



Viet Nam

Public sector management

Working Paper 2

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The Australian Government's
Overseas Aid Program

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The views presented in this paper are the consultant's and are not necessarily those of the Government of Australia or the Government of Viet Nam.

Glossary

ADB	Asian Development Bank
ASEAN	Association of South-East Asian Nations
DANIDA	Danish International Development Assistance
DEWRSB	Department of Employment, Workplace Relations and Small Business
GCOP	Government Committee on Organisation and Personnel
GTZ	Deutsche Gesellschaft Für Technische Zusammenarbeit
IMF	International Monetary Fund
MARD	Ministry of Agriculture and Rural Development
NA	National Assembly
NIPA	National Institute of Public Administration
ODA	Official development assistance
OOG	Office of Government
PAR	Public Administration Reform
SME	Small and medium enterprise
SOE	State-owned enterprise
UNDP	United Nations Development Programme
VAT	Viet Nam-Australia training

Reorganisation and modernisation of the public sector has been under way in Viet Nam since the *doi moi* process was initiated in 1986. However, Government reports have noted that there is weakness and backwardness in the civil service in the face of the changing and challenging situation. They have also noted that if the administrative reform process were delayed, there would be constraints and difficulties for the progress of economic reform.

In a Socialist country, the public sector is inevitably large and represents a large part of total employment. The state administrative system is seen as a key tool for directing and managing the country. Pressures to improve performance in such countries have often led to restructuring of public sector activities and a re-definition of employment categories, including a definition of a narrower group of 'civil servants' at the centre of state administration. Without such a definition, it was difficult to manage key employees and there were reported to be many obstacles in recruiting, appointing, training, posting and evaluating roles and performance.

Recognising the significance of the concept of 'civil servants', the Government issued a Decree in May 1991 defining civil servants as 'a Vietnamese citizen who is recruited, appointed to have a permanent job in a state agency ... and gets a salary from the state budget'.

Subsequently this was developed further to cover in a more formal legal sense (by statute):

- elected officials
- judges
- people working in central administrative agencies
- military and security employees' and
- executive level officials.

The civil service overall is seen as:

- an executive unit of the State Administration
- an executor of political decisions through Government agencies and its civil servants
- as a manager of administrative activities in the public sector, and
- as a provider of public services for socioeconomic activities

and as being made up of the following elements:

- institutions and agencies, and
- the contingent of civil servants.

The 'contingent' of civil servants now consists of approximately 1.2 million employees, of which only 200 000 are working in the central 'state administrative agencies'. Most of the balance of the 'contingent' are employed in education and health care.

Most of the concern about the quality of the civil service is currently focused on the 200 000 employees of the central state administrative agencies. This working paper addresses issues concerning this group rather broader public sector.

This concern with civil service reform is consistent with international trends. Civil service reform has become a high priority both for OECD countries and for less developed countries. Major aid activities in this area have been sponsored by multilateral and bilateral aid agencies.

Public sector management and governance

Because the civil service is an integral part of public sector management, and consequently of 'governance', some background may help place the need for improvement of the civil service in context.

Under the AusAID framework, 'governance' embraces economic and financial management, public sector management, legal and judicial development, and the development of civil society.

The word 'governance' does not seem to translate readily in the Vietnamese language. It appears to be translated as 'state management' or 'public administration', depending on the context, and even then these words have local meanings and implications, given Viet Nam's character as a socialist society.

The report of 30 June 1999 by DANIDA on 'Activities in the field of Governance and Reform in Viet Nam' notes that the term 'governance' is widely used even though the actual meaning and implications of the concept are not always clear. That paper encompasses activities in applying the rule of law, the legal sector, public participation and civil society and the Public Administration Reform (PAR) process. The paper identifies two concerns, inter alia, in furthering good governance as:

- clarifying the competence and responsibilities of public authorities, and
- building professional competence (*'the need for further capacity building at all levels as an important component in further good governance'*)

The donors' draft issue paper of 12 November 1999 on Governance also touches on these issues, with particular reference to PAR. On PAR, the paper emphasises the need for a strategy (which is now being addressed). The paper suggests that this strategy should reinforce the linkage between the policy and implementation levels, while ODA resources would be used to help build the needed implementation capacities.

At the strategic (or broader) level, the concept of PAR often seems to be regarded in Viet Nam as virtually synonymous with 'governance', in that PAR is concerned with the future role of the state and the way in which the state is 'administered' or 'managed'. PAR aims to address and influence the way in which national affairs might be best managed in the future. The terms 'state

administration' and 'state management' are often used in this context. Thus, at this stage, various activities under the heading of 'PAR' can be regarded as giving an indication of the direction of and momentum for change in areas that AusAID sees as 'governance'.

Developments over recent years

The structural reorganisation of the Vietnamese civil service continues to move ahead, albeit slowly.

The 8th Plenum of the Central Party Committee held in January 1995 issued a major resolution entitled 'Continuing to Build and Improve the State of the Socialist Republic of Viet Nam – Taking a Step Toward Reforming the State Administrative System'. This identified three key objectives for reform:

- administrative institutional reform
- restructuring of the state machinery, and
- building a contingent of qualified and capable civil servants.

Subsequently the Government launched an Action Plan for PAR. Priority objectives identified were:

- reforming administrative procedures
- adjusting the state administrative process to make it less cumbersome, and
- training, retraining and upgrading the contingent of the civil servants, building and modernising the workplace.

On the final point, government authorities observed that training and retraining of civil servants 'is a decisive element for the success of the Vietnamese civil service.'

Central to the implementation of PAR is the Government Committee on Organisation and Personnel (GCOP), which is constituted as a Ministry. Its functions were set out in a decree issued in November 1994. In brief, GCOP is responsible for organisation and management matters within Government administration, including training matters. GCOP has a key role in coordinating and monitoring the various reform activities.

Over this period some fundamental changes were introduced:

- adoption of new laws and ordinances
- streamlining and simplification of administrative procedures (experiments with the one stop – one stamp principle)
- reduction of central ministries and agencies
- some separation of policy management and business management, and
- development of a new civil service statute.

It was recognised that more needed to be done.

The 3rd Plenum of the Party Committee held in June 1997 and the 7th Plenum in August 1998 were principally devoted to PAR issues. More recently PAR has been said to be at the ‘top of the agenda’ for reform activities.

Considerable work is now being done on strategic options leading up to the Party Congress in 2001. This new momentum started to emerge late in 1998 with the establishment of the Government Steering Committee on PAR, which is chaired by the Prime Minister, and includes other senior figures:

- Mr Nguyen Khanh, former Deputy PM
- Chairman of GCOP
- Chairman of the Office of Government, and
- the Minister of Justice.

This Committee has the following main functions:

- to undertake researches and studies and prepare documents to assist government decision making on programs and plans to steer the PAR works of the government
- to assist the government in the review of the tasks and important directions on PARs as submitted by Ministries and agencies of the central government, the People’s Committees of the provinces and cities, and
- to assist the PM in directing and monitoring activities on PAR and see that these activities are properly implemented by the Ministries, ministerial level agencies and the People’s Committees of the provinces and cities.

The Committee has its own Secretariat which is chaired by a Vice-Chairman of GCOP (Mr Ho Tu Ta), and includes other high level representation from OOG, Justice, NIPA and the Secretary to the PM. GCOP has within its structure a PAR Group whose Head is also a member of the Secretariat. There is a PAR department in OOG, headed at the director-general level.

The PAR program originally consisted of three main sub-elements – institutional reform, legal and regulatory reform and civil service reform. A seminar of senior Vietnamese officials in July 1999 suggested that coverage should be extended to six headings, spelling out reference to public finance reform, training and re-training, and delegation and devolution (within the central-local administration relationship). This wider coverage is consistent with a broader governance agenda.

As indicated earlier, the Government is now preparing for the Party Congress a socioeconomic development plan to 2005, a strategy to 2010, and a perspective plan or vision to 2020. As part of this, a PAR strategy review has been initiated by the Government Steering Committee, with support by UNDP (and some expert external consultants). The coverage of the review was provided by UNDP officials. It covers six fields:

- political context (perceptions of past statements made on PAR by Party and Government)
- institutional reform (legislative process, legal institutions, regulatory framework for the role, functions and responsibilities of public administration, and administrative procedures)
- organisation of public administration (role, functions, responsibilities and structures of public administration – government, Ministries and local government; organisational implications of socialisation policy; management of SOEs by responsible agencies)
- human resource management and development (size, staff management, remuneration, training, ethics)
- public financial management (annual planning and budgeting, government accounting, auditing), and
- overall integration of material from the above specific topics.

This review is progressing currently and is to be completed by June 2000, and will feed into the preparations for the 2001 Party Congress. The eventual outcome from the Party Congress will indicate the nature and degree of further change to be pursued in national governance.

These developments could influence the potential coverage of AusAID governance activities and impact on how an overall governance program (and a focus on PAR as part of this) might contribute to the future development of Viet Nam. The review documents (when available) will provide a valuable data source for designing subsequent activities in the governance field.

Most recently, the government has announced a policy target of reducing staffing levels of the central administrative departments (excluding teachers and health workers) by 15 per cent. According to recent press articles, this could involve laying off some 500 000 workers. Discussions indicate that the way this would be achieved has not been settled. There are indications that this action will be accompanied by granting greater autonomy with respect to staffing levels within particular agencies, subject to total limits on wage and salary payments. Further consideration and consultations would have to be undertaken to work out the appropriate detailed arrangements.

The recent diagnostic context for possible assistance in public sector management

The current standard of public sector management in Viet Nam is not highly regarded. The public sector is regarded as lacking experience in the skills and abilities necessary to perform effectively in today's world and handle the changes necessary to move smoothly to a more market-based economy. Criticisms of performance are strongly worded. For example, the Government's report to the NA (presented by the Prime Minister in late 1999) was self-critical and said:

... results are low (... *in the implementation of administrative reform*). The State administrative apparatus is cumbersome, incompetent and ineffective; it has failed to carry out in an adequate way its task of maintaining order, security and social discipline. It has failed to afford people protection, guidance and assistance in accordance with the law. Bureaucratism, authoritarianism, corruption are rife; people have encountered many difficulties and losses.

The NA, in response in late 1999, said:

weaknesses are grounded by the fact that the administrative apparatus of the State is cumbersome and ineffective. Red tape and corruption have not been checked.

The diagnostic conclusion is that there is much to be done in the reform of public sector management and while a start has been made with donor assistance, little real progress has been made. There is a serious need for ongoing capacity building in modern and effective public sector practices, transfer of best practice models in office skills and service delivery, performance management and the development of an effective system of accountability.

It might be useful at this stage to set out a framework of topic headings that one would expect to see encompassed by a program of public sector management reform (the narrower form of PAR). The following list is drawn from Australian experience and from that of other major OECD countries:

- overall strategy, objectives and expectations
- financial and budget management reform
- people management reform (including quality in selection and capacity building)
- IT initiatives
- service delivery improvement initiatives
- accountability, ethics and anticorruption.

These headings provide a backdrop to the discussion that follows.

Desirably a civil service reform programme would be comprehensive and address all of these issues, over time. This is what has happened in Australia and New Zealand over the past 15–20 years. However, this would lead to an encyclopedic list of possible activities that would be of little more than academic interest in the context of this review. A more disciplined and limited approach would seem more practical.

Strategy is currently being reviewed within the Government and IT-oriented assistance on any significant scale would seem inappropriate at this stage. This would leave the second, third, fifth and sixth items as possibilities. The World Bank is starting to focus on the second item (Financial and Budget) and this area might be put 'on watch' pending clarity on the nature and extent of the World Bank's interest. Similarly, ethics and anticorruption activities appear to be under consideration by others at this stage and might be put 'on watch'.

By deduction, this would leave *people management* and *service delivery* as areas warranting further consideration in the shorter term. These are areas where Australia has well-developed skills and experience and interest has been expressed by Vietnamese authorities. They too, however, could cover a wide range of activities and some narrowing down would be desirable. *Capacity building* is a concept that embraces both of these areas and would appear to encapsulate Viet Nam's needs in civil service reform at this stage quite well.

Major donor activities in PAR

The UNDP has been the lead donor in PAR through a series of funded programs.

- VIE/92/002: This program was based on recognition that there was ineffectiveness and inefficiency in the state machinery and its proper management, especially in the national public administration system. Identified dysfunctions included hyper-bureaucratism, widespread corruption, lack of discipline and a narrowness of views. This program was seen as part of a long term series of reforms to be implemented over time to support socioeconomic transformation in Viet Nam.
- VIE/97/001: This continued the pattern of earlier activities, with a strong focus on 'strengthening the capacity of GCOP to better implement the PAR tasks assigned by the Government'. An International Colloquium on PAR was held in October 1999. This has led to the current high level review of PAR strategy supported by the UNDP.

The ADB has supported two phases of capacity building in GCOP, focused mainly on developing an effective management information system. The first phase TA aimed at providing exposure to modern techniques in PAR policies and practices, establishing a management information system at GCOP, and improving the skills of government officials in the appraisal of PAR projects. Work under the Phase II technical assistance will have amore intensive focus on capacity building at the local level and establish more effective communication channels between the centre and the provinces. This second phase will establish a database for personnel management that can be used for performance measurement, promotion, and salary adjustments. The ADB sees 'capacity building as a long-term phenomenon'.

The World Bank has been relatively less involved in PAR matters until recently. It is now undertaking a major Public Expenditure Review project to assist in improving the quality and management of public expenditures. This project has identified a future need for further work on civil service performance issues, looking at changes in structures, competence and culture (World Bank 1999c).

The World Bank has identified Viet Nam as a pilot country for its Comprehensive Development Framework. This relates to the need to support work on broader policy and institutional issues and structural constraints on

development, including more coherent support for some vital areas such as PAR and governance ‘that are currently relatively neglected’.

Other donors

There is what appears, at first glance, to be considerable activity by other (bilateral) donors. However, the degree of coverage is in fact limited and the effectiveness is not clear. The donors themselves say there is much to do in PAR and the surface is barely scratched, for example, in capacity building within the civil service at all levels.

Various details on recent and current projects in the field of PAR are available and major sources are:

- the list attached to the UNDP-PAR document of November 1998 (UNDP 2000)
- the ADB document provided on 16 February 2000 (ADB 2000)
- the DANIDA review document dated 30 June 1999 (DANIDA 1999)
- the GTZ summary provided on 15 February 2000 (GTZ 2000), and
- the Swiss Cooperation Program document provided on 16 February 2000.

Views received on possible areas for assistance

Possible areas where assistance from Australia would be welcomed, in the specific field of public sector management, were drawn to the attention of the mission. These are discussed below.

The need for donor assistance with public administration reform activities was stressed to the mission by Mr Nguyen Khanh, the Deputy Chairman of the Government Steering Committee on PAR, who made a point of meeting with the mission personally. Specific areas of possible cooperation identified by Mr Khanh were:

- the experience of Australia in public sector management, and
- Australia’s experience in the development of policy

A subsequent meeting with GCOP (Mr Tran Anh Tuan, Director-General International Cooperation Department) led to a specific suggestion that Australia should consider taking up a project on ‘Training Needs in Public Administration’ designed by a World Bank mission in mid-1996 (for bilateral implementation) but not acted on yet. This project had been endorsed by GOV as important for capacity building but no bilateral donor had been identified. The design document prepared by the World Bank was provided to the mission for consideration by AusAID.

It should be possible for the structure and cost of this project to be modified, as substantial economies appear possible while maintaining the basic theme.

Subsequent discussions with World Bank officials indicated that one reason for holding back on this project was that it had been difficult to focus on the nature of training needs for civil servants in government, when the substance of public administration reform was vague and uncertain. The 1996 Party Congress had not cleared the air on this and consequently made it difficult to proceed. These considerations remain relevant now but need not rule out further activity.

Another Party Congress is in sight and, for all donors and many potential projects, much will depend on the outcomes of this Congress. Any substantial action could be delayed (or would be unlikely to occur in any event) until after the Party Congress in early 2001. In the meantime, the World Bank document of 1996 could be reviewed in more detail and discussed further with Vietnamese authorities. In other words, a pre-feasibility updating of the World Bank document could be desirable and feasible during the balance of the calendar year 2000.

In further discussions with GCOP and NIPA (Dr Nguyen Ngoc Hien, President of NIPA and Deputy to the NA), the interest in Australia providing support for capacity building was stressed, based on Vietnamese knowledge and recognition of Australia's general experience in public administration and public sector management reform.

One possibility would be in general capacity building on public administration and public sector management reform matters, although the focus might vary over time. There might be activities in Australia, and in Viet Nam, using mixed teams for presentations. It was noted that Australia already provides a general avenue for training under the various elements of VAT, but the Vietnamese officials appeared to regard this as rather limited in scope compared with their current interests.

Discussions led to the identification of public sector 'vocational training' for middle and higher ranks, based on short term courses, as another option. This might involve identification of relevant competencies and assistance with the design of a training program that could be delivered in Viet Nam (by Australian presenters and/or mixed teams). This could be reviewed in conjunction with the World Bank proposals.

Specific functional areas where assistance might be relevant in capacity building and advice on best practice were raised with the mission. These were in the areas of Australian competence in customs, statistics, and audit, aimed at:

- *customs*: improve the effectiveness of revenue collections, antismuggling and facilitation of import procedures to assist business transactions and investment; advise on new legislation

- *statistics*: improve indicators of economic and social performance; contribute to improved transparency of standards of living, trends in poverty alleviation and welfare performance indicators, and
- *audit*: improve transparency of Ministry and SOE performance and financial management in all government bodies.

Another possibility that arose in discussions with the Ministry of Agriculture and Rural Development (MARD) on agricultural policy was the strong new interest in capacity building in regard to markets and trends in agricultural commodities. It was hard to deal with farmers' concerns about prices and export markets without some new capability such as a Commodity Information Centre being formed in MARD. The Minister was expressing interest in this issue. The Australian Commonwealth body, the Australian Bureau of Agriculture and Research Economics (ABARE), is an obvious example of good practice in this regard and is internationally well regarded for its competence and activities. Its predecessor body, the Bureau of Agricultural Economics (BAE) might be more relevant to current interests (BAE was the core of the broader ABARE when it was formed in 1987). This seems an obvious area where an Australian initiative would be welcome and be worthwhile. Clearly it would depend on cooperation from ABARE to be successful.

Other areas (which can only be listed at this stage) where Australia has relevant capabilities are:

- aspects of financial and Budget management initiatives
- the development of SMEs (Australia chairs the APEC body and has appropriate expertise in the Office of Small Business in DEWR/SB)
- management of natural disaster relief (Emergency Management Australia in the Defence portfolio), and
- tourism development (Tourism Australia).

Australia might also consider public sector management capacity building projects in the provinces at a later time as experience is gained in working with particular provinces (no details were suggested, but Swedish, Norwegian, German and Danish activities might provide indicators of possible coverage – service delivery improvement projects could be valuable). A rollout of good practices in water supply management might be worthy of consideration, since it could build on existing experiences in the water sector.

In all of these suggestions, there is the qualification that much of the current capabilities in Australia reside in government departments and bodies and may not be readily available for aid projects. This would need to be explored carefully. Some external sources such as consultants may be available, at least in some areas.

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