

## PUBLIC ADMINISTRATIVE REFORM, INVESTMENT ATTRACTION AND SOCIO-ECONOMIC DEVELOPMENT IN THAI NGUYEN PROVINCE: AN INTERGRATED MODEL

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ARTICLE INFO		ABSTRACT
Received:	16/4/2021	Public administration reform has been implemented across locals of Vietnam and PAR Index has been used as a tool to evaluate the administration reform results. Recently, Thai Nguyen province has achieved remarkable improvement in public administrative reform, including administrative formalities reform and modernization, application of one-stop mechanism and inter-agency one-stop mechanism, government apparatus reform, improved quality of civil servants and officers, and public finance reform. However, there is no study to date examining the impacts of public administration reform on investment attraction and socio-economic development. Our study employed desk research to review the literature and focus group to develop an integrated model to estimate the impacts of public administration reform on investment attraction and socio-economic development of Thai Nguyen province. Moreover, we developed a novel tool called PAR-SE Index to comprehensively evaluate such impacts. Future empirical works could adopt the integrated model and PAR-SE Index to estimate the impacts of public administration reform on investment attraction and socio-economic development in Thai Nguyen province and other locals in Vietnam.
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## CẢI CÁCH HÀNH CHÍNH, THU HÚT ĐẦU TƯ VÀ SỰ PHÁT TRIỂN KINH TẾ XÃ HỘI CỦA TỈNH THÁI NGUYÊN: MÔ HÌNH TÍCH HỢP

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THÔNG TIN BÀI BÁO		TÓM TẮT
Ngày nhận bài:	16/4/2021	Cải cách hành chính đã được thực thi toàn diện ở các địa phương tại Việt Nam với việc sử dụng chỉ số PAR Index để đánh giá kết quả hoạt động cải cách hành chính. Trong những năm qua, tỉnh Thái Nguyên đã đạt được các thành tích trong cải cách thể chế, cải cách thủ tục hành chính và thực hiện cơ chế một cửa, một cửa liên thông, cải cách tổ chức bộ máy nhà nước, xây dựng, nâng cao chất lượng đội ngũ cán bộ, công chức, viên chức, cải cách tài chính công. Tuy nhiên, hiện tại chưa có nghiên cứu đánh giá tác động của cải cách hành chính, thu hút đầu tư và sự phát triển kinh tế xã hội. Phương pháp nghiên cứu tại bàn được sử dụng để hệ thống và đánh giá tổng quan tài liệu, phương pháp thảo luận nhóm tập trung được sử dụng để đề xuất một mô hình tích hợp nhằm đánh giá tác động của cải cách hành chính, thu hút đầu tư và sự phát triển kinh tế xã hội tại tỉnh Thái Nguyên. Ngoài ra, nghiên cứu này thiết kế một chỉ số mới là PAR-SE Index để đánh giá một cách toàn diện các tác động đó. Các nghiên cứu thực nghiệm có thể sử dụng mô hình tích hợp và PAR-SE Index để ước lượng các tác động của cải cách hành chính lên thu hút đầu tư và sự phát triển kinh tế - xã hội tại tỉnh Thái Nguyên nói riêng và các địa phương khác trên cả nước.
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<b>TỪ KHÓA</b>		
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Thu hút đầu tư		
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PAR-SE Index		

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## 1. Introduction

Vietnam Government has started to take action in public administration reform since 1994, by issuing the Resolution No. 38/CP on administration reform. Since then, the Government ceaselessly attempts to improve the quality of public administrative activities and civil servants for better public service. Especially, Public Administration Reform Index (PAR Index) has been applied since 2012 to evaluate the administration reform results of central and local authorities [1]. PAR Index is a quantitative measurement which is a evaluating and monitoring tool to support the achievement of administration reform goals as identified by the government.

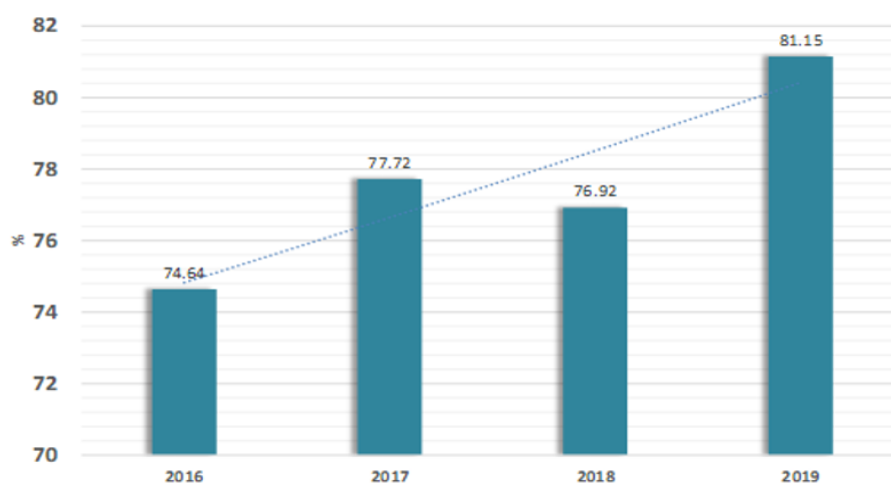
Table 1 indicates the indicators of PAR Index.

**Table 1.** Public Administration Reform Index Measurement

PAR Index							
PAR leadership	Legal documents construction and implementation	Administrative formalities reform	Government apparatus reform	Civil servant and officer quality improvement	Public finance reform	Administrative formalities modernization	<b>100/100 points</b>
<i>Internal evaluation (self-evaluation by local authorities)</i>							60/100 points
<i>External evaluation (surveys on local citizens, firms, provincial people' assembly representatives, departmental representatives, district representatives)</i>							40/100 points

Source: Vietnam Ministry of Home Affairs

Figure 1 presents the average provincial PAR Index in recent years from 2016 to 2019.



**Figure 1.** Average provincial PAR Index in recent years

(Source: Vietnam Ministry of Home Affairs)

Recently, Thai Nguyen province has achieved remarkable improvement in administrative reform, including administrative formalities reform and modernization, application of one-stop mechanism and inter-agency one-stop mechanism, government apparatus reform, improved quality of civil servants and officers, and public finance reform.

In 2019, Thai Nguyen gained 83.01 points of PAR Index, ranked at 14/63, which was an improvement of 4 levels compared to 2018 (78.78 points) [2]. Especially, the criteria about

impact of PAR on socio-economic development of Thai Nguyen were always higher than the average of the Northern Midlands and Mountains.

Public administration reform should enhance the investment environment in terms of increased transparency, competitiveness, decreased associated expenditure, and refined policies on investment attraction, thus improving effectiveness and efficiency of either local or international firms and contributing to socio-economic development of Thai Nguyen province [2]. However, PAR Index has its own drawbacks. Specifically, the criteria and indicators only represent the satisfaction of local citizens and firms towards the reform of *administrative formalities*. Moreover, the criteria and indicators measuring socio-economic development are still meager, which only reflex level of investment attraction, number of newly-registered firms, provincial state budget collection, but do not comprehensively exhibit other socio-economic aspects, especially in the perspective of the beneficiaries of public administration reform. These aspects include technology absorption capacity of labor force, living standards of local citizens, income inequality, competitiveness of local firms, drivers for learning and imitating in business. These drawbacks of PAR Index and the current situations in Thai Nguyen indicate a need for a research about an integrated model to measure comprehensive impacts of public administrative reform on different aspects of socio-economic development. Especially, such aspects should cover criteria and indicators about both economic growth and living quality of citizens. Therefore, we conduct this research aiming to develop an integrated model and novel tool to examine the influence of public administrative reform on different aspects of socio-economic development.

### ***1.1. The relationship between public administrative reform and investment attraction***

Mustafakulov [3] indicated factors impacting investment behavior, including: (1) Change in supply and demand, (2) Interest rate, (3) Development of financial system, (4) Public investment, (5) Human resource, (6) Other investment projects in the same or similar industry, (7) Development, application and adoption of technology, (8) Stability of business environment, (9) Procedures and formalities, and (10) Availability and sufficiency of information (about markets, regulations, formalities and technology development).

Dunning [4] suggested that foreign direct investment (FDI) should be possible based on the certain conditions, including (1) the firms have comparative advantages over others such as scale, technology, marketing networking, access to capital or specific intangible assets; (2) capacity of internal resources; and (3) the production expenditure in host country is lower than in home country. These conditions can be obtained with natural resources, labor, investment encouragement policies and other support form local authorities.

### ***1.2. The relationship between investment attraction and socio-economic development***

According to Pham Manh Thang and Huynh Van Van [5], public administrative reform and improved transparency should contribute to investment attraction in Binh Duong province. Specifically, one-stop mechanism, inter-agency one-stop mechanism, application of Public Administration Center, and modernized public administration support investors to cut off expenditure and save their time. However, public administrative reform in their study only covers the aspect of reform of public administrative formalities, whereas, public administrative reform includes many other factors which may have impacts on investment attraction. Moreover, their research only focuses on impacts of public administrative reform on FDI, but still do not evaluate the impacts on other modes of investment such as domestic or local firms and public investment.

Nguyen Thanh Minh, Nguyen Van Thong, and Luong Ngoc Son [6] also recommend that public administrative reform should be supporting determinant of investment attraction. Particularly, in Sapa district (Lao Cai, Vietnam), efforts in public administrative reform such as simplifying administrative formalities, improving quality of civil servants and officers, implementation of information technology based on e-government platforms, seem to link with

enhanced investment attraction. Moreover, their study mentioned “investment attraction” as a concept which covers many dimensions such as sources of attraction (FDI, local investment, and foreign investment), level of management (public investment, local investment), structure of investment (basic construction investment and others).

### ***1.3. The relationship between public administrative reform and socio-economic development***

Farazmand [7] emphasizes public administration reforms as critical factor contributing to implementation of socio-economic development policies and programs in developing countries. Socio-economic development requires flexibility, creativeness, and innovation in public administration system, while complicated and bureaucratic public administration system hinders every single dimensions of socio-economic development [5]. Their study suggests that public administrative reform in developing countries includes reform in structure of public administrative agencies and administrative formalities, improved quality of administrative human resource, enhanced quality of information technology application and upgraded administration management capability, which should support the flexibility in decision making and implementation of administrative formalities. Especially, adaptation capacity and flexibility are critical success factors of public administrative reform, while political leadership should fundamentally contribute to the success of public administrative reform [7].

International experience indicates the link between public administrative reform and socio-economic development. According to Yoo [8], Korea have undergone various steps of public administrative reform based on requirements of different stages of their socio-economic development. In detail, from the 1950s-1970s, in the stage of centralized government when planning and making of policies were entirely in charge of government, all the public administrative procedures and formalities were accordingly issued and implemented by central government, without any participation of local authorities and citizens. From the 1980s, when Korea experienced significant changes in every socio-economic aspects (improved citizens' education, increased income, enhanced living standards), social conflicts occurred about the rigid and bureaucratic be public administrative procedures and formalities which were issued by central government and applied for all local authorities without the local participation and local typical characteristics [6]. Due to these conflicts, “local autonomy” were gradually formed in proactive planning for local strategy, in which public administrative reform with local typical characteristics played a critical role. Specifically, their public administrative reform emphasized *local autonomy* including re-structuring local administrative agencies, improving the scale and capacity of local finance, re-arranging and adjusting the roles of governmental and local administration in which emphasized local administration, enhancing quality of administrative human resource, encouraging the participation of local firms and citizens in construction and implementation of public administrative procedures. These activities of public administration reform which emphasized local autonomy is fundamental factor for miracle socio-economic development in Korea [8].

To summarize, there is a need for a research which examines how the public administration reform could influence investment attraction and socio-economic development. Therefore, this paper aims to develop an integrated model to estimate the impacts of public administration reform on investment attraction and socio-economic development of Thai Nguyen province.

## **2. Research methods**

We conducted desk research of interconnected fields. This approach is widely recognized and employed in multiple disciplines including social sciences. Desk research enables researcher build their own research model on the existing literature of their research topic and thus should be applicable for our study as we attempted to develop an integrated model which can estimate the relationships among Public administration reform, Investment Attraction, and Socio-economic

development. The pertinent literature has identified the factors that may have links with public administration reform. Specifically, public administration reform should influence business environment which include law, regulation, policies [9] – [11], technologies [12], natural resources [13], [14], social and cultural elements [15] – [17]. Such business environment elements could have impacts on investment attraction [18]. Investment attraction could affect economic development [19] – [21] and social development [19].

After reviewing the previous related studies, we conducted a focus group of eight experts on the topic to discuss about the integrated model and variables which should be included. Profile of the experts is presented in Table 2.

**Table 2.** Profile of experts in focus group discussion

Category	Number	Position - Expertise
Business leaders (3 experts)	Expert 1	FDI enterprise, electronics
	Expert 2	Local enterprise, service (hospitality)
	Expert 3	Local enterprise, garment
Scholars (3 experts)	Expert 4	Associate Professor, investment, sustainable development
	Expert 5	Associate Professor, public service, institutions, public administration
	Expert 6	Assistant Professor, enterprise management
Policy makers (2 experts)	Expert 7	Thai Nguyen Department of Planning and Investment
	Expert 8	Thai Nguyen Department of Commerce and Industry

*Source: Summarized by Authors*

Table 2 describes the categories and background of experts who were invited to participate in the focus group discussion. The experts include business leaders (3 experts), scholars (3 experts), and policy makers (2 experts). Based on their expertise, the experts discussed to construct the integrated model.

### 3. Results and Discussion

#### 3.1. Integrated model on the relationship of public administration reform, investment attraction and socio-economic development

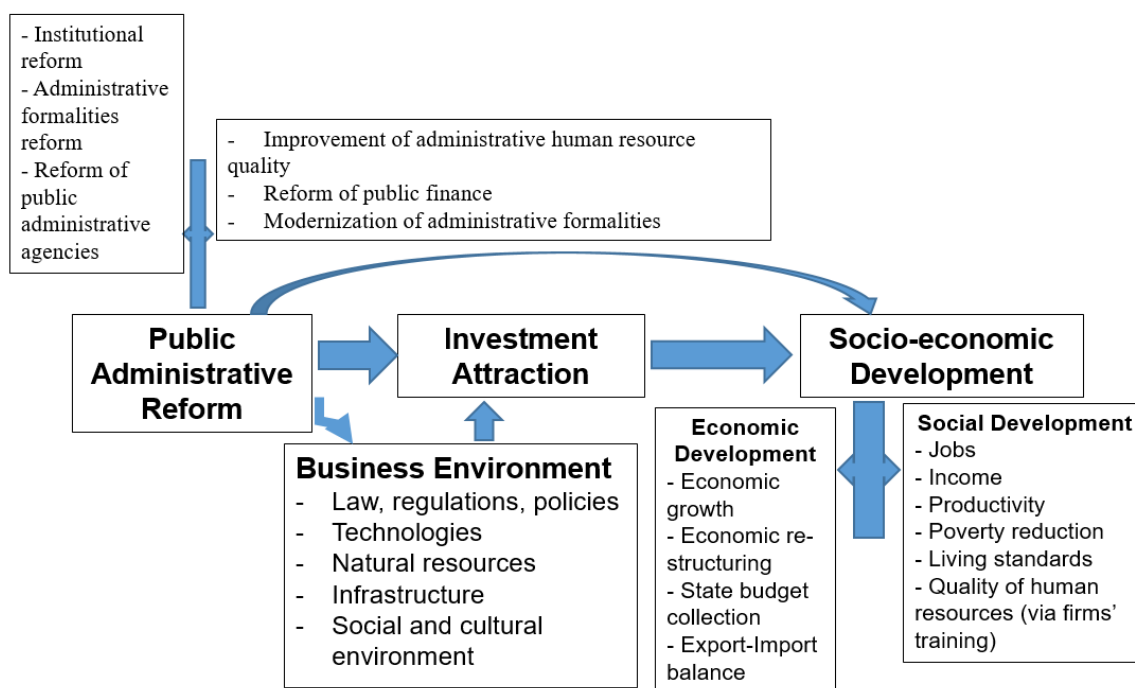
After the discussion of focused experts, we came out to develop an integrated model to present the potential association among these above mentioned variables. The model covers various factors in fields of public administration reform, investment, business environment, economic and social development. The integrated research model is demonstrated in Figure 2.

Figure 2 presents the integrated model which proposes the links among public administration reform, investment attraction, and socio-economic development. Figure 2 recommends that public administration reform could either directly impact on socio-economic development or indirectly impact on socio-economic development via the mediation role of investment attraction.

#### 3.2 PAR-SE: Novel tool to evaluate the impacts of public administration reform on investment attraction and socio-economic development

The focus group discussion also employed to generate a novel index for public administration reform, which is called PAR-SE index. This novel index, PAR-EX Index, aims to evaluate the impacts of public administration reform on the socio-economic development. Based on the review of the literature which has indicated that public administration reform should connect with investment attraction, social development, and economic development [18] – [21], this research chose to construct PAR-SE Index which includes indicators of (1) Public administration reform, (2) Investment attraction, (3) Social development, and (4) Economic development. PAR-SE Index is expected to outperform over the traditional PAR Index. Specifically, PAR-SE evaluates the effectiveness of public administration reform, quantifying the outcomes of public

administration reform and ranking the authority agencies in terms of the effectiveness of public administration reform, as the traditional PAR Index. Moreover, PAR-SE could be used as tool for evaluating the impacts of public administration reform on investment attraction and socio-economic development of locals in particular and of Thai Nguyen province in general. PAR-SE contributes as the first tool for the evaluation in Vietnam to date.



**Figure 2.** Integrated model on the relationship of public administration reform, investment attraction, and socio-economic development

The procedure of construction of PAR-SE Index includes three stages: (1) Data collection, (2) Construction, (3) Calculating. The indicators for Public administration reform are from the yearly results of People's Committee of Thai Nguyen Province about evaluation of public administration reform of provincial departments and locals (9 districts/cities/towns), according to Decision No. 3934/QĐ-UBND dated 09/12/2020. The indicators for Investment attraction, Economic development, and Social development are estimated based on "hard indicators" and "soft indicators". The "hard indicators" refer to the ones which have been officially issued by provincial authority agencies such as ministries, departments. These "hard indicators" reflex the achievements after one year of implementing activities and solutions of investment attraction, economic development and social development. The "soft indicators" are results of awareness, perception, evaluation of stake-holders of public administration reform across provincial departments and locals (9 districts/cities/towns), including: Dinh Hoa, Song Cong City, Phu Luong, Dai Tu, Dong Hy, Thai Nguyen City, Vo Nhai, Phu Binh, Pho Yen. The respondents are: Leaders of FDI enterprises, Leaders of Vietnam enterprises, workers of FDI enterprises, workers of Vietnam enterprises, Directors/Heads of local Department, and citizens in 9 districts/ cities/ towns of Thai Nguyen province.

#### 4. Conclusion

Our study employs exploratory approach to review the literature, identifying the gaps in the literature to conceptual and develop an integrated model to present the links among public administration reform, investment attraction and socio-economic development in the context of

Thai Nguyen city. Moreover, we design PAR-SE Index as novel evaluation tool for estimating the impacts of public administration reform on socio-economic in Thai Nguyen.

The novel PAR-SE Index was designed with practical approach based on socio-economic characteristics of Vietnam in general and of Thai Nguyen province in particular. PAR-SE Index aims to facilitate leaders of Thai Nguyen province and local authorities to smoothly apply public administration reform activities into improvement of socio-economic conditions and living standards of local citizens. Specifically, by eliminating traditional factors that may influence economic growth of a certain province (such as geographical location, infrastructure, market volume, and human resources), PAR-SE Index implies that positive results in public administration reform play vital roles in local investment attraction and socio-economic development. Moreover, the indicators of PAR-SE Index were designed aiming at improvement of socio-economic conditions which facilitates enterprise community development and enhanced citizen life quality. Such PAR-SE Index is an executing step of the citizen-centered policy, which is the focus of reform policy by Vietnam government.

We call for future empirical research to explain the association among the variables and provide insights for governmental authorities to improve the effectiveness of public administration reform on investment attraction and socio-economic development in Thai Nguyen in particular and in other locals in Vietnam.

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