

## **INSTITUTIONAL ISSUES AND DECENTRALIZATION IN THE MANAGEMENT OF SOCIAL DEVELOPMENT IN CONTEMPORARY VIETNAM**

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***Abstract:** In terms of developmental institutions, Vietnam's economy has made significant progress in transitioning to a market economy. However, in both thinking and practice, at central and local levels, the inertia of centralized planning, bureaucracy, state subsidies, and the "ask-give" mechanism still persists widely and remains difficult to overcome. The institutional and management mechanisms for social development across most sectors, administrative levels, and localities remain largely closed or inflexible, constrained by outdated practices that no longer align with the dynamic nature of socio-economic development.*

*In terms of decentralization and delegation of power between central and local authorities, as well as across different levels of government, since 2016, responsibilities and powers of stakeholders have been legally defined across five major areas. This has partially met the demands of institutional reform, ensured unified state management under the Government, and contributed to enhancing the effectiveness and efficiency of administration while promoting proactivity, creativity, and accountability at all levels of government. Nevertheless, in practice, decentralization and delegation still face numerous shortcomings, with new issues arising alongside long-standing unresolved problems.*

***Keywords:** institutions, mechanisms, models of social development management, decentralization of governance.*

### **1. Introduction**

In practice, an effective model of social development management is one in which there is minimal direct intervention by the governing authorities. In such a model, society operates autonomously based on a selected mechanism, self-corrects

through the system when errors occur, and develops naturally in accordance with its inherent laws. These are also models in which institutional governance follows an inclusive orientation (Inclusive Institutions), and

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where management structures are clearly and rationally decentralized in terms of responsibilities, authority, target groups, and management resources.

Although Vietnam has made significant progress in transitioning to a socialist-oriented market economy, the institutional and managerial mechanisms for social development across most sectors, levels, and localities remain insufficiently open and flexible. They are still constrained by the inertia of centralized planning, and the “ask-give” mechanism continues to heavily influence the management of social development.

## **2. Institutional Issues in Social Development Management**

Whether through reading reports or working directly with localities, socio-economic sectors, or administrative agencies from the local to the central level, one can clearly observe that institutional issues stand out in nearly all activities of the stakeholders involved in socio-economic governance. There is virtually no socio-economic activity that is free from the shadow of the “ask-give” mechanism. Agencies involved in the authority to allocate financial and other resources are increasingly gaining greater influence and status in society. Those who hold the power to allocate resources are consistently the ones sought after and approached by subordinates to implement plans and projects.

Many management methods and

approaches still follow outdated patterns, relying more on allocation and permission-based mechanisms than on dynamic operations that allow the market to autonomously allocate and regulate resources. This hinders progress toward the development of a fully functioning market economy.

The improvement of the socialist-oriented market economy institutions remains too slow. Specifically, legal regulations, mechanisms, and policies are still overlapping, contradictory, unstable, and inconsistent. At the local level and across various sectors and industries, there is a noticeable persistence of parochial thinking and behavior driven by vested interests.

Breakthrough solutions and a radical shift in thinking are needed to decisively move away from the “ask-give” mechanism, if any hope for renewed development is to be realized. In practice, the state itself remains entangled in a habit of over-centralization. From minor matters to major issues, actions often require prompting or directives from higher authorities. Even relatively small incidents, such as a minor traffic accident or the numbering of houses for urban order, have required government telegrams. Resolution No. 164/NQ-CP dated October 4, 2023, issued by the Government after an online conference with ministries, sectors, and localities, is a typical example. In just one session, most tasks that fall within the authority of ministries and local governments had

to be “instructed” in detail by the central Government.

Economic actors remain significantly unequal in their access to resources. The freedom of enterprise and property rights are not fully respected or guaranteed in practice, despite being officially promoted.

Labor markets and markets for cultural, scientific, and technological services have been slow to develop and remain inefficient. Many aspects of life are still not governed or respected according to market principles. In reality, market-based resource allocation remains vague and weak. Most resources are still allocated by the State (at various levels). Meanwhile, land and real estate markets have experienced excessive and unpredictable fluctuations, hindering effective governance and resulting in numerous negative consequences. These distortions also influence the formulation and implementation of policies and laws.

In the fields of culture, social issues, and environmental protection, many long-standing and pressing problems remain unresolved due to the lack of effective mechanisms for definitive solutions. Social ethics have declined, and distorted cultural values are exerting a negative influence on social life. Natural resources are being exploited for personal gain, and the ecological environment is increasingly polluted, causing serious consequences yet public opinion has grown

accustomed to viewing these issues as normal. A segment of the population has not truly benefited from economic development, particularly in remote and disadvantaged areas, as well as among vulnerable groups.

Given all these phenomena, in practice, the current institutional framework only allows for patchwork solutions and reactive responses to situational problems. As a result, even during the COVID-19 pandemic, hundreds of responsible officials acted irresponsibly, to the extent that they were prosecuted under the law. However, individual irresponsibility must be held accountable, but it would be wrong to claim that the institutional system played no role in the failures of social development management.

In the political sphere, political reform has been slow and not in sync with economic reform, especially in terms of organizational structure, mechanisms, and policies. The political system remains cumbersome, with low operational effectiveness and efficiency, failing to meet the demands of its responsibilities. The cadre planning mechanism has, in some cases, produced negative effects for instance, it fails to encourage individual efforts and motivation among officials within vertical sectors. While the number of personnel within the political system continues to rise, the quality of public service remains low, and a significant portion of civil servants lack

professionalism.

The institutional flaw here lies in the fact that the implementation of decisions heavily depends on administrative procedures and paperwork. Because the system must strictly follow established processes and official documents, most socio-economic issues risk missing critical windows of opportunity due to delays in resolution. Many decisions are made only after anticipating the approval or intention of higher authorities. The so-called “tenure-based mechanism” and the “ask-give mechanism” severely limit the creative capacity of responsible officials. Following the Covid-19 pandemic, a widespread sense of inaction (fear of taking action) has taken hold, as any decision, when judged against outdated regulations not suited to current realities, could be perceived as a violation.

The construction of a socialist rule-of-law state has made significant progress; however, much of it remains at the level of legal documents, while the principle of the supremacy of law still faces numerous challenges in practice. The number of legal documents continues to grow, but the effectiveness of law enforcement remains low. Many legal documents are overlapping and inconsistent, necessitating frequent amendments that create difficulties for implementation. The promotion of democracy has not been accompanied by the assurance of discipline, order, and adherence to the law. The effectiveness

and efficiency of state administration remain limited; administrative reform is slow, and judicial reform is still hesitant. The principle of state power control also faces many shortcomings.

The situation became so pressing that, on December 11, 2020, the Prime Minister issued Directive No. 43/CT-TTg, which aimed to improve the quality of legal system development and completion, as well as enhance the effectiveness of law enforcement. The directive called for “strengthening discipline and order in law-making; focusing on inspection, detection, prevention, and resolutely addressing acts of corruption and policy profiteering” (Directive No. 43/CT-TTg dated December 11, 2020, by the Prime Minister).

Although the Central Committee and the Politburo have issued numerous resolutions and directives on strengthening Party building to ensure purity and solidity, and on enhancing the Party’s leadership capacity and combat strength, Party-building efforts still lack truly effective solutions to prevent and reverse the deterioration in political ideology, ethics, and lifestyle among a segment of cadres and Party members. Corruption, wastefulness, bureaucracy, and social misconduct persist and, in some cases, have become even more severe. The existing mechanisms and institutions have yet to create conditions that would make officials “afraid of corruption, unwilling

to engage in corruption, and have no need for corruption.” The leadership capacity and combat strength of many Party organizations remain low; Party member management is lax, and responsibility regimes especially those of top leaders remain unclear.

With Vietnam’s dynamic development and persistent challenges today, and in comparison with certain developed countries, we find it possible to highlight several institutional limitations as follows:

2.1. In the development models of the Newly Industrialized Countries (NICs)<sup>1</sup> Governments have demonstrated the ability to generate strong political will to drive societal change, when necessary, as observed by David Dapice. In Southeast Asia, however, most countries have so far been unable to achieve this (see: David Dapice 2012). In Indonesia, the Philippines, and Thailand, during situations requiring the mobilization of nationwide consensus, governments have rarely succeeded; at times, they have even caused division and social turmoil. Most political and social instabilities in these countries in recent years have arisen from power fragmentation, the pursuit of parochial interests, corruption, and the military’s role. In Malaysia, under Mahathir Mohamad, the mobilization of national will was considered more effective; however, it has also begun to show problems recently. Meanwhile, the Japanese aspiration for national

prosperity, from the Meiji Emperor era to the present day, remains a remarkable example to learn from. The passionate and disciplined spirit of the samurai elite, who studied European industrial civilization to transform Japan into a militarily strong, economically wealthy, and technologically advanced nation, is an attitude that has long been acknowledged and rarely disputed. The Japanese are unafraid to confront harsh truths about their own shortcomings to ignite national pride. Their ambition to make Japan the “Europe of the East,” in fact, went so far as to give rise to the concept of the Chauvinism of Greater East Asia and a form of Eastern fascism during World War II. However, setting aside these negative aspects, the Japanese possess two qualities worth emulating: a burning will for national prosperity and a willingness to learn.

South Korea presents a similar case. The ambition for advancement among the Korean people has been described in several studies as no less fervent since the era of Park Chung-hee. When the country’s economy reached a per capita income of \$1,000 per year, the Koreans were not satisfied; on the contrary, they fervently set new goals of \$10,000 per capita, then \$15,000, and continued pushing forward without pause. Not only in the economy but also in science and education, the Korean

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<sup>1</sup> Newly industrialized countries (that have completed industrialization)

people have resolutely set ambitious targets to compete globally. When dissatisfied with the dictatorial regimes of the 1960s–1970s, when confronting unpopular decisions in June 2008, or when feeling that their female president in 2016 was unworthy of their trust and expectations, the Korean people courageously took to the streets to express their political aspirations. These movements have fostered continuous social dynamism and a high sense of civic responsibility.

Demanding that the government demonstrate accountability for the nation’s development is considered normal and a civic duty in societies with inclusive institutions.

2.2. The development mindset of a nation or a people has never been insignificant. In modern society, it is sometimes assumed that the rigid laws of life render the will or passion of individuals or communities less valuable. However, reality proves the opposite. The will of the Korean, Chinese, and United Arab Emirates peoples remains extremely strong today.

In Vietnam, the development mindset in recent decades can hardly be described as weak. On the contrary, it has been highly dynamic and positive. However, weaknesses in the mechanisms governing social life, along with shortcomings and flaws in economic, cultural, and educational policies, have inadvertently shaped the attitudes and behaviors of many individuals.

It was once assumed that with an annual growth rate of 8–9%, Vietnam would soon become a “dragon”; that with a dynamic transitional economy, a segment of the population would quickly grow wealthy; that with the goal of becoming an industrialized nation, the country would soon achieve a per capita income of \$7,000–10,000 per year. Yet, as Vu Minh Khuong (2008) observed, *“instead of encouraging people to invest frugally with long-term vision and a sense of responsibility for the future, we have created a system that fosters illusions of short-term grab-and-go opportunities, wasteful consumption, and ostentatious displays.”*

This psychological tendency has, in fact, obscured long-term vision and eroded responsibility for the future, which should be considered the backbone of education and science.

2.3. Why is it that a nation renowned for its love of learning, one whose achievements in health and education once reshaped global perceptions through its Human Development Index, and whose scientists and cultural figures in every generation have earned high recognition, finds its education and training system plagued with so many deficiencies today?

As many have voiced in recent educational and scientific forums, the love of learning remains a core value; however, this value is now being exploited for profit-driven and market-oriented purposes, often distorted

and shortsighted, rather than being harnessed to fulfill genuine educational aims.

The management of education and science is inadequate and problematic, rendering Vietnam's scientific and educational landscape "unlike any other." The State has yet to adopt policies that enable scientists to pursue advanced skills, technologies, and knowledge, despite the abundance of documents on fostering, discovering, and utilizing talent, as well as the numerous titles and awards celebrated each year. The value framework guiding scientific and educational activities has become skewed.

It is undeniable that, even today, in certain places and institutions, a tendency persists to value degrees and titles over actual competence and ability. The pressure weighing on both learners and teachers is no longer the healthy pressure of knowledge, scholarship, or culture. Teaching and learning still struggle to align with the true trajectory of education: learning to become human, learning to work, and learning to gain knowledge and culture. There is something amiss in the educational management system, such that even the most sincere criticisms and suggestions over many years have had little effect. The negative aspects of the market have indeed infiltrated and intervened in education, corrupting the teacher-student relationship in many cases. The phenomena of private

tutoring, "buying" school placements, "buying" classes, and "buying" grades are the very first values children encounter upon entering school, and are already corrupted values. Training institutions continue to produce low-quality outputs, human beings, and their knowledge. The considerable gap between Vietnamese science and that of the region and the world has yet to be narrowed. Many scientific projects and research topics, whether unintentionally or deliberately, still fall into the realm of pseudoscience or pseudo-problems. Scientists present in world-renowned lecture halls or research centers remain rare, even though the number of international publications has been increasing each year.

*One cannot dream of the emergence of talent in environments where conditions do not allow talent to flourish. World-class universities cannot emerge in places where degrees are bought and sold. Renowned researchers cannot emerge from those engaged in science, yet turn their backs on external achievements. Valuable works cannot be born in an environment that blatantly violates copyright. Brilliant managers cannot act effectively within an institution composed entirely of people focused on group interests.*

We believe that the root problem of all problems lies in the distorted value framework currently guiding scientific and educational activities. And the deeper underlying cause of these

problems is institutional in nature.

2.4. In recent years, since institutional economics, associated with the names Daron Acemoglu and James A. Robinson, has risen to prominence, the role of institutions directly economic institutions and, behind them, political institutions has come to be regarded as the fundamental and primary factor determining the prosperity of nations.

Institutional economics theory posits that human societies have historically consisted of two primary types of institutions: political and economic, which collectively determine the development of societies and the success or failure of nations. These are Extractive Institutions (also translated as “exploitative” or “extractive”) and Inclusive Institutions (also translated as “inclusive” or “encompassing”). Countries with prospects for success are those whose economies and entire social life operate under inclusive institutions, while poor countries are typically bound whether by chance or design within what are termed extractive or exploitative institutions. Other factors, such as geography, natural resources, cultural assets, and human capital, are, of course, important; however, according to this theory, they are not decisive (see: D. Acemoglu and A. J. Robinson 2013).

In their famous work, first published in 2012, which presents the main ideas explaining “*Why Nations Fail*”, Daron Acemoglu and James A. Robinson

argue that all failing nations share a common cause: their economies and associated social activities are dominated, governed, and in many cases determined by extractive economic institutions. The primary mechanism operating within such institutions is the transfer of income from one social group to another, from certain groups in society to others. Ultimately, those groups with greater political, economic, and social power exert the strongest pull. The extraction of income from other groups, communities, classes, or corporations becomes a norm and a mechanism tacitly accepted by society. When institutions are established in a way that allows those with political and economic power to “extract” benefits from others, many social groups end up dispossessed, and the primary incentive for wealth creation becomes concealing income and assets. This, in turn, limits the development level of the entire economy (D. Acemoglu and J. A. Robinson 2013).

In contrast to this trend, inclusive political and economic institutions, as described by Acemoglu and Robinson, consistently tend to enforce property rights, establish fair asset ownership, and create a “level playing field.” By their very nature, these institutions encourage investment in new technologies and skills beneficial to economic growth. The broad distribution of political power in a pluralistic manner enables inclusive institutions to achieve an optimal level

of political centralization, establishing a strong legal framework and a stable order, which forms the foundation for secure property rights and an inclusive market economy.

2.5. Inclusive economic institutions encourage private ownership, creating incentives for individuals to own and utilize their assets to achieve long-term success. Private ownership, of course, has its drawbacks, but its irreplaceable positive aspect is the intergenerational social responsibility it fosters. A society in which many citizens possess sufficiently strong property ownership enables the entire system to achieve near-maximum efficiency in both human resources and social assets. Inclusive institutions enable and encourage the broad participation of the populace, utilizing their skills, in social production, the economic system, and the nation's development and prosperity. Inclusive economic institutions create inclusive markets. This enables individuals to pursue career paths that best suit their talents, fostering voluntary engagement among members of society. Moreover, "inclusive institutions also pave the way for the two engines of prosperity: technology and education. Sustainable economic growth almost always goes hand in hand with technological innovation... Closely tied to technology are education, skills, talent, and know-how of the labor force, acquired at school, at home, and in the workplace" (D. Acemoglu & J. A.

Robinson 2013: 111–112).

2.6. In Vietnam, amid expectations for a breakthrough in development driven by institutional reform, many scholars agree with this perspective. At numerous forums, particularly since the 12th National Congress of the Communist Party of Vietnam, the need for institutional reform has been emphasized as an urgent requirement.

Although Vietnam's economic and political institutions appear quite different from those of Western countries as well as those in East Asia and Southeast Asia, regarding social development and the nation's success or failure, institutional theory, with its components, principles, laws, and operational mechanisms, can, in broad terms, still be studied and applied.

The concept of "institutions" is defined in the report *Vietnam 2035* as "the formal and informal "rules of the game" that govern social interactions and support long-term economic growth and development" (Ministry of Planning and Investment 2016: 92). This definition is widely accepted by many Vietnamese and international economists, particularly experts from the World Bank (WB). In fact, this concept builds upon the work of Douglass C. North, a Nobel Laureate in Economics (1993) and Professor of Economics at the University of Washington, who authored several seminal books on economic institutions. In his book *Institutional Competition*

(1994), North defines institutions as “the humanly devised constraints that structure political, economic, and social interactions”. Institutions are essentially the “rules of the game” in society that regulate interactions in economic and business activities, including: 1/Formal rules (constitutions, laws, and regulations issued by the state or state-backed organizations). 2/Informal constraints (social norms and codes of conduct). 3/Enforcement mechanisms (Douglass C. North 1994).

2.7. With such a conception of institutions, the philosophy of institutional economics is, in fact, quite straightforward: all the rich and complex manifestations of social development essentially fall under one of two economic institutional types (defined by their underlying political institutions)—extractive (exploitative) institutions or inclusive institutions. The concept of “institution” is not identical to that of a “political regime”, which is why the profiles of societies are highly relative: for instance, South Korea’s authoritarian system in the 1960s–1970s still fell under inclusive institutions, whereas the remarkable development of the Soviet Union in the 1930s nonetheless remained within the framework of extractive institutions (D. Acemoglu & J. A. Robinson 2013: 111–112, 562–567).

The most widely acknowledged lesson distilled from the successes and failures of nations is this: it is not

necessary to be resource-rich or to have a capitalist past. Today, within just a few decades, latecomer countries can achieve successful industrialization, provided they avoid institutional mistakes. In fact, nearly 250 years earlier, the renowned economist Adam Smith, in his famous work *The Wealth of Nations*, expressed a similar idea even more straightforwardly yet, perplexingly, many governments have paid little attention: “Little else is requisite to carry a state to the highest degree of opulence from the lowest barbarism but peace, easy taxes, and a tolerable administration of justice; all the rest being brought about by the natural course of things” (Adam Smith 1991: xliii)<sup>2</sup>.

2.8. Regarding Vietnam, Daron Acemoglu and James A. Robinson argued that Vietnam’s escape from poverty and its relatively rapid growth since the 1980s stem primarily from the fact that the economy transitioned from an extractive institutional model to an inclusive one. This transition, of course, involved human choice, but it was driven by objective factors shaped

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<sup>2</sup> Little else is requisite to carry a state to the highest degree of opulence from the lowest barbarism, but peace, easy taxes, and a tolerable administration of justice; all the rest being brought about by the natural course of things. All governments which thwart this natural course, which force things into another channel, or which endeavour to arrest the progress of society at a particular point, are unnatural, and to support themselves are obliged to be oppressive and tyrannical.

by the new conditions of the global economy in the era of globalization. To reach the pinnacle of prosperity and success, Vietnam must continue to break decisively with extractive economic institutions, which originate from extractive political institutions, and instead develop and perfect inclusive economic institutions, where the state becomes increasingly strong and transparent, with clear accountability; power, particularly control over resources, is broadly distributed; and the nation's potentials are mobilized and liberated (Daron Acemoglu & James A. Robinson 2013: Preface to the Vietnamese edition; it should also be noted that Daron Acemoglu has never visited Vietnam).

The issue lies in the fact that the opportunities and potential for Vietnam to become a prosperous nation, “standing shoulder to shoulder with the world's powers,” have not been lacking excessively over the past few decades. The developmental will of both the leadership and the populace is also regarded as highly positive. In theory, the intellectual capacity and developmental strategies are no less practical and prudent. However, achieving the level of “prosperity” or “taking off to become a dragon” remains out of reach. (For example, if by 2045 Vietnam attains the targeted per capita income of 12,535 USD per year stated in the 13th National Congress documents, this would still

be less than half of South Korea's current level).

In comparison with neighboring Asian countries such as South Korea, Singapore, and Thailand, Vietnam's lagging during the second half of the 20th century has become a persistent concern, fueling a deep-seated aspiration for development, particularly among the nation's leaders and those in positions of responsibility. The process of drawing lessons from the experiences of more advanced countries has been almost continuous, seeking solutions at both the macro and micro levels. Nevertheless, a multitude of objective and subjective factors ultimately caused Vietnam's ambition to become an industrialized nation by 2020 to be missed.

The root cause of all problems lies in institutional issues.

2.9. At present, Vietnam's development potential is still considered far from depleted. The prospect of “becoming a dragon” is likewise still viewed as attainable, particularly following the rapid and dynamic growth of both the economy and the political institutions in recent years. The will and aspiration for development among the leadership and the populace remain extremely strong.

International analysts still regard the likelihood of success in the near future as a relatively realistic prospect for Vietnam.

And thus, the aspiration for

prosperity and success remains a widely shared mindset, presented both in the macropolicies of the Party and the Government as well as in the strategic planning of enterprises.

### **3. The Issue of Decentralization in Social Development Management**

3.1. In Vietnam, decentralization in social development management is stipulated in the 2013 Constitution, the Law on Government Organization (2015, amended and supplemented in 2019), the Law on Local Government Organization (2015, amended and supplemented in 2019), and other relevant legal documents. According to these legal instruments, the authority and responsibilities of each administrative level are defined relatively clearly—both legally and administratively, in a manner consistent with the functions and conditions of each level.

Nevertheless, alongside the notable achievements attained, the current practice of decentralization and delegation of authority in Vietnam’s social development management model still faces considerable confusion and shortcomings, which hinder development. Numerous institutional bottlenecks have emerged in relation to laws, mechanisms, and administrative procedures stemming from decentralization, delegation, and devolution of authority. Although the legal documents appear reasonable, in practice, they not only fail to

unlock the potential and advantages of localities, regions, and the central level but also generate numerous management-related problems that impede development.

In recent years, difficulties related to decentralization in management have arisen across almost all sectors, administrative levels, and fields of activity.<sup>3</sup>, from land use, power oversight, and law enforcement organization to supervision and inspection, administrative boundary management, irrigation works, educational activities, personnel coordination, and more.

3.2. For example, consider Binh Dinh Province in the context of regional management decentralization with other provinces and cities within its region. At present, Binh Dinh is a coastal province belonging simultaneously to the *Central Key Economic Region*, the *North Central and Central Coastal Region*, and the *Central-Tay Nguyen*

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3 According to the Ministry of Justice, every year the Ministry receives and responds to hundreds of documents merely to clarify interpretations for other ministries, sectors, and local authorities. In 2019 alone, the Ministry had to handle and reply to nearly 800 petitions and requests, including 502 petitions; 124 petitions from voters submitted to the National Assembly; and 20 complaints and petitions from citizens and enterprises submitted to the Government Office. This means that each year there are at least 500 to 800 cases in which executive agencies may misunderstand the documents on management decentralization. Clearly, the consequences would be unimaginable if even a small portion of these were misinterpreted and mishandled in practice (see: Duong Bach Long, 2022).

*Key Economic Region*<sup>4</sup>. For a locality that is simultaneously a strategic center for three regions, decentralizing authority and coordinating development with other provinces and cities is extremely difficult (from a management theory perspective). The highest level of macro-coordination naturally lies with the Central Committee of the Communist Party of Vietnam.

To implement this management model, numerous programs, plans, and coordination activities have been organized by the central government, ministries, and local provinces and municipalities within these three regions. However, meetings alone to discuss these issues have already consumed a significant amount of time. In practice, the decentralization of management and coordination among provinces and municipalities within regions, as well as between these provinces and cities, and the Central Committee of the Communist Party of Vietnam, has revealed numerous challenges.

Since Vietnamese 2004, the Prime Minister has established coordination bodies for the key economic regions at the central level, including the Steering Committee for the Coordination and Development of Key Economic Regions and Coordination Teams comprising ministries, sectors, and localities within the key economic regions (not only for the Central Key Economic Region, but also for the

Northern, Southern, and Mekong Delta Key Economic Regions). According to their mandate, these bodies are responsible for coordinating activities and intervening with local authorities to ensure the overall development of the entire region (Decision No. 20/2004/QĐ-TTg).

### 3.3. In reality

The concept of the Central Key Economic Region is not clearly defined. As a result, the central city and the surrounding provinces all pursue a comprehensive industrial-cultural development model, essentially aiming to “have everything,” with nearly every province planning to make culture, tourism, education, healthcare, and certain industries stand out within the region.

In fact, the Regional Council lacks legal status and resources to coordinate the region’s overall development. It does not yet have the capacity to formulate regional orientations, strategies, or

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4 The North Central and Central Coastal Region consists of 14 provinces and municipalities: Thanh Hóa, Nghệ An, Hà Tĩnh, Quảng Bình, Quảng Trị, Thừa Thiên Huế, Đà Nẵng, Quảng Nam, Quảng Ngãi, Bình Định, Phú Yên, Khánh Hòa, Ninh Thuận, and Bình Thuận (according to various legal documents, most notably Decision No. 148/2004/QĐ-TTg dated August 13, 2004, of the Prime Minister, and Resolution No. 26-NQ/TW of the Politburo dated November 3, 2022). The Central Key Economic Region comprises five provinces: Thừa Thiên Huế, Đà Nẵng, Quảng Nam, Quảng Ngãi, and Bình Định (according to Decision No. 1018/1997/QĐ-TTg dated November 29, 1997, of the Prime Minister).

The Central – Tay Nguyen Key Economic Region consists of five central provinces and the Central Highlands provinces.

master plans. Most importantly, it has not been “empowered” to make decisions regarding resources for regional projects. In other words, if such powers were to be granted, other issues would arise in turn.

Regional linkages lack a clear legal framework, effective coordination mechanisms, and robust enforcement measures. The current institutional system does not allow provinces to transcend administrative boundaries in terms of economic, social, cultural, and educational activities, as well as in the use of resources and organization of human capital.

#### 3.4. Therefore

Regionallinkagesremainfragmented, lacking the institutional mechanisms necessary to generate regional strength. Regional management capacity has not kept pace with development. The regional data system has received little attention. There is a lack of division of roles among localities. Linkages across sectors, fields, and products are weak. Connectivity in transport infrastructure—ports, railways, and urban systems remains inadequate.

The entire Central Key Economic Region currently possesses a dense system of seaports, including three ports in Da Nang (Da Nang, Tien Sa, and Lien Chieu) and four major ports in Binh Dinh (Quy Nhon, Tan Cang Quy Nhon, Tan Cang Mien Trung, and Thi Nai Port).

The region has four airports;

Binh Dinh has Phu Cat – Quy Nhon Airport. Currently, three airports have already been upgraded to international standards; however, Quang Nam plans for Chu Lai Airport to become an international airport meeting 4E standards by 2030 and 4F standards by 2050, with a projected annual passenger capacity of 40 million.

The mindset of interests bound by administrative boundaries remains strong each locality still behaves as an individual “economy”, even competing in ways that undermine the advantages of the entire region a situation described as “lacking linkages yet fiercely competing” (Hoang Anh 2018).

Since 2021, Da Nang has been the first city in the country to pilot the urban government model (pursuant to Resolution No. 119/2020/QH14 of the National Assembly and Decree No. 34/2021/NĐ-CP of the Government). However, under this institutional arrangement, districts and wards no longer have People’s Councils; specialized civil servants at the district and ward levels have been reduced, while the number of civil servants at the city-level People’s Council has increased. Districts and wards, which previously operated as budget-allocated administrative units, have now become budget-estimating units, creating challenges for all district and ward administrations.

Although regional planning has been

in place for a long time, the regional economy remains small and accounts for a low proportion of the national economy. The per capita GDP of the Central Region in 2022–2023 is lower than the national average. Agricultural productivity is poor, and structural transformation has been slow. While some localities have high budget revenues, these are primarily derived from large enterprises operating in the area. Overall, the regional development outcomes over many years have largely fallen short of the targets set in planning documents.

The entire North Central and Central Coastal Region still has many development indicators below the national average. The region's potential and advantages, particularly its maritime economic strengths, have not been adequately leveraged. Regional management remains merely a mechanical aggregation of individual localities, lacking an integrated approach or a mindset oriented toward the region. The growth poles have yet to emerge as true drivers of regional growth. Meanwhile, cultural and social development has not kept pace with the practical demands of the new context.

3.5. In recent years, the decentralization and devolution of authority between the central government and localities, as well as among different levels of government in Vietnam, have been strengthened. This has partly met the requirements of institutional reform, ensured the unified

direction and administration of the Government, contributed to enhancing the effectiveness and efficiency of state management, and promoted the initiative, creativity, and responsibility of local authorities.

Regarding the areas subject to decentralization, on March 21, 2016, the Government issued Resolution No. 21/NQ-CP on management decentralization. According to this Resolution, there are five areas requiring decentralized management: 1. State budget management: Decentralizing state budget management in connection with the renewal of decentralization in socio-economic management. 2. Exercise of state ownership rights and obligations with respect to state-owned enterprises and state capital invested in enterprises. 3/ Decentralization of public investment management: Management of investments funded by the state budget and government bonds. 4/ Management of public service, officials, and public employees: Decentralizing management in line with the autonomy mechanisms of public service delivery units in each sector and field. 5/ Land management (Resolution No. 21/NQ-CP dated March 21, 2016, of the Government).

Nevertheless, the practice of decentralization and devolution still faces shortcomings and limitations, and new issues have arisen alongside long-standing problems that remain unresolved.

3.6. The policy of decentralization and devolution between the central government and localities, as well as among different levels of local government, has not been implemented comprehensively or thoroughly in line with requirements and legal provisions. Between the central state and local authorities, the division of management responsibilities remains unreasonable and inconsistent, failing to meet the demands of development, *particularly in terms of determining which level of government should be assigned specific tasks for maximum effectiveness.*

Although five areas of decentralization have been identified as mentioned above, their implementation has been quite limited. In some cases, responsibilities that were decentralized to lower levels were later “reclaimed” by higher levels after only a short period of implementation, for example, in public investment, construction, or in the registration of land-use rights (initially assigned to district-level Land Registration Offices but later transferred back to the provincial level). Many specialized laws have yet to clearly reflect the policy of promoting innovation in decentralization and devolution. Some economic sector laws even tend to concentrate more power in central authorities. This situation has led to inconsistencies, making the reform of the state apparatus insufficiently aligned with economic institutional reform. As a result, institutional reform remains

rather uncertain and hesitant.

Regarding the division of authority over organizational structure and personnel, the organizational model of local government at all three levels provincial, district, and communal has yet to demonstrate a clear distinction between urban and rural administrations. In terms of civil servant management, the law provides limited autonomy for local governments at different levels. Authority over the management of administrative officials and civil servants remains largely concentrated at the provincial level; it is unclear at the district level and almost nonexistent at the communal level.

Although there have been changes, in many cases, the “spirit” of decentralization and devolution remains “top-down” rather than “bottom-up.” As a result, it has not created the necessary autonomy for localities, leaving the central level overloaded, difficult to manage, and prone to corruption and other negative practices.

This reality is evident across all aspects and sectors, including capital and budget allocation, investment, decisions, and management of local assets, and decisions regarding local personnel, among others. In budget management, development investment, mobilization of financial resources for investment, planning, socio-economic development strategies, urban infrastructure, organizational structure, and staffing, decisions are predominantly

made by higher authorities, with little participation or even input from the beneficiaries, implementers, and lower-level authorities. As a result, in many cases, these decisions fail to meet the actual needs of localities and socio-economic units.

3.7. Decentralization and devolution have been carried out without accompanying guarantees or consideration of organizational structure, human resources, financial resources, and other conditions necessary to perform the delegated tasks. As a result, local governments find it difficult to exercise “autonomy” and are also hard to hold accountable, even though certain legal documents stipulate that they must “assume full responsibility”.

Specific local issues are often difficult - or impossible - to resolve because they fall outside the scope of approved plans, leaving no funding available for implementation. In most provinces, many practical problems that could be resolved immediately at the commune or district level remain unresolved due to a lack of resources or because resources can only be allocated by higher-level authorities, resulting in delays and prolonged bottlenecks.

The policy of implementing decentralization and devolution has, unintentionally, been carried out in a uniform and generalized manner, with unclear and unspecific provisions, making it difficult to determine

which level of government holds which authority (a concern raised by nearly all localities). According to legal documents, provinces, districts, and communes are assigned similar statutory duties, differing only in scope and geographic area, while their resources and capacities vary greatly. This has resulted in overlapping and duplicative functions and responsibilities among levels of local government, creating obstacles and difficulties in implementation.

Assigning the Government the authority to regulate the organization of specialized agencies at provincial and district levels has resulted in these agencies being established almost identically across all localities. This inadvertently undermines the autonomy and flexibility of localities in organizing or establishing specialized agencies, making it difficult for them to adapt to local conditions, characteristics, and management requirements. Specialized agencies at the provincial and district levels are organized in an almost uniform manner, without distinction regarding population size, area, or local socio-cultural characteristics. Only a very small number of agencies are organized according to the specific type of administrative unit, such as rural, urban, or island, or with special characteristics based on criteria and conditions stipulated in government decrees. In practice, almost every agency or organization that exists at

the central level is replicated at the local level.

Such an organizational approach is, in many cases, incompatible with the specific conditions and realities of each locality, thereby limiting the autonomy and creativity of the public administrative apparatus.

3.8. Many areas directly related to citizens' rights and interests have either not been decentralized for management responsibility or have been decentralized in an unclear or delayed manner. For example, this includes the organization and operation of public service delivery units such as general education, vocational training, healthcare, or the handling of administrative procedures for citizens. A great deal of work is often delayed. Citizens' access to even the most basic matters, such as birth and death registration, household registration, certifications, attestations, or the issuance of various identity documents, is often slow, inconvenient, or unsatisfactory. Many civil servants are unprofessional, and in such cases, public authority no longer functions as a provider of public services but rather as a place that "dispenses authority," even though, at times, such authority pertains only to minor, purely administrative matters.

Cases of decentralization and devolution in state management are almost entirely lacking in oversight, control, inspection, and accountability. Lower levels merely await directives

from higher levels, and citizens wait for responses from public authorities. This has led to a passive state management system and ineffective policy implementation. Currently, the number of specialized agencies under provincial People's Committees remains large. The organizational structure remains complex, with numerous layers and overlapping units, organized into various sub-departments, divisions, and equivalent bodies. There is an imbalance between the number of leadership and management positions and that of advisory civil servants.

A significant number of management boards, steering committees, and councils still exist in some localities. Authority over staffing quotas remains inconsistent and insufficiently centralized; the assignment and management of staffing quotas are unscientific, leading to an increase in personnel, particularly in the number of employees in public service delivery units at the local level. Compliance with regulations on staffing management by some ministries, sectors, and localities has been lax.

3.9. The principles of decentralization and devolution have not been implemented in a manner that ensures consistency between the 2015 Law on Government Organization and the 2015 Law on Local Government Organization. The 2015 Law on Government Organization does not stipulate the conditions or scope

for delegating authority from the Government to the Prime Minister, from the Prime Minister to ministers, or from ministers to subordinate units, local authorities, or specialized agencies under provincial and district People's Committees.

The provisions of the 2015 Law on Government Organization and the 2015 Law on Local Government Organization have not established principles for specialized laws to regulate the assignment of tasks and powers to the Government, the Prime Minister, ministries, sectors, and local authorities. As a result, specialized laws continue to assign specific tasks directly to the Government and to ministries and sectors. Provincial-level local governments or provincial People's Committees are only tasked with performing certain duties or are merely given general provisions regarding the responsibilities of local authorities at various levels. This situation creates difficulties for the Government in delineating tasks and powers among ministries and sectors, as well as among different levels of local government; it also complicates the implementation of principles of decentralization, devolution, and delegation, as well as the arrangement and allocation of organizational structures and staffing quotas.

#### **4. Conclusion**

Alongside the significant achievements that have been attained, the current practice of decentralization and devolution in the model of social

development management in Vietnam still faces considerable confusion and shortcomings, which hinder development. Numerous institutional bottlenecks related to laws, mechanisms, and administrative procedures arising from decentralization, devolution, and delegation continue to emerge. Although the legal documents appear reasonable, in reality, they have not fully harnessed the potential and advantages of localities, regions, or the central level; on the contrary, they have created numerous management issues that obstruct development.

Countries that have achieved breakthroughs and success are those that have implemented rational and optimal decentralization and devolution within an inclusive institutional framework for all economic and political activities, guaranteed by the constitution and the law. This is precisely the type of institution in which the rule-of-law state consistently pursues social objectives, respects the "invisible hand of the market", values private enterprise and socio-economic freedoms, yet remains ready to undertake macro-level adjustments and timely interventions to ensure that the socio-economy fulfills public interest priorities and social welfare goals; fosters educational development; maintains a professional civil service; upholds a strong and rigorous legal system; and operates an effective constitutional safeguard mechanism.

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