

PUBLIC GOVERNANCE IN ECONOMIC TRANSITION AND RESTRUCTURING IN VIETNAM: AN OVERVIEW LOOK

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Abstract: By acknowledging incompetence and inefficiency currently in operations of public governance, basing on its structure to review the developments of Vietnam's transition in recent time, the article pinpoints eight key areas (work that needs to be done, and done correctly, with a new approach) to improve public governance's competency and efficiency in upcoming periods.

Key words: Public governance, restructuring, economic transition.

1. Public governance in Vietnam is a hotly debated topic, stemming from 3 issues: i) incompleteness of current transition efforts; ii) incompetence in macro-level operation and management, exposed 7 years ago following Vietnam's membership into WTO (January 2007, Vietnam struggled with adopting suitable policies to accommodate the opportunities, to cope with demanding requirements of international integration and internal inadequacies of the economy, as well as potential for other social instabilities); iii) very limited results from administrative reform *despite 15 years of prioritizing (recognized by the government as a "strategy breakthrough")*, modest success in battling corruption – the "national disease" that has been plaguing all branches of government, sluggish progress in educational reforms; traffic congestion, urban flooding, social evils... are in the public's scrutinizing eyes, further highlighting the issues at hand with public governance. It is worth noting

that these aching concerns persist in a period of consistent economic growth and projected long-term development, backed by a determining factor: socio-economic stability. This paradox remains unexplained in a myriad of literatures on public governance in Vietnam.

One question is: Why have improvements in public governance been so negligible, while the severity of the problem has been widely acknowledged, detailed solutions have been proposed and a lot of efforts have been put into it?

In order to reach a good and meaningful answer, one with practical implications, a more in-depth review of Vietnam's public governance system in recent transition periods is essential – along with a new approach to the issue.

2. First and foremost, evaluation on the public governance system in Vietnam

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should be done on the basis that it is still undergoing a transitional phase, “it is still dynamic” - which prompts a different approach than the usual “checkpoint completion” assessment that applies to mature public governance systems from developed countries (such as Japan and Korea).

To appropriately gauge a transitioning system, we ought to observe it from two different angles:

The first angle – shredding the existing system: evaluate Vietnam’s transitioning efforts based on its ability to remove remnants of the total subsidy system.

The second angle – heading towards the future: measure the capacity of the system in construction to prepare for future endeavors. As the name suggests, these two angles look at the same process but yield distinct yet fascinating conclusions on Vietnam’s progress towards a more refined public governance system.

From the shredding the old system point of view, it is apparent that in recent years, Vietnam has achieved many historic accomplishments in rebuilding the government and establishing a national governance system. The government has successfully navigated the country away from the planned economic system, removing society’s dependence on governmental subsidy and control – from people’s mindsets to consumption behavior. It also relinquished its totalitarian approach to governance, invited market forces and community organizations to co-manage the economy;

as well as began delegating governing responsibilities to regional and local authorities. In tandem with implementing this transition “from the top down”, an identical process was carried out “from the bottom up”: the people’s participation in planning and execution of development policies and the ever-increasing importance of mass media in creating a transparent and open environment for communities to evaluate and supervise the government’s activities.

It is an irreversible democratization process, focusing on delegation and sanction of administrative power, forming a better governance system.

From this point of view, the progress we have made so far has truly been historic and revolutionary.

3. The aforementioned breakthroughs fail to overshadow the biggest shortcoming: there exist too many issues that make public governance in Vietnam an inefficient mess. However big any achievement in public governance might be, it always comes with a list of gaping holes to address – most of them due to the incompleteness and unsynchronized operations of a transitioning system⁽¹⁾, which constantly performs under

⁽¹⁾ There are plenty of examples for this “two-facedness”. While responsibility delegation is a correct step, implementations have revealed many challenges during the process. Meanwhile, the campaign against corruption in education (grade manipulation...) was carried out without careful considerations, in a wasteful manner (erecting high walls to deter cheating), ironically coinciding with the construction of unqualified universities and the directive to educate 20.000 PhDs in a short amount of time.

expectations when it comes to fulfilling real-world objectives, thus becoming the center of severe criticisms. Responsibility delegation to local authorities becomes “dispersion” of responsibility, forming confusions in national development planning; loose regulations in the market for real estate and land breed and foster speculative practices, hurting actual land owners (the government and the people); development pressure as well as resolutions to address “growth bottleneck” become valid excuses to authorize myriad investments spreading industries, causing enormous budget deficit - all of the above contribute to the ongoing disapprovals that have been heavily demanding a more proper response.

When we look at this transitioning period from the heading towards the future angle, concentrating on preparation measures, there is a massive gap between our current capacity and the optimum level we are striving for. What is even more concerning is that this gap is

becoming more pronounced, as international integration takes deeper roots in the Vietnamese economy, while the global economy is also undergoing its own transition to combat unprecedented changes caused by climate change.

4. Skimming through the list of heavily debated socio-economic issues, we can find examples of the current incompetence and inefficiency of the current public governance system, such as:

- For a relatively undeveloped economy with very limited capital resources, Vietnam’s ICOR - especially in state-owned enterprises – is high and astonishingly enduring⁽²⁾.
- Persistent trade deficits, budget deficits, unusually high government spending (39-42% GDP/year), low returns on state capital investment.
- Rampant investments, the number one cause of state budget losses, are still freely authorized, coupled with an unproductive model of resource distribution despite having received many harsh criticisms.

⁽²⁾ A comparison of Vietnam’s ICOR with other countries at similar periods of development:

	Rapid development period	Investment (as % of GDP)	Growth rate (%)	ICOR
Vietnam	2001-2008	51.6	7.5	6.9
China	1991-2003	39.1	9.5	4.1
Japan	1961-1970	32.6	10.2	3.2
South Korea	1981-1990	29.6	9.2	3.2
Taiwan	1981-1990	21.9	8	2.7

Source: *Vietnam Program, Asia Center, Harvard University (2008), Opportunity for Success: Lessons from East Asia and South East Asia and Author’s Recommendation.*

- An inadequate wage system in the public sector, the root cause of inefficiency in public governance, incentive for corruption, perseveres without any effort for a complete overhaul.

- The majority of government officials are members of the Communist Party, who are reluctant to admit to corruption behaviors, despite corruption still being on the rise and anti-corruption measures having gained much political support.

The Law on Land – a fundamental law setting the foundation, regulations for operations of one of the most vital markets in the economy – frequently undergoes amendments and provisions; yet, land is still a heavily debated topic, threatening socio-economic instability, especially in rural areas.

- Markets for fake credentials, titles and even administrative positions are burgeoning and are very challenging to eradicate.

- More specifically:

i) The State Bank of Vietnam has not been able to establish its “independence” (as a Central Bank) in monetary manipulation. Co-operation between the State Bank and the Ministry of Finance on monetary policies and fiscal policies to battle inflation and stimulate economic growth remains severely inefficient in spite of both being government agencies.

ii) Despite being acknowledged by the Prime Minister as among the top strategic priorities and many years of compiling and

revising, an official decree for the supporting industry is yet to be published.

These above are but a few of myriad issues currently facing Vietnamese authority. Most of them are not new and have been begging for a suitable resolution for many years, yet still exist due to either neglect or incompetence⁽³⁾. This is a paradox that demands a new approach to evaluating public governance in Vietnam.

5. Based on the structure of the current public governance system, its growth in recent transition periods can be deemed a process of:

i) Redistribution of function among government branches, delegation and sanction of power (separating the government from the market, as well as administrative management from macroeconomic and private sector management; transforming an authoritarian government to a government of service; reforming the existing legal framework).

ii) Developing a public governance system (division and cooperation between departments – ministries; decentralization of power, state budget restructuring, reorganization of the public governance system, implementing administrative reforms, improving officials’ competence, etc.) to the market - democratic standards: open, transparent, accountable, responsible and subject to supervision, etc.

⁽³⁾ This very paradox, either directly or indirectly, reflects upon the quality, competency and efficiency of public governance operations in Vietnam.

iii) Establishing the institutional and management framework for international integration (refining the legal system, consolidating current competitive advantages, etc.).

Whichever approach we take and from whichever perspective we look at the current level of efficiency in public governance operations, it is undeniable that several problems are to be addressed, catching each other in a tangled mess, all of which requiring utmost attention⁽⁴⁾. This complication makes the search for a comprehensive solution infinitely more challenging. There is also the danger of forming a “vortex”, costing more efforts and risking potential failures.

6. The whole process of transitioning the public governance system in Vietnam in recent years should be considered as part of a more thorough transformation: shifting the entire socio-economic structure to a market system. This transformation both acts as the goal for and facilitates the ongoing refinement of the public governance system.

By carefully examining each of its objectives, public governance in a nutshell serves the ultimate goal: a more modern, more developed Vietnam, prospering as a socialist-oriented state. This national target defines the mission and structure of the public governance system, thus signifying the influence of a comprehensive target (in terms of its nature, structure and content)

on the design and efficiency of public governance operations in specific periods.

Based on this reasoning, Vietnam needs to tackle the governance issue in a more direct and thorough manner: in many cases, setting an ambiguous target, evading discussions on the logical structure of the notion “socialist orientation” by considering it a premise, have resulted in crucial setbacks to the governance system, yet unnoticed due to its indirect impact. Unfounded concerns of deviation from socialist orientation can be detrimental to forming a law-governed state and a civil society.

It is also worth mentioning that Vietnam’s undergoing public governance reforms occur in the midst of globalization. This prompts a revised process that addresses both the need for a government, a governance system competitive enough for participation in globalization and the original goal of establishing a more modern institution. This new approach to assessing public governance is superior to and far more encompassing than all previous efforts. Nonetheless, even without factoring in these issues, reforms are implemented short of long-term considerations, leaving a

⁽⁴⁾ To address budgetary concerns, connections are made between budget planning, huge budget deficits and inflating corruption. It is an aching question of bringing these connections to a logical explanation and arriving at a sound solution. In practice, this requires more than the traditional linear approach (combating corruption by administrative and legal measures).

stagnant governance system, far behind the global curve.

The operations of public governance and the efficiency of which depend upon assumptions of certain premises, among which are political system, government stricter, civil society. The system cannot operate efficiently without establishing a solid foundation of these premises.

In the case of Vietnam, its political agenda – which reads “The Communist Party holds absolute and total power”, the premature condition of a law-governed state, the lack of civil organizations and independent review panels all contribute negatively to the efficiency of public governance. Evidences have suggested one primary cause of this is the unspecified and overlapping function arrangement among agents of the political system: Party – Government, Parliament – civil groups.

The preexisting assumptions on multi-component economics, which solidifies the public sector as the center of the economy – hinting at the pivotal role of state-owned enterprises as the backbone of the market, also implicate a general direction for the development of growth models, design and organization of the public governance system. Consequently, fair competition – a prerequisite for efficient public governance – has been essentially compromised.

7. The conclusion drawn from the above analyses is that in order to improve the public governance system in Vietnam,

alongside with approaching the issue from a different angle, precise implementation of ideas and solutions is of utmost importance. With public governance efficiency as the target, it is imperative to consider the comprehensive approach instead of fixating on the technical shortcomings.

But what are the necessary steps to take? A few proposals can be listed as follows:

First, the current dual leadership arrangement of Party and Government is hindering governance progress while Vietnam still struggle in establishing an effective democratic process. How exactly will “political reforms as well as economic reforms” (11th National Congress Document) resolve the complex relationship of “Party ruling through Government”, and by using which type of political structure?

Second, implement division of function among ministries and departments, to allow for better policy coordination, ensuring the consistency of the macro management system.

Third, separate governmental administrative conducts from macroeconomic operations, making way for: i) appropriate decentralization of power (division and sanction of power to local authorities); ii) economic development centered on competitive advantages, safeguarding the stability of regional and national planning.

Fourth, carry out budgetary reforms, eliminate the current “loose” budget spending mentality to adopt the “strict” approach, in order to i) stabilize budget operations; ii)

honor its responsibilities to public investment (public investment management and poverty eradication projects); iii) create a more robust foundation for the struggle against corruption.

Fifth, repair the broken salary system in the public sector – the determining factor in promoting reforms in the governance system.

Sixth, restructure state-owned enterprises, separate their functions in the public and private space, allowing for supervision and transparent self-regulation.

Seventh, form an information network with focus on openness and transparency; employing the technology of mass media.

8. The irony in acknowledging all of the above bullet points is that: we lack the capacity to implement all of those solutions. Therefore, another step needs to be taken: categorizing them into different levels of priorities, to focus on key issues in specific periods.

To achieve actual progress and gain momentum in public governance reforms, a few additional criteria should be recognized when selecting priorities: comprehensiveness and feasibility (over and above urgency, importance and breakthrough), both of which should be considered the most vital. Emphasis on conventional principles often results in formality, without actual progress, as shown by real-world evidence. Uncoordinated and group - benefits - centric operations, allocation of already limited resources to ensure “balance” and “sustainability” result in an even but thin workforce across the

field, without any focus on key priorities. Ultimately, no real progress is made, further damaging the people’s faith in the governing machine.

The new approach laid out in this literature is aimed at: detailed and practical solutions to improve public governance efficiency and public investment management. Despite being smaller and simpler in scope, however, its feasibility ensures that with the government’s complete support, these efforts will create another breakthrough in our transition process, restoring and consolidating the people’s faith.

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