of economic production sectors. Each government agency was responsible for formulating sector economic policies, directly managing sector and state-owned enterprises and production units, overseeing production activities, and guaranteeing distribution. This comprehensive role was buttressed by the concept "owning unit's rights", or *chủ quản*. The *Đổi mới* reform called for a change in the traditional role of the state, separating economic management and public service delivery from state management functions while strengthening the management capacity of the public administration sector.

The assessment report on the two-year implementation of the Law on Enterprises and the Law on Investment points out that the exercise of state ownership rights based on the concept of *chủ quản*, inherited from the central planning period, has changed slowly. Despite the stipulations in Clause 168 of the Law on Enterprises, the new mechanism to exercise state ownership has not been applied (see Box 2). In the areas of the separation of public services from state management, in the 2000s, there have been

moves to apply varying financial mechanisms to state-run public service delivery units. Decree 43/NĐ-CP on decentralization granted public service delivery units autonomy in deciding their own functions, the salary for their staff members, staff sizes and organization. The Law on Cadres and Civil Servants passed by the National Assembly in 2008 separates public service delivery professionals from civil servants. Those excluded from the category of “civil servants” include professionals working in education, health care, research, information technology, culture and the arts, and sports. Those working in public service units are considered civil servants if they are recruited and appointed to leadership positions. Finally, the Vietnamese government has also promoted the socialization of services, allowing the private and the civil society sectors to take part in the provision of services.

Box 2: Separation of Economic Management from State Management: Reform Directions, Practice, and Impact on Economic Development

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

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

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

Attempts to separate economic management from state management can be seen in the legal documents on the duties of civil servants and the need to avoid conflicts of interest.

The separation of economic management functions from state management functions will provide a fertile ground for reform of the public administration.

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

2.2.1 Overview of Organizational Restructuring

Multi-Sector and Multi-Functional Models for Ministries

The PAR-MP advocates the concept of multi-sector and multi-functional models for ministries. Yet, this concept is not altogether new; the process of forming multi-sector, multi-functional ministries began at the dawn of *Đổi mới* in 1986. The model is aimed at reducing the number of "intermediaries" (*đầu mối*), that is, the number of administrative units as well as the number of civil servants in leadership positions, to re-divide labor within the unit, and to concentrate the work place. Government researchers argue that the concept will serve to qualitatively transform ministerial organization, personnel structure, the division of responsibilities and operational methods.⁴³

In the 1990s and 2000s, Viet Nam's ministries were merged, the total number of ministries and ministerial-level agencies being reduced from 26 in 2002 to 22 in 2007.⁴⁴ A number of key ministries underwent this restructuring process. The current Ministry of Planning and Investment, for example, is the result of the reorganization of the State Planning Commission and the investment and assistance cooperation sector, formerly under the jurisdiction of the old Ministry of Foreign Economics. Later, the General Bureau of Statistics was added to the Ministry. The Ministry of Agriculture and Rural Development (MARD) is the result of a series of mergers throughout the 1980s, 1990s and 2000s.⁴⁵ The most recent merger of ministries in accordance with the multi-sector and multi-functional concept in 2007 created a new structure of six ministries: the Ministry of Trade and Industry; Ministry of Agriculture and Rural Development; Ministry of Culture, Sports, and Tourism; Ministry of Information and Communication; Ministry of Health; and Ministry of Labor, War Invalids, and Social Affairs. The Committee for Population, Family, and Children was dissolved, its units being transferred to the Ministry of Health, the Ministry of Culture, Sports and Tourism, and the Ministry of Labor, War Invalids, and Social Affairs.⁴⁶

The reorganization of the central government was followed by the restructuring of specialized departments and offices at the province and district levels respectively. Between 2000 and the present, the local government system underwent two waves of structural reorganization, the first based on Decree 171/2004/ND-CP and Decree 172/2004/ND-CP of September 29, 2004, and the second on Decree 13/2008/ND-CP and Decree 14/2008/ND-CP of February 4, 2008. Decree 13 restructured provincial departments following the merger of ministries at the central level; the provincial departments consist of compulsory and optional units (see Table 5). Provinces are allowed to add additional public administration units if they meet stipulated criteria. Decree 14 also restructures district-level offices along the lines of a multi-sector, multi-functional model, but also highlights differences in rural and urban governance.

As part of the attempt to strengthen the system of local government, the Party-State also emphasized the need to strengthen the grassroots-level administration. The Resolution of the Fifth Plenum of the Central Committee (IXth Congress) emphasized the reform of the grassroots-level administration in the following five areas: clarification of the functions of the grassroots-level unit, including redefining the basic government role in the

budgetary process, land administration, household registration, management of investment projects, and tax collection; the structural organization of the People's Councils and People's Committees, and training of personnel; allocation of the budgetary authority of the basic government unit; promotion of grassroots democracy; and change in the leadership style of the upper echelon *vis a vis* the basic government unit. In the 1990s and 2000s, there was a series of legal documents that aimed at buttressing the position of the commune-level administration. Decree 121, for example, focuses on the recruitment of full-time civil servants for the commune.⁴⁷

State Management Decentralization

In parallel with the reorganization of the central and local government, a move to decentralization has taken place within the state management apparatus. Thang Văn Phúc, former Vice-Minister of Home Affairs and General Secretary of the National-PAR Steering Committee, defines "state management decentralization" (*phân cấp quản lý nhà nước*) as a division of tasks, authorities and duties among government levels in executing state management functions or socio-economic activities.⁴⁸ According to him, this move was initially justified by the imperatives of a market economy. In this context, central government cannot manage all socio-economic activities directly; its role should be limited to guiding and creating a legal framework, policies and favorable conditions for development. "State management decentralization" was also driven by the need to rectify the limitations of the existing institutional arrangements. Although some tasks were delegated, final approval from the center was still required; many line ministries were still in charge of providing public services, an area of responsibility that should have been delegated to the local government level.⁴⁹

Viet Nam does not have a unified legal document addressing the decentralization scheme. Stipulations on central and local governments' decentralized functions and tasks are generally found in a wide range of legal documents, the most important ones being Prime Minister's Decree 93-CP (2001) on state management decentralization in the areas of zone planning and socio-economic development planning, land and housing management, urban infrastructure management, budgetary management, and organization and personnel in Ho Chi Minh City; the Budget Law (2002); the Land Law (2003); the Law on Organization of People's Councils and People's Committees (2003); Resolution 08 on decentralization from the central to provincial/municipal governments (2004); and the Law on Construction (2005). Resolution 08 is the only document that contains cross-sector content. It outlines the division of responsibilities in six work areas, including land planning, socio-economic planning and investment management; budgetary management; management of land, natural resources, and state property; management of state-owned enterprises; management of income-generating public service units (education, health care, sports, and culture); and (6) personnel management.

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

Socio-Economic Planning and Investment

The Vietnamese government uses different types of plans as management tools to reach socio-economic development objectives: strategies and zone plans/master plans (*quy hoạch*) to five-year plans (*kế hoạch*), considering five-year planning as the most reliable tool for achieving socio-economic development objectives. In the 1990s and 2000s, the planning process was partially reformed. The Ministry of Planning and Investment (MPI) switched from a purely top-down to a more consultative approach. The MPI issues guidelines on planning that suggest the major content of the plan, while ministries and local governments may determine their planning objectives, specific contents of the plan, and the list of investment programs. There is a consultative process for horizontal coordination among central government agencies and between the MPI and local governments.⁵⁰ In addition to the changing degree of participation in the planning process, planning reform also focuses on methods and content. The system of targets and indicators has been modified. Most targets are indicative; only two imperative and mandatory targets remain: the state budget and state investment expenditure. Indicators have become more qualitative rather than numerical. Concretely, there has been a shift of focus from growth and macro-economic stability to more social development and poverty reduction indicators.⁵¹

In the area of investment, Decree 108/2006/ND-CP guiding the implementation of certain clauses of the Law on Investment has decentralized the handling of administrative procedures on investment, and the state management of foreign investment, to the province-level administration and the Management Board of Industrial and Export-Processing Zones. MPI has also delegated decision-making on basic infrastructure investment to this level. Within the local government structure, the Chair of the Province-level People's Committee, depending on concrete conditions, gives the District-level People's Committee the authority to allocate the right to determine investment projects within local budgets with capitalization of less than five billion VND, and the Commune-level People's Committee is given the authority to determine investment projects with a value of less than three billion VND.⁵²

Budgeting

The 2002 Budget Law maintains that both the Ministry of Planning and Investment, and the Ministry of Finance are responsible for budgetary allocations; the former being responsible for investment budgets and the latter for current expenditures. The 2002 Budget Law has also, to some extent, decentralized the budgetary process. Provinces receive block grants. The power to allocate resources rests with Provincial People's Councils, which decide how much of the money is transferred to the district level. Provincial People's Committees can set some norms to be followed by districts and communes. Only a few requirements are imposed on local government. Townships and cities under a province must be assigned responsibilities for the construction of public schools, lighting, water supply and sewage, urban traffic, and other public infrastructure. Local governments are mandated to spend on education and training in line with the spending on these items in the total state budget. The central government still retains the authority to introduce new taxes and regulate use fees. Provinces can borrow, but only in domestic markets. The resources raised can only be used to finance capital expenditures, and only for projects which are approved by the People's Council. A province's stock of outstanding debt cannot exceed 30% of its annual budget. This limit does not include contingent liabilities associated with the debts of provincially-owned SOEs.⁵³

Recruitment and Retraining

Recruitment and training continues to be centralized. The Ministry of Home Affairs (MOHA) determines the civil servant staff size in public administration units at the national and local levels, while provinces and municipalities are allowed to determine the size of the professional staff working in service delivery sectors such as education and health care.⁵⁴ MOHA has allocated to the Ministries, and the Provincial-level People's Committee, the responsibility for managing the recruitment of public officials and civil servants. The Department of Home Affairs oversees the recruiting of administrative staff, while recruiting of people to work in public service delivery agencies, mainly education and health, has been decentralized to provincial departments, districts, and towns. All recruiting follows regulations stipulated by MOHA.⁵⁵ Training and retraining as well as performance evaluation of officials follow centrally-stipulated regulations.

2.2.2. Results and Limitations

Assessing results and limitations in the area of organizational reform is not easy. While official documents on the implementation of the PAR-MP often mention positive results of the OSS mechanism, few focus on the impact of organizational restructuring on the performance of public administration, or link changing the organizational structure with economic performance. This report relies on preliminary surveys of government officials' opinions, and the opinions of "PAR-clients" to assess the impact of organizational restructuring on the performance of the public administration.

A preliminary survey of government officials' opinions of the effectiveness and efficiency of the local government apparatus provides some insight into the strengths and weaknesses of the current public administration system.⁵⁶ Table 6 compares opinions gathered from officials in Cao Bằng and Binh Dương related to three aspects of state management: adaptation of plans for a market economy and integration; basic aspects of financial effectiveness; and internal operational management. Binh Dương is considered a successful province that ranked in first position on the Viet Nam Provincial Competitive Index in 2007, while Cao Bằng is a developing province located in a remote mountainous area that ranks in the sixty-second position. There are both differences and similarities in officials' opinions. Binh Dương officials assess the local public administration performance as ranging between "very good" to "average." The majority of interviewees rate Binh Dương's capacity to learn lessons from neighboring provinces as "very good." Cao Bằng officials do not rate any aspect of the capacity as "very good" and have a wider range of opinions, from "good" to "very poor." Nevertheless, in both provinces, a majority rating falls under the category of "average."

Table 6: A Preliminary Survey of Officials' Opinions on the Effectiveness of the Local Public Administration (Binh Dương and Cao Bằng)

	Very poor		Poor		Average		Good		Very good	
	Binh Dương	Cao Bằng	Binh Dương	Cao Bằng	Binh Dương	Cao Bằng	Binh Dương	Cao Bằng	Binh Dương	Cao Bằng
Capacity to adapt to changes for a market economy and requirements for integration										
Learning experiences and lessons from neighboring provinces		9%		24%	25%	35%	75%	5%		
Timely modifications and adjustments of development plans when there are changes at national or international level.		8%		21%	50%	28%	50%	10%		
Financial effectiveness and efficiency										
Capacity to seek sources of revenue		15%		25%	50%	33%	25%	5%	25%	

	Very poor		Poor		Average		Good		Very good	
	Bình Dương	Cao Bằng	Bình Dương	Cao Bằng	Bình Dương	Cao Bằng	Bình Dương	Cao Bằng	Bình Dương	Cao Bằng
Capacity to collect taxes		1%		21%	50%	43%	25%	11%	25%	
Effectiveness and efficiency of tax collection		0%		13%	50%	47%	25%	18%	25%	
Internal operational management										
Capacity to select and recruit people in accordance with work requirements		2%		18%	75%	43%	25%	9%		
Capacity to carry out work and to formulate development plans		3%		14%	50%	47%	50%	9%		
Capacity to carry out work and to coordinate within the organization		1%		12%	50%	50%	50%	13%		
Capacity to carry out work and to coordinate with neighboring provinces regarding regional plans (at the provincial level)		4%	25%	21%	50%	38%	25%	6%		
Capacity to carry out, supervise and monitor work		0%		22%	50%	44%	50%	8%		
Capacity to carry out work and to fulfill plans		1%		4%	50%	51%	50%	11%		

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

Table 7 compares local officials' opinions on the effectiveness and efficiency of selected areas of service delivery. There are both similarities and differences between the two provinces. In Bình Dương, a majority rating of "good" (75%) goes to the road and transportation system, market places, and electricity, while in Cao Bằng, a majority is "poor," "average," and "average" respectively. Overall, there is a consensus in both provinces that a performance gap remains in the area of service delivery. At the national level, the 2008 VPCI survey shows that poor infrastructure has affected performance for 71% of businesses, and almost all businesses surveyed complained about the electricity cuts that occurred throughout the year.⁵⁷

Table 7: A Preliminary Survey of Officials' Opinions on the Effectiveness of the Local Public Administration in Providing Selected Services (Bình Dương and Cao Bằng)

	Very poor		Poor		Average		Good		Very good	
	Bình Dương	Cao Bằng	Bình Dương	Cao Bằng	Bình Dương	Cao Bằng	Bình Dương	Cao Bằng	Bình Dương	Cao Bằng
Adequate provision of gardens and playgrounds in urban centers		24%	25%	32%	50%	23%	25%	1%		
Development of roads and transport routes		15%		38%	25%	32%	75%	3%		
Garbage collection		11%		27%	75%	43%	25%	11%		
Treatment of waste water	25%	28%		28%	75%	14%		3%		
Provision of market places		7%		18%	25%	37%	75%	4%	25%	
Provision of slaughterhouses		29%	50%	18%	50%	11%		2%		
Provision of electricity		2%		17%	25%	45%	75%	7%		1%
Providing and maintaining environmental sanitation		16%	25%	20%	75%	33%		3%		

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

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

Towards a Leading Agency for Economic Development Planning

Detailed empirical studies of comparative public administration systems show various organizational and human resource development models that support economic development planning. At one extreme, East Asian countries have developed a leading unit responsible for development planning: Japan's Ministry of Trade and Industry, South Korea's Economic Planning Board, and Taiwan's Council for Economic Planning and Development. These public administration units served as economic driving forces; their autonomy was derived from a combination of organizational and personnel management factors. For example, Japan's Ministry of Trade and Industry was organized into two types of bureaus overseeing the economy as a whole and overseeing particular sectors, a system that provided internal checks and balances against particular interests.⁵⁸ In the area of personnel management, the case of Singapore is exemplary as the recruiting of civil servants working for leading economic agencies began with the identification of talents at the high school level; they would then receive financial support for further study at prestigious universities abroad before returning to serve at the agencies.⁵⁹ At the other extreme, at the state government level, the state of Florida in the United States has reorganized its Department of Commerce into a nonprofit organization to promote statewide business development activities. Sub-state local governments in Florida have developed various public-funded or nonprofit organizations to coordinate local and regional economic development activities. The trend of the late 20th and the early 21st centuries, according to public administration specialists, is toward public-private partnerships that combine pro-business attitudes, with highly professional and technical abilities.⁶⁰

For Viet Nam, as of 2008, there has been a lack of leading economic agencies as found in the 'early developers' such as Japan, Taiwan, South Korea, or Singapore; let alone more innovative forms of nonprofit organization or public-private cooperation as along the Florida model. In terms of structural organization, there are no separate government or non-government agencies with elevated status providing overall direction for economic development affairs.⁶¹ Will the multi-sector and multi-functional ministry model give rise to leading ministries, leadership by provincial departments, or leading district offices in charge of fostering a more sector-integrated development policy? As of 2008, the impact of multi-sector, multi-functional ministries and their specialized agencies remains unclear. Box 3 provides an overview of the process of the merger of the Ministry of Marine Products and the Ministry of Agriculture and Rural Development in 2007 as well as results from a preliminary field study on the impact of the merger on policy and planning work. The study of the two-year implementation period indicates that the concept of the multi-sector and multi-functional ministry has not been fully concretized. It does not guarantee a reduction in the number of administrative units. Neither does it bring about a clear reduction in staff sizes. In the area of policy and planning, there is no clear indication of mechanisms for an integrated rural development policy.

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

second includes specialized units organized as bureaus (*cuc*)⁶² and general bureaus, the two being differentiated by their level of specialization and scope. The third includes public service units such as research agencies, information technology centers, newspapers, and publishing houses. In the area of function, Decision 178 confirms the economic development role of all ministries; each ministry and its specialized units at the provincial level develop sector development strategies and both long-term and short-term plans.⁶³ This endorsement is the case despite a call for the separation of economic management from state management (see Box 2). The Ministry of Planning and Investment and its local specialized provincial departments play an important role in coordinating and compiling plans.⁶⁴

Secondly, in Viet Nam all ministries consist of sub-units providing public services that serve as inputs for development. The Ministry of Agriculture and Rural Development provides a wide range of services to farmers, who number around 60 million people or 78% of the total population. MARD includes a system of 36 research institutes with over 100 sub-units. Extensions are carried out by the National Center for Extensions, which is responsible for promulgation of mechanisms for extension. There are services provided in the veterinary area and food protection, organized from the central to the grassroots level. The Ministry of Labor, War Invalids, and Social Affairs includes a unit in charge of vocational training and job creation. It also oversees the implementation of key national target programs, particularly those related to poverty alleviation. Since 2000, a number of new specialized agencies directly responsible for economic development services have been set up. For example, the Agency for Investment and the Agency for Small and Medium Size Enterprises were set up under the Ministry of Planning and Investment. The Agency for Trade Promotion was set up under the Ministry of Trade (now the Ministry of Industry and Trade). Under the newly merged Ministry of Industry and Trade are the Agencies for the Management of Competition, Market Management, Safety Technology, and Industrial Environment.

Box 3: Highlights of the Restructuring of the Ministry of Agriculture and Rural Development, 2007-2008⁶⁵

Prior to the merger of the Ministry of Marine Products and the Ministry of Agriculture and Rural Development, the two ministries together had 31 state management units consisting of 13 departments (*vu*), two ministerial offices, two ministerial inspectorate units, and 12 specialized state management bureaus (*cuc*). The two ministries also had under their jurisdiction a total of 14 public service delivery units consisting of five centers, two periodicals, two newspapers, and five research and planning institutes. The newly-merged MARD has a total of 24 advisory units, a reduction of eight and an increase of one, i.e., the Bureau for Raising Marine Products. The number of MARD's public service delivery units decreased from 14 to five. MARD, in coordination with MOHA, issued Inter-ministerial Circular 61/2008/TTLT-BNN-BNV dated May 15, 2008, to provide guidelines on the functions and responsibilities of its specialized agencies at the provincial and district level based on Decrees 13 and 14, as well as to guide the organization of the sector at the grassroots administrative level.

MARD's Organizational Restructuring and Implications for Policy Making and Planning⁶⁶

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

assigned; it handles statistics, and monitors public service agencies in the sector. The Agricultural Planning Unit is responsible for planning and investment for the agricultural sector, managing the SOEs' plans as well as reforming the SOEs, and guidance on how to balance sector materials, equipment, and commodities on the one hand, and national reserves on the other. The Forestry Planning Unit carries out planning for forestry, the Irrigation Unit focuses on irrigation planning and investment, and the Marine Products Unit on planning and investment related to marine products. The Southern Planning Unit follows planning and development activities in the Mekong Delta and the Southeastern Region, as well as managing MARD-funded projects in these regions. This organizational arrangement does not facilitate the development of a real multi-sector, multi-functional ministry whose fundamental drive is to create a macro management unit. In the future, when professional relationships inherited from the pre-merger period have gradually disappeared due to retirement, the effectiveness of the planning unit will rely entirely on how its staff members can work with specialized bureaus.⁶⁷ Finally, there are overlapping functions between the planning department and the Bureau of Cooperatives and Rural Development, between the Department of Planning, the Bureau of Planting, the Bureau of Livestock, and the Bureau of Marine Products, between the Department of Planning and the Bureau of Construction Project Management, and between the Department of Planning and the Ministry's Center for Information Technology and Statistics.

Strengthening of Internal Organizational Coherence

Although the two processes of reorganization of the central ministries along multi-sector and multi-functional lines and the redefinition of functions under the rubric of state management decentralization have unfolded in parallel, the two reform measures do not have a clear conceptual or implemental linkage. Neither is there a clear link between organizational restructuring at the central, provincial, and district level, and the reform of the commune-level administration.

The key question related to organizational reform measures centers on how to apply the multi-sector and multi-functional concept at the central and local administration level. The PAR measures require the merger of local specialized agencies to correspond to the central model, with only slight variations. This organizational restructuring has helped foster some degree of uniformity nation-wide. Similarly, at the local level, there is also general recognition that the restructuring has helped reduce the number of "intermediaries", that is, leadership positions, which in the long run will facilitate management and coordination within the sector. Yet, the merger does not necessarily bring about a reduction in the total number of sub-administrative units.⁶⁸ Experiences of the merger up to 2005 indicate that the number of units under the central ministry, the provincial department, and the district office increased, despite the reduction in the central ministries. Also, at the local level, a reduction of intermediaries did not result in a reduction in total staff sizes.⁶⁹ The comparison presented in Tables 7 and 8 indicates that the reorganization of specialized offices at the district level following the merger of central ministries, in the case of Phong Điền District, does not necessarily bring about a reduction in staff sizes. In addition, from macro and comparative perspectives, the need for organizational and personnel development at the local level likely varies from province to province depending on the socio-economic development strategy, changing socio-economic needs, and the changing role of the local public administration itself. Box 4 summarizes Vĩnh Phúc's experiences of the organizational restructuring, which confirms the discussion in this section.

Box 4: Restructuring of Provincial and District Specialized Agencies: A View from Vinh Phúc⁷⁰

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

Need for the Strengthening of Coordination among Sectors and Levels on Plan Formulation and Implementation⁷¹

The lack of a government agency serving as the lead economic agency means that the system's emphasis has to go to coordination, both at the central and local level. Nationwide, the PAR-MP program's Action Plan 7 consists of measures to strengthen coordination among different government agencies. Existing legal documents require the setting up of a drafting team, comprising members of relevant departments or units, to draft a sector development strategy. In practice, nevertheless, studies of inter-sector and inter-level coordination argue that coordination is not effective. Most central agencies prepare their sector development plans without consulting other ministries/agencies. Line ministries do not work together to discuss the prioritization of development objectives and to assess the importance of national programs in achieving their objectives. At the provincial level, departments also similarly prepare plans without consulting other departments. Each department focuses on getting as much as possible from the state budget for its own sector, despite the fact that other sectors can sometimes help achieve shared cross-sector objectives.⁷² The lack of coordination has led to inefficient use of resources, contradictory planning within the government apparatus, and bottlenecks in implementation.

Furthermore, at the implementation level, there is no action plan in the national Socio-Economic Development Plan and sector development strategies where the concrete actions for achieving the goals and objectives outlined in their strategies are identified. At the local level, all three administrative levels develop their own annual socio-economic development plans. However, these plans have not become effective management tools.⁷³

Coordination and Improvement of Government-Run Public Services

Public service delivery plays an important role in buttressing the national and local development strategy. Despite a large number of government-affiliated agencies and research projects, the existing literature and reports comment on the lack of consistency in the use of research findings as the basis for policy formulation and implementation. A large

number of services provided lack coordination and are not always responsive to the needs of service users. The VPCI survey in 2008 indicated that only 18.5% of businesses surveyed were satisfied with the quality of the labor force.⁷⁴ And in reality, few of the local vocational training centers have a mechanism to solicit inputs from businesses. For rural development, there are limitations associated with agricultural extension services.

A reflection on the role of the Vietnamese government in providing poverty reduction-related services may help shed light on the relationship between the public administration and economic development. The Vietnamese government has formulated a comprehensive national target program for poverty alleviation for the years 2001-2005 and 2006-2010.⁷⁵ Although Viet Nam's success in poverty reduction is well-documented, under the rubric of the public administration and economic development, it is possible to argue that different regions may require different strategies for poverty reduction, and hence different emphases on the role of the public administration. For areas that have economic potential, government agencies may advocate poverty reduction through improving infrastructure and developing new income possibilities. For areas in many central coastal areas that have poor soil and an unfavorable climate, public administration agencies will have to improve disaster management mechanisms and extensions, promote access to markets and build a well-educated population to exploit agriculture markets. In areas with a large number of poor people and land shortages, growth may come from the improvement of productivity through sophisticated innovation and from the expansion of off-farm employment opportunities. In sum, there are various conditions of poverty, and in addition to the government-funded services to the poor, Viet Nam will need the local public administration to execute different strategies and plans to promote pro-poor growth.

Towards A Systematic Action Plan for Decentralization

Writings on the impact of decentralization on the operation of the public administration are limited. Nor is there discussion on its impact on local economic development. The exception is a research report carried out by a group of local researchers that examines decentralization of the decision-making process on foreign investment in the province. The conclusion focuses on the limitations of the decentralization scheme for investment, characterizing the process as a "race to the bottom"; that is, provinces resorted to illegal incentives to attract investment.⁷⁶ The study raises a set of questions related to the implementation of the PAR-MP, whether decentralization is desirable and if so, how it should be carried out.

Within the rubric of the PAR-MP, there are institutional, organizational, and personnel problems that require attention for decentralization to be effective. From the conceptual point of view, the first problem is that there is no national or local plan that links state management decentralization with two other organizational reform measures that have been carried out, i.e. the move towards the multi-sector and multi-functional ministry concept, and the strengthening of the grassroots-level administration. Secondly, at the local government level, decentralization of responsibilities has so far focused on the delegation of responsibilities from the central to the provincial level, with only limited responsibilities being delegated to the district and commune level administrations. Third, within the current legal framework, it is unclear which administrative level will serve as the intermediary level to link bottom-up and top-down planning, plan implementation, and plan monitoring - the province or the district, and in which policy area. How much decentralization to the commune is needed, and what type of commune should be at the forefront of decentralization, are not explicitly discussed.

From the implementation point of view, a preliminary review of local documents and interviews indicates that the local governments "exploited" the decentralization framework. Many provincial-level people's committees have promulgated separate regulations for the Law on Investment as well as the Laws on Land, Construction, Environment, and Mineral Resources, resulting in different processes and procedures for investment in construction in the locality. Many provinces allowed larger amounts of land

to be rented to investors, and excessively changed agricultural to industrial land, leading to socio-economic imbalances in the locality. Many provinces accepted investment projects with scope beyond the ability of the locality to clear land or to provide other necessary infrastructure conditions. A preliminary study also shows that the ability of the province to carry out decentralization varies. In many provinces, the key problems are technical and methodological; the decentralized work process lacks coherence; either administrative units continue to duplicate work and certain services remain centralized, or decentralization of management, budgeting, and decision-making are not related, leading to fragmentation in the state management apparatus. In many provinces, local officials' capacity to carry out the delegated work is limited, leading to delays or inadequate quality. Finally, the system of accountability, either through locally elected bodies or direct popular supervision, is slow in being reformed to ensure that the decentralized local public administration is genuinely responsive to the local community.

Overall, decentralization has not served as a forceful driving force for the pro-activeness and accountability required for local economic development.

Promotion of Competence-Based Training to Support the Organizational Mission

Recruitment of qualified officials is crucial for both the central and local public administration system. At the moment, three key practices can be viewed as disadvantageous. The first practice is the limited number of opportunities for recruiting, especially at the provincial level where recruitment is carried out only once or twice a year by the Department of Home Affairs. The second practice is the application of recruitment criteria and processes that do not necessarily respond to specific administrative units' needs. At the local level, the ability of a province to attract talent also heavily depends on its location; sources for candidates remain a problem for many remote provinces.⁷⁷ This problem is exacerbated by the fact that the current training and retraining of civil servants has not yet directly focused on the improvement of civil servants' practical work-related skills.

2.3. PAR and Local Economic Development

According to the Department of National Accounting, General Statistics Office, in 2008, fifteen provinces and municipalities have GDP per capita above Viet Nam's middle income threshold of \$1000 USD. They include the following: Hà Nội excluding merged Ha Tay Province (\$2,362 USD), Vĩnh Phúc (\$1,102 USD), Bắc Ninh (\$1,199 USD), Hải Phòng (\$1,409 USD), Quảng Ninh (\$1,223 USD), Đà Nẵng (\$1,424USD), Khánh Hoà (\$1,237 USD), Tây Ninh (\$1,230 USD), Bình Dương (\$1,488USD), Đồng Nai (\$1,424 USD), Bà Rịa-Vũng Tàu (\$8,984 USD), Hồ Chí Minh City (\$2,667 USD), Long An (\$ 1,053 USD), Kiên Giang (\$1,093 USD), and Cần Thơ (\$1,487 USD). The evaluation of these fifteen provinces' competitiveness based on Viet Nam's Provincial Competitiveness Index scale for 2006 and 2007 shows that the quality of public management of these 15 units based on the VPCI is uneven, ranging from "excellent" to "average." Only two middle-income provinces, Bình Dương and Đà Nẵng, are ranked "excellent" on the VPCI scale while the rest fall under "high," "mid-high" and "average" (Table 8). Đà Nẵng is one of the ten best units in the areas of entry costs, transparency, and labor policies, along with Bình Dương in the area of pro-activity and Hồ Chí Minh City in the area of private sector development policies. Hà Nội is placed within the worst ten in the area of land access and security of tenure (see Table 9).

There is a correlation between good local public administration management practices and economic development. Bình Dương and Đà Nẵng are cases in point. For the other 13 cases, it is possible to argue that if these provinces had applied good management practices and moved up the VPCI ranking, their prospect for economic development achievement and the pace of development would have been improved. It is also possible

to argue that there are additional factors contributing to economic development achievements which have not yet been included in the VPCI system.

Table 8: The Relationship between Good Governance Practices Based On VPCI Rankings and Middle-Income Status at the \$ 1,000 USD Threshold

Management Quality as Reflected in VPCI Rankings	Position of Provinces in 2006	Position of Provinces in 2007
Excellent	Bình Dương, Đà Nẵng	Bình Dương, Đà Nẵng
High	Vĩnh Phúc, Đồng Nai, Hồ Chí Minh City	Vĩnh Phúc, Bà Rịa-Vũng Tàu, Đồng Nai, Hồ Chí Minh City, Cần Thơ
Mid-High	Cần Thơ, Bắc Ninh, Bà Rịa-Vũng Tàu, Khánh Hoà	Bắc Ninh, Long An, Quảng Ninh, Hà Nội
Average	Quảng Ninh, Kiên Giang, Hà Nội, Hải Phòng, Long An, Tây Ninh	Khánh Hoà, Tây Ninh, Kiên Giang, Hải Phòng

Sources: Communication with the Department of National Accounting, GSO; *The Viet Nam Provincial Competitiveness Index 2006*, p. 10; and *The Viet Nam Provincial Competitiveness Index 2007*, p. 16.

Table 9: The Best Ten and the Worst Ten Units by the Viet Nam Provincial Competitiveness Index Indicators, 2008

Good Management Indicators (based on the VPCI system)	Best Ten	Worst Ten
Entry Costs (Business Registration)	Đà Nẵng (9.36)	Bắc Giang (6.31)
Land Access and Security of Tenure	Đồng Tháp (8.05)	Hà Nội (4.73)
Transparency	Đà Nẵng (7.92)	Đắk Nông (2.00)
Time Costs of Regulatory Compliance	Bình Phước (6.52)	Điện Biên (2.85)
Informal Changes	Hưng Yên (8.30)	Bắc Kạn (5.70)
SOEs Bias and Competition Environment	Hà Giang (8.77)	Bạc Liêu (5.99)
Pro-activity	Bình Dương (8.45)	Bắc Kạn (2.32)
Private Sector Development Policies	HCM City (6.35)	Bạc Liêu (1.40)
Labor Policies	Đà Nẵng (8.40)	Điện Biên (1.84)
Legal Institutions	Gia Lai (6.70)	Cao Bằng (2.50)

Source: <http://www.vcci.com.vn/vcci/tin-vcci/cong-bo-chi-so-nang-luc-canh-tranh-cap-tinh-2008/?searchterm=vnci>

To some extent, the PAR-MP reform measures are aimed at developing a framework for a unified national public administration. By 2008, the concept of the OSS and the inter-level, inter-sector OSS had been adopted by the provinces. The organizational structure of the central and local public administration system after restructuring reflects overall uniformity in the maintenance of core administrative units and in the centrally-controlled size of the administrative staff. Although minor variations are allowed based on urban and rural differentiation on the one hand and varying local conditions on the other, the room for organizational and staffing adjustment and innovation is limited. A review of Bình Dương, Thừa Thiên-Huế and Vĩnh Phúc sheds some light on the impact of various aspects of the PAR measures on economic development. Conducted field studies have suggested that provincial success is largely determined by how the province takes the initiative within the existing institutional and organizational framework.⁷⁸ Four specific factors serve as driving forces for economic development: well-focused economic development planning, reform-oriented organizational and operational arrangements, economic development financing, and leadership support. The three case studies show that while late developing provinces may learn from the good practices of early developers, innovation and the pro-activeness of the public administration are crucial factors.

2.3.1. Bình Dương: The Minimalist State

Separated from Song Be in 1997, Bình Dương currently consists of six rural districts, one district town and 89 communes and wards. The province has developed 27 industrial zones, 23 of which are in operation, ten industrial clusters, and one industry, services and urban zone. There are currently 6,709 investment projects from domestic investors and 1,799 foreign investment projects. Bình Dương has seen a major change in its economic structure. In 1997, the ratios for agriculture, industry, and services were 22.81%, 50.39% and 26.80% respectively. By 2008, the ratio had changed to 5.5%, 64.8% and 29.7% respectively. The province's average growth rate is 14.8% per year and per capita income increased from 5.8 million VND/year in 1997 to 17.5 million VND/year in 2006.⁷⁹ Compared with other provinces in Viet Nam, Bình Dương is a success, with income reaching approximately the \$1000 USD middle-income threshold by 2006, a decade after the split of the province from Sông Bé.

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

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

Nevertheless, a provincial report identifies a number of “middle-income province” problems that have to be overcome. Businesses still have to deal with complicated administrative procedural problems during the post-registration period, ranging from land allocation regimes, land rental, applications for construction permits, land clearance, and labor recruitment to customs and taxation, many of which do not come under the decision-making jurisdiction of the local government. Secondly, for Bình Dương to progress, there is a need to attract investors from more advanced countries with sophisticated technology. The third imperative is to continue to expand the industrial zone, now concentrated in the southern part of the province next to Ho Chi Minh City, to the north. The fourth is to upgrade the capacity of civil servants in the fields of science and technology, and the fifth is improvement of the service sector. Finally, owing to rapid industrialization, there is a need to rethink how the agricultural and rural development apparatus, confronted by the shrinking agricultural sector, may be reorganized.⁸⁰

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

2.3.2. Vĩnh Phúc and Thừa Thiên Huế: Planning and Organizational Development for Urbanization and Industrialization

Vĩnh Phúc and Thừa Thiên Huế are “late developers” when compared with Bình Dương. Vĩnh Phúc, located close to Hanoi, is one of the fastest growing provinces in the Red River Delta and, like Bình Dương, has attained middle-income status. Also similar to Bình Dương, Vĩnh Phúc has embarked on the reform of administrative procedures through the OSS mechanism, considered a key mechanism for attracting investment. Likewise, Vĩnh Phúc benefited from the industrial expansion spilling over from Hanoi. Yet, while the agricultural sector in Bình Dương has shrunk, Vĩnh Phúc remains mostly an agricultural province. How to mainly a balance between industrial and agricultural development is thus a crucial development question.

Information gathered from the field work also indicates the need for more public administration reform so the local public administration can cope with the rapid socio-economic changes arriving with industrialization and urbanization. One of the key issues centers on the environment. In Bình Dương, environmental problems have not yet become critical. According to the information gathered, one of the reasons is that because Bình Dương is located at the sources of the two key rivers providing water supply to the entire area to the south; the province has been restrained from accepting investment projects with potential for environmental damage. In other cities undergoing industrialization and urbanization, environmental problems are potentially critical unless additional “PAR measures” are enacted. In Vĩnh Phúc, for example, the Province’s Department of Natural Resources and Environment has proposed that the central agencies issue detailed regulations on environmental protection for tourism areas and nature spots; regulations for the handling of solid waste; and preferential treatment for businesses investing in environmental areas such as renewal and the handling of discharges. Regarding organizational reform, the organization of the department follows Inter Ministerial Circular 03/2008/TTLT-BTNMT-BNV dated 15 July 2008. Yet, owing to increasing management demand, the local authorities moved to set up two sub-bureaus (*chi cục*) under the Department to take charge of land and environment. At the district level, there is a split in the office of natural resources and environment. In the area of personnel, the Department, like those of other provinces, was confronted with the fact that most staff members in its sector had been trained in land management. At the commune level, there was no staff to follow up on environmental issues.⁸¹

Similar to Bình Dương and Vĩnh Phúc, Thừa Thiên Huế considers the simplification of administrative procedures through the OSS mechanism as the key measure to foster a better investment environment. Different from Bình Dương, however, the province has yet to balance different aspects of its development strategies. Overall, the province has considered the development of the service sector as its priority. Yet, there is a need to balance the priority of the province and those of its districts. Phong Điền District's socio-economic development plan for the period 2006-2010, for example, prioritizes the development of the industrial sector. How to allocate investment resources that will serve both the province and the district development priorities is crucial.

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

A close look at the three provinces sheds some light on the public management factors crucial in promoting local economic development: economic development planning, organizational arrangements, and leadership influence. In Bình Dương all these factors are more or less present, while in Thừa Thiên Huế and Vĩnh Phúc, organizational development factors seem to be the prominent force driving economic development for the moment. The best management practices emerging in Bình Dương include the following:

- Well-focused economic development planning with emphasis on infrastructure building
- Public-private partnership to support economic development
- Operational improvement of one-stop business development centers to coordinate business information
- Regulatory improvement to remove flaws and problems linked with the business development process
- Economic development financing, including investment in services related to business development such as improved public infrastructure and facilities
- Commitment of the leadership in building consensus within the public administration on the importance of a pro-business attitude and climate

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

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

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

3.1. Challenges and Causes

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

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

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

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

3.2. Strategic Direction and Proposed Solutions

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

Strategic Direction

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

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

Proposed solutions

1. Retain the overall PAR-MP program while creating sub-programs that link public administration reform and economic development, including the following activities:
 - Regularly reviewing the changing definition of "economic development" through participatory methods.
 - Clarifying the relationship between the public administration and economic development by distinguishing what falls under the jurisdiction of the public administration, and what is outside it.
2. Develop an indicator system to assess the impact of PAR measures on the public administration, and the impact of this improvement on economic-related services
 - Set up issue/policy-based task forces to coordinate plan formulation and plan implementation among sectors, with emphasis going to the sequencing of tasks and performance tracking

- Promote “PAR action research” (that is, regularly carried out and focused research issues with participation from relevant stakeholders) as a measure to fine-tune the PAR implementation process
- Conduct regular public surveys on various aspects of the role of the public administration and economic development, involving public officials, the Vietnam Fatherland Front and mass organizations as well as the civil society organizations and elected deputies in the process.
- Apply information technology to building a database on the public administration and economic development

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

Strategic Direction

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

Regarding the strategic linkage between procedural, organizational, and institutional reform, Viet Nam may consult good practices adopted by developing and developed countries alike. According to *Overcoming Barriers to Administrative Simplification Strategies: Guidance for Policy Makers* published by the OECD in 2009, there is “no one size fits all” road map for procedural simplification reform. From the strategic planning point of view, administrative simplification policies can be designed either on an *ad hoc* basis focused on a sector, or on a rather more comprehensive and long term perspective. The strategic plan should follow sequential phases: planning, consultation, design, implementation, and evaluation. In general, first steps are based on the sector approach, providing outcomes and instruments to continue in other fields and expanding to reach other policy areas. Secondly, because the administrative system is framed by the institutions, policies and tools used by the government, when cutting red tape, these elements have to also be improved.⁸² From the technical/implementation point of view, *Overcoming Barriers to Administrative Simplification Strategies* advises that the key element of a strategy be grouped under three operational/technical areas including simplification of targets, institutional framework, and tools available for administrative simplification.⁸³

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

Proposed solutions

1. Diversify the organizational model of the OSS
 - Conduct research to identify possible models for the organization of the OSS at the central and local administrative levels, taking into account the scope of contact with citizens, the rural-urban settings, and the need to further separate state management functions from administrative service delivery functions
 - Pilot the replacement of the OSS attached to the administrative unit with a city/province-wide OSS and its branches; Apply information technology, aiming for E-administrative services (for information provision, making appointments, payments, tracking applications, etc.) with results returned through the postal service.
2. Conduct compulsory “customer satisfaction” surveys for every government-citizen contact related to administrative procedures
 - Expand the areas of services provided by *một cửa liên thông* and formulate legal documents to serve as a framework for *một cửa liên thông* among the different administrative levels and sectors involved.
3. Create national and local task forces based on policy areas to coordinate the implementation of institutional and procedural reform
 - Identify policy areas that require cross-sector procedures.
 - Compile a record of administrative bottlenecks to serve as a basis for institutional/legal reform.
4. Set up the mechanism for an administrative procedures watch (possibly in coordination with Solution 1)
 - Publicize sector procedural requirements on websites to inform citizens/clients about permits to be issued by government agencies.
 - Strengthen the monitoring role of the Vietnam Fatherland Front, a citizen-network group, or civil society organizations in the simplification of procedures and in conducting reviews/public opinion surveys about new procedures.
5. Link OSS solutions with the simplification/reengineering of the work processes of relevant public administration units.
 - Review of professional permits to abolish them or change them into conditions for business operation.
6. Link OSS solutions with the continuing redefinition of the functions and jurisdiction of relevant public administration units.
7. Link Solutions 1 and 2 with job descriptions for individual officials and the organizational service mission, as well as an analysis of staff sizes.

3.2.3. Insufficient Organizational Differentiation and Coordination for Achieving National and Local Economic Development Purposes

Strategic Direction

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

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

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

The second factor that governs institutional arrangements is the asymmetrical quality of good information. There are three variants. The first is provision of goods for which there are few or no information problems between purchasers, providers, and clients. Those goods with symmetrical information are readily monitored, reported and audited. The second comprises goods suffering from information asymmetries between purchaser and service providers. The purchaser suffers from an information disadvantage *vis a vis* providers. Since there is a danger that providers will not meet the specifications required by the purchaser, purchasers have to define content and performance standards, and hierarchically monitor inputs and outputs. The third is goods for which beneficiaries enjoy an informational advantage over the purchaser. These goods cannot be provided without the input of beneficiaries as standard-setters.⁸⁴ A systematic approach to institutional arrangements will help promote the service provision role of the public administration and private sector or civil society organizations.

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

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

Proposed solutions

1. Strengthen the organizational structure and personnel of multi-sector and multi-functional ministries.
 - Redefine the scope of specialization based on the organization’s mission and link it with recruiting;
 - Differentiate functions and tasks between multi-sector, multi-functional ministries and the local public administration apparatus, and between local administrative levels; and,
 - Design basic sets of monitoring indicators to measure fulfillment of the organizational mission for each administrative level.
2. Strengthen the capacity of multi-sector and multi-functional central ministries and the local government to formulate evidence-based development policies and plans.
3. In the long run, conduct research projects on the possible design of models for leading economic development agencies based on existing state management agencies, the public-private partnership concept, and the not-for-profit concept.
4. Further clarify coordination mechanisms among specialized agencies for review of the implementation of policies, strategies, and plans.
5. Apply new methods of coordination, including standardization of work processes and work quality.
6. Conduct pilots on the diversification of local public administration models, taking into account urban-rural differentiation, varying regional and local socio-economic settings, and varying causes and conditions of poverty.
7. Central Ministries reviewing criteria and methods of recruitment for economic-related positions and strengthening competency-based training and retraining linked with the organization’s development mission.
8. Develop a public-private partnership in service provision at the local level, selecting one administrative unit as the key contact point.
9. Involve users for inputs and feedback.

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

Strategic Direction

It is generally argued that decentralization will bring about pro-activeness on the part of the local government. Yet, whether decentralization leads to economic development and poverty reduction or not remains contingent upon various factors.⁸⁵ A number of conditions are imperative to make sure that decentralization starts on the right footing and proceeds to bring about desired positive results. One is a clear division of responsibilities among levels based on the principle of “subsidiarity”; the level with the most direct and comprehensive information related to particular management areas

should be assigned to decide on and manage those areas. Second is the development of an intermediary administrative unit for policy purposes. A number of studies on the process of decentralization, in analyzing the experiences of the poverty focuses of rural development programs in Southern African countries, argue for the identification of an intermediary level, pointing to the problems arising in decentralized governance if there is failure to establish a policy-focused set of institutions and procedures at the middle/regional level that operate to connect and reinforce bottom-up proposals, or initiatives and top-down policy frameworks, in an effective manner.⁸⁶ Another factor crucial for a successful take-off for decentralization is the capacity of local officials. The fourth factor crucial for successful implementation of decentralization is the accountability system. Every form of decentralization should be accompanied by monitoring; common aspects of which are financial monitoring, monitoring of activities, and monitoring of recipients' satisfaction with services.

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

Proposed solutions

1. Central Ministries and Provinces develop a coherent decentralization road map.
2. Identify the role of the intermediary level to link top-down and bottom-up processes by policy area.
3. Link decentralization with capacity building and organizational performance evaluation.
4. Review the current division of responsibilities by policy area for further reform, applying systematic job analysis and job description methods to the decentralized work scheme.
5. Strengthen the internal review by central government agencies.
6. Strengthen the outside monitoring system through the People's Council, the State Audit, and citizens.
 - Expand the organization of a mid-term vote of confidence in the leadership at the district and provincial levels as a mechanism to reinforce accountability.
7. Develop a public and private consultation forum for issues related to governance in general and public service delivery such as poverty alleviation, environmental protection, and investment projects.

3.3 Proposed Approaches to Implementation

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

4. Conclusions

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

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

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

To further consolidate the reform process, the paper calls for initiatives and innovation in the areas of problem identification, analysis of different alternative strategic directions and solutions as well as methods of implementation. At a macro level, this paper emphasizes the need to formulate a strategic approach that explicitly links reform of the

public administration with its effectiveness and efficiency in promoting economic development as defined by relevant stakeholders, the inter-connectedness of different public administration reform measures, and the partnership between state management agencies and stakeholders outside the state sector. At the operational level, the paper puts forth a series of specific operational recommendations related to the simplification of administrative procedures and organizational reform. Innovation, pro-activeness, and differentiation are the cross-cutting themes of these recommendations.

Sources of inspiration for change come from both international and domestic experiences. This policy discussion paper has, on several occasions, referred to the role of the public administration in other international experiences. Japan, South Korea, Taiwan, and Singapore are discussed as they indisputably represent success stories when it comes to the role of public administration in economic development. The second generation of “late developers” such as Thailand, Malaysia, and the Philippines also represent successes and failures at one point or another. Viet Nam could consult these international experiences. Yet, as discussed earlier, Viet Nam’s entry point into the world capitalist economy has its own uniqueness. So does the starting point for Viet Nam’s public administration. Writings on various generations of “developers” have shown that different generations improvised their own models for development. The paper has focused on a limited number of provinces having, or in the process of becoming, middle-income provinces at the \$1,000 USD threshold. Binh Dương belongs to the early developer generation, while Thừa Thiên Huế and Vĩnh Phúc belong to a later one. In addition to consulting international good practices, systematic reflection of local experiences within the country is an indispensable input for Viet Nam’s “moving-forward” program to achieve and sustain middle-income status.

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Endnotes

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² Viet Nam Development Report 2009, Capital Matters (Hanoi, 2008), pp. 3-4.

³ Ibid., p. 23.

⁴ Nevertheless, if based on the growth rates of income per person (measured at constant prices), the picture is less positive. It will take a longer time for Viet Nam to catch up: 51 years with Indonesia, 95 years with Thailand and 158 years with Singapore. See Capital Matters, p. 23.

⁵ Asian Development Bank and the International Monetary Fund forecast a five percent growth rate for 2009; the Economic Intelligence Unit and Deutsche Bank give estimates of 4.3% and 4.1% respectively. See Vietnam Financial Review, 1 (January-February, 2009), p. 19.

⁶ See the Interview with Deputy Prime Minister Nguyễn Sinh Hùng, Ibid. p.9. For an overview of the stimulus package, see "Fiscal Stimulus Package," Ibid., pp. 20-21 and "Making Sense of the Bailout," Ibid., p. 22.

⁷ Existing academic writings on development employ the term "the state" or nhà nước to refer to a set of organizations including the public administration.

⁸ The report also makes use of the team leader's field studies in Quảng Ngãi, Long An, Hải Phòng, Ninh Bình, Thừa Thiên Huế, Cần Thơ, Hậu Giang, Cao Bằng and Ninh Thuận carried out between 2002 and 2008.

⁹ Cited in Kuotsai Tom Liou, "Economic Development Policy and Public Management" in Kuotsai Tom Liou, ed., Handbook of Public Management Practice and Reform (New York and Basel: Marcel Dekker, 2001), pp. 405-430.

¹⁰ For the most recent writing extensively comparing Viet Nam with Southeast Asia and East Asia, see Asia Program, "Choosing Success: The Lessons of East and Southeast Asia and Vietnam's Future," January, 2008.

¹¹ In 1950, measured in 1974 US dollars, South Korea had a per capita income of \$146; equivalent figures were \$150 for Nigeria, \$129 for Kenya, and \$203 for Egypt. Taiwan was ahead of Korea at \$224 but lagged behind Brazil at \$373, Mexico at \$562, or Argentina at \$907. Thirty years later, the per capita GNP of South Korea had risen to \$1553; Nigeria's was \$670, Kenya's \$380 and Egypt's \$480. In 1980 the per capita income of Taiwan was \$2720, Brazil \$1780, Mexico \$1640, and Argentina \$2230. See Chalmers Johnson, "Political Institutions and Economic Performance: the Government-Business Relationship in Japan, South Korea, and Taiwan," in

Frederick Deyo, ed., The Political Economy of the New Asian Industrialism. Ithaca, New York: Cornell University, 1987, p. 136.

¹² Johnson summarizes their differences as follows: First, among the government economic agencies in the three countries, Japan's Ministry of Trade and Industry had the widest range of powers while Taiwan's Council for Economic Planning and Development lacked such status. Second, all three countries employed different forms of financial controls: bank-based financing in Japan, the allocation of credit in South Korea, and reliance on monetary rather than fiscal policies in Taiwan, i.e., tax breaks and high depreciation allowances rather than outright loans to encourage investment in particular sectors. Third, in Japan the government worked with integrated industrial groups or conglomerates with their own trading companies and their own banks. In Taiwan, the state intervened through direct investment and the establishment of a network of state-owned enterprises. South Korean planning officials worked with private corporations to direct them to invest in priority industries, granting incentives through credit on very good terms, reduction of the pressures from local and international competition, and infrastructure support, while being stern about disciplining firms that were not performing well. East Asian countries have different approaches to foreign capital. Japan was concerned with its domestic market, while Taiwan and Korea's domestic market is small. Finally, all three East Asian countries' economies limited the political influence of trade unions, although Japan was considered more creative and less authoritarian. All three nations compensated labor through policies of comparatively equitable distribution and automatic wage increases dependent upon increases in productivity. See Johnson, Ibid.

¹³ Andrew MacIntyre, ed., Business and Government in Industrializing Asia (Ithaca, New York: Cornell University Press, 1994).

¹⁴ For a brief discussion on the socialist bureaucracy in English, see Thaveeporn Vasavakul, "Politics of Administrative Reform in Post-Socialist Vietnam" in Suiwah Leung, ed. Vietnam Assessment: Creating a Sound Investment Climate (Singapore: Institute of Southeast Asian Studies, 1996), pp. 42-68.

¹⁵ Clause 168 of the Law on Enterprises has the following stipulations: (1) The State shall exercise owner's rights over State-owned capital in enterprises on the following principles: (a) Exercising owner's rights in the capacity of a capital investor; (b) Maintaining and developing State-owned capital; (c) Separating the function of exercise of owners' rights from the function of State administrative management; (d) Separating the exercise of owner's rights from enterprises' rights to business autonomy, and respecting the business rights of enterprises; (e) Exercising, uniformly and centrally, owners' rights and obligations with respect to capital; (2) Functions, duties and powers of the representative organization of the State owner; the regime of exercise of owners' rights of State-owned capital; methods and criteria for the evaluation of efficiency and the actual status of maintenance and development of State-owned capital; the regime of co-ordination, inspection and assessment with respect to the representative organization of the State owner; guidelines and measures to arrange, restructure, reform and enhance the efficiency of operation of enterprises with State-owned capital shall be implemented in accordance with the law; (3) The Government shall submit general reports on the current status of business with State-owned capital, on the maintenance and development of the value of investment capital and assets under State ownership in enterprises on an annual basis.

¹⁶ For detailed information on the public administration situation and the focuses of the public administration reform program, Vasavakul, "Politics of Administrative Reform in Post-Socialist Vietnam". pp. 42-68 and Thaveeporn Vasavakul, "Rebuilding Authority Relations: Public Administration Reform in the Era of Doi Moi," Report commissioned by the Asian Development Bank, Hanoi, May 2002.

¹⁷ Ibid.

¹⁸ See Ministry of Home Affairs, Chương trình tổng thể cải cách hành chính nhà nước giai đoạn 2001-2010 và các văn bản triển khai (PAR-MP for the Period 2001-2010 and Implementing Documents) (Hanoi, 2003).

¹⁹ See Nghị quyết số 17-NQ/TW ngày 01/08/2007 của Hội nghị lần thứ năm Ban Chấp hành Trung ương Khóa X về đẩy mạnh cải cách hành chính, nâng cao hiệu lực, hiệu quả quản lý của

bộ máy nhà nước (Resolution 17-NQ/TW dated 1 August 2007 from the Fifth Plenum of the Central Committee (Xth Congress) on the acceleration of the public administration in order to increase the efficiency and effectiveness of the state apparatus); Resolution no. 53/2007/NQ-CP of November 2007, promulgating the government's program of action for implementation of the Resolution of the Fifth Plenum of the Party Central Committee, Xth Congress, on accelerating administrative reform and raising management effectiveness and the efficiency of the state apparatus.

²⁰ For a good summary of the key content of the laws, see Tổ công tác thi hành Luật Doanh nghiệp và Luật Đầu tư, "Tóm tắt báo cáo đánh giá hai năm thi hành Luật Doanh nghiệp và Luật Đầu tư" tháng 12, năm 2008. ("Summary of the Report Assessing the Two-Year Implementation of the Law on Enterprises and the Law on Investment, December 2008.)

²¹ See Nghị quyết ban hành Chương trình hành động của Chính phủ thực hiện Nghị quyết Hội nghị lần thứ sáu Ban Chấp hành Trung Ương Đảng khóa X về tiếp tục hoàn thiện thể chế kinh tế thị trường định hướng xã hội chủ nghĩa, ngày 23 tháng 9 năm 2008 (Resolution promulgating the Government Action Program to Implement the Resolution of the Sixth Plenum of the Central Committee, Xth Congress, on further improvement of market economy institutions with a socialist orientation).

²² Also see the analysis in the UNDP research report on institutional reform conducted by Martin Painter, Hà Hoàng Hợp, and Chu Quang Khởi.

²³ Bộ Nội Vụ, "Sơ kết 3 năm thực hiện cơ chế "một cửa" theo quyết định số 181/2003/QĐ-TTg ngày 04/9/2003 của Thủ tướng chính phủ (Ministry of Home Affairs, "Review of the Three-Year Implementation of the OSS based on Prime Minister's Decision 180/2003/QĐ-TTg dated 4 September 2003)."

²⁴ Ibid.

²⁵ A detailed discussion of the central-level OSS mechanism can be found in Bộ Nội Vụ, "Báo cáo thủ tướng chính phủ về tổng kết thí điểm thực hiện cơ chế một cửa tại các Bộ, 19 tháng 12 năm 2007 (Ministry of Home Affairs, "Report to the Prime Minister and the Review of Pilots on the OSS at Central Ministries, 19 December 2007").

²⁶ See "Quyết định 93/2007 của Thủ tướng Chính phủ về thực hiện cơ chế một cửa, một cửa liên thông (Prime Minister's Decision 93/2007 on the Implementation of the OSS and the Inter-Level, Inter-Sector OSS).

²⁷ Interview with officials at the Dept. of Public Administration, Ministry of Home Affairs, October 2008.

²⁸ See Bộ Nội vụ, " Báo cáo kết quả cuộc hội thảo chia sẻ kinh nghiệm và thực tiễn CCHC tại TP HCM, từ ngày 11 – 12/4/2006, ngày 25 tháng 4 năm 2006 (Ministry of Home Affairs, "Report on the Results of the Conference to Share Experiences of PAR Implementation in Ho Chi Minh City from 11-2 April 2006, 25 April 2006).

²⁹ Interview with the SMEs Bureau, Ministry of Planning and Investment, October 2008.

³⁰ The Viet Nam Provincial Competitive Index (VPCI) focuses on the relationship between good economic governance practices and investment and growth. The annual survey demonstrates the association between business-friendly economic governance practices and business responses to those practices. Nevertheless, "Friendly economic governance practices" have much to do with the reform of the general legal and institutional framework endorsed by the central government.

³¹ Interview with DPI officials, Vĩnh Phúc Province.

³² USAID and VCCI, The Vietnam Provincial Competitiveness Index 2007: Measuring Economic Governance for Private Sector Development (Hanoi: Vietnam Competitiveness Initiative, 2007), p. 22.

³³ See Sở Kế hoạch và Đầu tư, "Báo cáo tình hình thực hiện công tác cải cách hành chính trong năm 2007 của Sở Kế hoạch và Đầu tư Hà Nội", Hanoi, tháng 11, năm 2007 (DPI, "Report on the Implementation of the PAR in 2007 at the Hanoi DPI", Hanoi, November 2007).

³⁴ See “Fiscal Stimulus Package,” Vietnam Financial Times, *ibid.*, p. 21.

³⁵ According to Task Force for the Implementation of the Law on Enterprises and the Law on Investment, over 70% of the labor force in the business sector is working with private and foreign businesses. See “Tóm tắt báo cáo đánh giá” (Summary of the Assessment Report).

³⁶ *ibid.*; See also “Missing the Mark: Provincial Competitive Index Sags,” in *ibid.*, p. 56.

³⁷ Vĩnh Phúc brought up this problem in its report. The commune OSS served as the key contact point for land-related matters. As there was only one commune land officer, there was a delay in the return of files to applicants. Phong Điền Town Commune has a similar problem.

³⁸ An article in *Nhân Dân* (People) published on 3 November 2005. See <http://www.caicachanhchinh.gov.vn/English/CommentsPress/683200511030923000/>

³⁹ Interviews with Cao Bằng authorities, June 2008.

⁴⁰ The team leader thanks Phan Ngọc Tú for sharing his work in progress. See Phan Ngọc Tú, “Những bước tiếp theo của cải cách thủ tục hành chính theo cơ chế “một cửa” tại một huyện nông thôn vùng đồng bằng sông Cửu Long (Thực tế từ huyện Cai Lậy, tỉnh Tiền Giang)” (Following Steps for the Simplification of Administrative Procedures along the OSS Model at a Rural District in the Mekong Delta – Practical Experience from Cai Lậy District, Tiền Giang Province), Work in Progress, 2009, 14 pp.

⁴¹ See “Summary of Assessment Report”.

⁴² These thoughts are expressed in a report from Vĩnh Phúc’s Department of Natural Resources and Environment. Nevertheless, they can be considered representative of many Red River Delta provinces. In Vĩnh Phúc, there are families who reportedly have 54 segments of land; the average number of land segments is 10. See Sở Tài nguyên Môi trường, “Báo cáo về việc sơ kết 3 năm (2006-2008) thực hiện cải cách hành chính giai đoạn 2006-2010, 28 tháng 11 năm 2008. (Department of Natural Resources and Environment, Report on the Three-Year Implementation of the PAR for the Period 2006-2010).

⁴³ Văn Tất Thư, “Một số giải pháp kỹ thuật để tổ chức bộ đa ngành, đa lĩnh vực” (A number of technical solutions for the organization of multi-sector and multi-functional ministries), *Tổ Chức Nhà Nước* (State Management), tháng 12, 2007.

⁴⁴ The number of agencies under the Government was reduced from 13 in 2002 to 8 in 2007.

⁴⁵ For the most recent merger, see Ban chấp hành trung ương, Ban cán sự Đảng, Bộ Nông nghiệp Phát triển Nông thôn Nong nghiep Phat trien Nong thon, năm 2007 và 6 tháng đầu năm 2008” tháng 8 năm 2008. (Party Affairs Committee, Ministry of Agriculture and Rural Development, “Report on the Results of Activity Related to the Public Administration Reform of the Ministry of Agriculture and Rural Development in 2007 and the First Six Months of 2008”).

⁴⁶ For detailed legal documents, see information published in *Chính phủ Việt Nam, Chính quyền các cấp* (Vietnamese Government, Local Governments) (Hanoi: Hồng Đức, 2008).

⁴⁷ *ibid.*

⁴⁸ Thang Văn Phúc, “Strengthening Decentralization at Central and Local-Levels- an Important Task of the Current Public Administration Reform in Vietnam,” 6 pp.

⁴⁹ *ibid.*

⁵⁰ See, for example, Nghị Định số 144/2005/ND-CP ngày 16 tháng năm 2005 của Chính phủ quy định về công tác phối hợp giữa các cơ quan hành chính nhà nước trong xây dựng và kiểm tra việc thực hiện chính sách, chiến lược, quy hoạch, kế hoạch (Decree 144/2005/ND-CP dated 16 May 2005 regulating coordination work among state management agencies in the formulation and the review of the implementation of the policy, strategy, master plans, and plans) and Quyết định số 34/2007/QĐ-TTg ngày 12 tháng 3 năm 2007 của Thủ tướng Chính phủ về việc ban hành quy chế thành lập, tổ chức và hoạt động của tổ chức phối hợp liên ngành (Prime Minister’s Decision 34/2007/QĐ-TTg dated 12 March 2007 on the promulgation of regulations to set up, organize, and operate sector coordination units).

⁵¹ See Ngô Thắng Lợi and Vũ Cường, eds., Đổi mới công tác kế hoạch hóa trong tiến trình hội nhập (Reform of planning in the process of integration) (Hanoi: Lao động-Xã hội, 2007); and the Central Institute for Economic Management, “Strengthening Coordination between the State Management Agencies Responsible for the Service Sector” (Hanoi, 2006).

⁵² See Decree No. 16/200/ND-CP dated 7 February 2005 on the management of investments in construction works and projects.

⁵³ This section benefits from Vietnam Development Report, 2005 which succinctly captures the spirit of the 2002 Budget Law. For a detailed analysis, see Lê Chi Mai, Phân cấp ngân sách cho chính quyền địa phương: thực trạng và giải pháp (Budgetary Decentralization to the Local Government: Situation and Solutions) (Hà Nội: Chính trị quốc gia, 2006).

⁵⁴ On the management of staffing, see Nghị định số 71/2003/ND-CP ngày 19 tháng 6 năm 2003 của Chính phủ về phân cấp quản lý biên chế hành chính, sự nghiệp nhà nước. (Prime Minister's Decree 71/2003/ND-CP dated 19 June 2003 on decentralization of the management of administrative and professional staffing)

⁵⁵ Government documents on recruitment are: Nghị định số 115/2003/ND-CP ngày 10 tháng 10 năm 2003 của Chính phủ về chế độ công chức dự bị; Nghị định số 116/2003/ND-CP của chính phủ về việc tuyển dụng, sử dụng và quản lý cán bộ, công chức trong các đơn vị sự nghiệp của nhà nước, 10 tháng 10 năm 2003; Nghị định số 117/2003/ND-CP của Chính phủ về việc tuyển dụng, sử dụng, quản lý cán bộ, công chức trong các cơ quan nhà nước ngày 10 tháng 10 năm 2003; Thông tư số 07/2007/TT-BNV hướng dẫn thực hiện Nghị định số 09/2007/ND-CP ngày 15 tháng 01 năm 2007 của chính phủ sửa đổi, bổ sung một số điều của Nghị định số 117/2003/ND-CP ngày 10 tháng 10 năm 2003 của chính phủ về tuyển dụng, sử dụng và quản lý cán bộ, công chức trong các cơ quan nhà nước và hướng dẫn một số điều của nghị định số 117/2003/ND-CP ngày 10 tháng 10 năm 2003 của chính phủ về tuyển dụng, sử dụng và quản lý cán bộ, công chức trong các cơ quan nhà nước; Nghị định số 08/2007/ND-CP ngày 15 tháng 01 năm 2007 sửa đổi bổ sung một số điều của Nghị định số 115/2003/ND-CP ngày 10 tháng 10 năm 2003 của Chính phủ về chế độ công chức dự bị; and Nghị định số 09/2007/ND-CP ngày 15 tháng 01 năm 2007 sửa đổi, bổ sung một số điều của Nghị định số 117/2003/ND-CP ngày 10 tháng 10 năm 2003 của Chính phủ về việc tuyển dụng, sử dụng và quản lý cán bộ, công chức trong các cơ quan nhà nước.

⁵⁷ See “Missing the Mark: Provincial Competitive Index Sags,” p. 57.

⁵⁸ Johnson, “Political Institutions and Economic Performance.”

⁵⁹ The case of Singapore is discussed in Ikuo Iwasaki, “State Bureaucrats, Economic Development, and Governance: The Case of Singapore,” in Yasutami Shimomura, ed., The Role of Governance in Asia (Singapore: Institute of Southeast Asian Studies, 2003), pp. 349-81.

⁶⁰ For detailed discussion and references, see Kuotsai Tom Liou, “Economic Development Policy and Public Management”, p. 419 and pp. 442-445.

⁶¹ There are some minor variations. For example, the ways in which the Bureau (cục) and General Bureau (tổng cục) of MARD are organized are somewhat different.

⁶² Cục is sometimes translated as “agency” by the Vietnamese. For example, the Agency for Small and Medium Size Enterprises (Cục doanh nghiệp nhỏ và vừa) attached to the Ministry of Planning and Investment.

⁶³ See Nghị định 178/2007/ND-CP ngày 3 tháng 12 năm 2007 của Chính phủ quy định chức năng, nhiệm vụ, quyền hạn và cơ cấu tổ chức của Bộ, cơ quan ngang Bộ. (Prime Minister's Decree 178/2007/ND-CP dated 3 December 2007 on the functions, tasks, authority, and organizational structure of Ministries and Ministerial-Level Agencies).

⁶⁴ For another example, at the local level, Bình Dương's Department of Trade and Industry listed its development activities to include master plans and short-term planning related to the development of specific sectors, for example, the plan for industrial development, 2006-2020; the development plan for the province's spearhead products until 2020; a proposal for the

development of domestic markets for the period 2007-2015 and further guidelines until 2020; a development plan for the province's key export products until 2010; a program for the development of electronic commerce until 2010, a plan for the development of networks for markets, supermarkets and trading centers; a plan for the development of electricity; a proposal for the implementation of an information center to provide support for enterprises; a proposal for solutions to improve the quality of trade promotion for the period 2008-2015; and a program for the promotion of industry in Binh Duong for the period 2008-2012. In addition, the Department assists enterprises with investments, exploiting the market and raising their competitiveness.

⁶⁵ Based on MARD's reports.

⁶⁶ See Lê Viết Thái, "Đổi mới cơ cấu chính phủ theo hướng bộ quản lý đa ngành đa lĩnh vực" (Reform of the Government Structure along the lines of Multi-Sector, Multi-Functional Ministries), unpublished manuscript, 2009, 22 pp.

⁶⁷ See Decision 08/2008/QĐ-BNN dated 28 January 2008 detailing the functions, tasks, authority and structure of the Department of Planning as the Working Regulations for the Department issued by the Department Head.

⁶⁸ See comments in Ban Chỉ đạo Cải cách hành chính của Chính phủ, "Báo cáo tổng kết việc thực hiện giai đoạn I (2001-2005) Chương trình tổng thể cải cách hành chính nhà nước giai đoạn 2001-2010 và phương hướng, nhiệm vụ cải cách hành chính giai đoạn II (2006-2010), ngày 27 tháng 4 năm 2006 (National PAR Steering Committee, "Report on the implementation of the first phase of the PAR-MP (2001-2005) and directions for the PAR tasks for Phase II (2006-2010)," 27 April 2006).

⁶⁹ Interview with MARD officials, Hanoi, October 2008. See also Tables 7 and 8.

⁷⁰ Based on the Team's communication with Vĩnh Phúc.

⁷¹ See CIEM, "Strengthening Coordination between the State Management Agencies Responsible for the Service Sector."

⁷² According to the survey's findings, all ministries/agencies have practiced coordination with others in the process of formulating sector development strategies and plans. A majority of respondents (68.7%) thought that this coordination was useful to their work. Such coordination was done through meetings, seminars, workshops, and official comments in writing. Internal coordination between departments/units in a ministry/agency is achieved in similar ways, including through a drafting team. The setting up of joint drafting teams is the most common method for coordination in setting sector development strategies and plans. According to most respondents (81.3%), it was not easy to ensure coordination because of unclear regulations, low capacity, and a lack of willingness. About one-fifth (16.4%) did not know whether there were regulations for coordination. *Ibid.*

⁷³ This observation is based on interviews with central ministries and provinces as well as a review of the existing literature on planning collected from various administrative levels.

⁷⁴ See "Missing the Mark", p. 57.

⁷⁵ For useful literature on Viet Nam's national target program on poverty reduction, see Nguyen The Dzung, "Capacity Assessment for Viet Nam's National Target Program for Hunger Eradication and Poverty Reduction," VIE/97/017- Strengthening capacity to support the National Target Program for Hunger Eradication and Poverty Alleviation; Socialist Republic of Vietnam, Comprehensive Poverty Reduction and Growth Strategy (CPRGS) (Hanoi, November 2003); and MOLISA and UNDP, Taking Stock, Planning Ahead: Evaluation of the National Targeted Program on Hunger Eradication and Poverty Reduction and Program 135 (Hanoi, Vietnam, November 2004).

⁷⁶ On the impact of decentralization on foreign investment management, see Vũ Thành Tự Anh, Lê Viết Thái and Võ Tất Thắng, "Provincial Extra legal Investment Incentives in the Context of Decentralization in Vietnam: Mutually Beneficial or A Race to the Bottom?" UNDP Report, November, 2007.

⁷⁷ Based on reports from provinces and interviews in 2008.

⁷⁸ The report emphasizes the linkage between the proactive use of the existing legal framework and a certain degree of economic success; it does not attempt to analyze whether sub-legal documents are “correct” from the perspective of central authorities.

⁷⁹ UBND Tỉnh Bình Dương, Sở Công Thương, “Báo cáo đánh giá tác động của cải cách hành chính đến phát triển ngành công thương tỉnh Bình Dương,” tháng 11, năm 2008. (Department of Trade and Industry, “Evaluation report on the impact of the PAR on the development of the trade and industry branch in Binh Duong, November 2008).

⁸⁰ Interviews with local officials, December 2008.

⁸¹ See Quyết định số 41/2008/QĐ-UBND stipulating the position, functions, responsibilities, and authority of the Department of Natural Resources and Environment.

⁸² This discussion is drawn from Regulatory Policy Division, Directorate for Public Governance and Territorial Development, Overcoming Barriers to Administrative Simplification Strategies: Guidance for Policy Makers (OECD, 2009).

⁸³ Ibid. p. 17.

⁸⁴ See Navin Girishankar, “Securing the Public Interest Under Pluralistic Institutional Design”, in Paul Collins, ed., Applying Public Administration in Development: Guideposts to the Future (Chichester: John Wiley & Sons, Ltd., 2000), pp. 79-90.

⁸⁵ See James Manor, The Political Economy of Democratic Decentralization (World Bank, 1999). Manor discusses what decentralization will certainly bring about, what it will partially bring about, and what it will not bring about. The “elite capture” argument, focusing on the rise of local interests in the framework of decentralization, casts doubt on the positive correlation between decentralization and poverty reduction. See Trond Vedeld, “Democratic Decentralization and Poverty Reduction –Exploring the Linkages,” Paper presented at the NFU Annual Conference on Politics and Poverty, Oslo 23-24 October 2003.

⁸⁶ See Deryke Belshaw, “Decentralized Governance and Poverty Reduction: Relevant Experience in Africa and Asia” in Collins, p. 72.