



AgEcon SEARCH
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search
<http://ageconsearch.umn.edu>
aesearch@umn.edu

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

Centre on Regulation and Competition

WORKING PAPER SERIES

Paper No. 84

**PUBLIC ADMINISTRATION
REFORM IN VIETNAM:
EXPERIENCES FROM
HO CHI MINH CITY**

**Martin Minogue, University of Manchester
and
Nguyen Khac Hung, National Academy of
Public Administration, Hanoi**

June 2004

ISBN: 1-904056-83-0

Further details: Centre Secretary
Published by: Centre on Regulation and Competition,
Institute for Development Policy and Management, University of Manchester,
Harold Hankins Building, Precinct Centre, Oxford Road, Manchester M13 9QH, UK
Tel: +44-161 275 2798 Fax: +44-161 275 0808
Email: crc@man.ac.uk Web: <http://idpm.man.ac.uk/crc/>

Abstract

The public administration reform (PAR) programme in Vietnam was officially launched in January 1995, focusing on reforms of administrative institutions, of the government machinery, and on the development and training of civil servants. By 2003, it is recognised that overall the reform process has been slow and that intended outcomes have not been achieved. However, Ho Chi Minh City (HCMC), a decentralised level of the government of Vietnam, stands out as an innovative and relatively successful reforming local authority. This article analyses PAR in the city relating to administrative restructuring, civil service reform, public services delivery, quality standards, and financial decentralisation. It is suggested that success in this case may be attributed to the degree of local government involvement in the reform process, a lesson that has wider application both in Vietnam and elsewhere.

OVERVIEW OF PAR IN VIETNAM

In 1986 Vietnam, at that time one of the poorest countries in the world, embarked on the set of economic and institutional reforms known as *Doi Moi*, to bring about a transition to a market-oriented economy while preserving political stability (which remains the highest priority for national authorities) and promoting equity. This strategy has been remarkably effective, with an annual average growth rate from 1990-2001 of 7.25%, low levels of budget deficit and inflation (0.8% in 2001), increased savings and investment, and rapidly expanding external trade (UNDP, Vietnam 2003). Perhaps the most notable achievement is the reported dramatic improvement in poverty levels, reduced by over one half since the overall process of renovation started (the official international poverty figure in 1998 was 37%: UNDP, Vietnam 2003). Health and education indicators are generally good relative to the level of underdevelopment: Vietnam is ranked 101 of 162 countries on the Human Development Index, 89 of 162 on the gender-related development index, and 45 of 90 countries listed on the human poverty index (Human Development Report 1999, reported in UNDP, Vietnam 2003). Nevertheless, despite this progress, income per capita remains low at US\$ 416 per annum, child malnutrition is high at 37% (UNDP, Vietnam 2003), while poverty and near-poverty remain widespread, particularly in the rural areas. In addition, while GDP growth is still positive, it has been declining from the rate of 9% achieved in 1997. This decline is in line with a considerable reduction in export growth (from an average of 25% in recent years to zero in 1998), and in foreign direct investment (estimated to have fallen by

around 60%, with new commitments falling even more sharply). State owned enterprises (SOEs) have continued to perform poorly despite some structural reforms, and the condition of the banking sector is fragile.

This faltering progress, as well as the impact of the recent Asian financial crisis, have drawn attention to the weaknesses of the public administration, making public administration reform (PAR) imperative (Doan Trong Truyen, 1996). It has long been recognised by Vietnamese policymakers how significant is the link between economic reforms and reforms of the state administrative system. The Communist Party of Vietnam (CPV) and the Government of Vietnam (GOV) launched a public administration reform programme (PAR) in January, 1995 by Resolution of the VIII Plenum of the Central Committee of the CPV. Since then attempts have been made to rationalise the legal and regulatory framework of the public administration; to reform the administrative machinery at all levels; and to 'renovate' the civil service with the focus on training. A National Steering Committee for PAR headed by the Prime Minister was set up in the central government, and a Steering Board was set up in every ministry and province in the country. In principle, PAR was linked to related reforms of public enterprises, the organisation and operation of the National Assembly, and of the legal and judicial system.

Initial results were regarded as satisfactory in official quarters (International Colloquium, 1996: 141-45). Substantial new legislation and regulations were introduced: improvements were made to administrative procedures; and central government was reorganised from 28 ministries in 1995 to the present 23, with corresponding reductions at the decentralised level. Public enterprises moved in the direction of corporatisation (or what in Vietnam is termed 'equitisation'). Efforts were made to strengthen the capacity of the National Academy of Public Administration (NAPA) to provide the different types of training provision required to support state reforms linked to the newly developing market economy. However, it is openly acknowledged in official circles, and confirmed in donor reports, that beyond this initial stage, the reform process has been slow and erratic in the face of bureaucratic inertia and resistance, while other commentators insist that state capacity is a crucial issue, not least because 'Vietnam has developed a market economy within and around the state' (Tonnesson, 2000: 247) and because constitutionally 'there are virtually no limits to the domains of state responsibility' (Tonnesson, 2000: 251). As Tonnesson argues, the laudable ambitions of the Vietnamese state are in danger of being eroded by its own internal weaknesses. Even agencies with direct responsibility for the introduction and leadership of

the PAR process have lacked drive and direction, and have been cautious as to what changes are likely to be most effective in Vietnam, given the range of models and proposals on offer through the development aid programme. By contrast, the case of Ho Chi Minh City (HCMC) illustrates what can be achieved where there is a willingness to embrace change and experiment with particular innovations.

BACKGROUND TO HCMC

HCMC (Sai Gon before 1975) is by far the largest province/city level administration in Vietnam with a population of some six and a half millions. The city is at the forefront of national economic growth with GDP growth of around 15 per cent (compared with a national average of 7 per cent), producing around 25 per cent of national GDP and 60 per cent of recorded exports. The GDP per capita increased from US\$ 937 to US\$ 1,365 in 2000 (1994 prices) (NAPA 2000a). The rapid pace of socio-economic development is leading to pressures for the enhanced efficiency of local state management.

According to the 1992 Constitution, HCMC is under the direct control of the central government. Local governance works through a representative body, the People's Council, and an executive body, the People's Committee, which is elected by the People's Council. The People's Council is elected by, and is accountable to the local people as well as to higher state agencies (nominations of candidates are conducted by the Fatherland Front of Vietnam, an umbrella socio-political organisation linked to the CPV). The tenure of the People's Council is five years. Its main function is to implement the Constitution and the law in the locality; to administer local socio-economic development plans and budgets; to oversee local security and defence; to ensure improved living standards for the local people; and to accomplish tasks assigned by superior agencies.

The City's People's Committee (PC), is the executive body of the People's Council and is headed by a chairman (assisted by four vice-chairmen) who takes on overall management, and is directly in charge of internal matters, master planning, and urban design. In addition, there are eight other members.

HCMC is a very large and complex organisation. It consists of 26 departments, 10 service organisations, 12 agencies and 10 temporary agencies. The city is divided into 22 districts, of which 17 are urban and five are rural districts. The 22 districts are further divided into 238 wards, 62 communes and four townships. To support this complex organisational

structure, the city currently has a total of 4,643 administrative civil servants, of which 2,226 work at city level and 2,417 work at district level. In addition, at commune/ward levels there is a large contingent of officials who are currently not classified as civil servants (HCMC, 2001a:6).

Recent developments in PAR in HCMC

While there is a history of PAR in HCMC which predates the official launching of the National PAR Programme in March 1995, the city has taken this national initiative as an opportunity to give a new impetus to earlier reforms. An action plan based on principles agreed by the HCMC Communist Party Committee and the People's Council was devised by the People's Committee and approved in October 1995 by the Prime Minister. Seven years of implementation are summarised below.

Administrative Institutions

A comprehensive review was undertaken of all regulatory documents issued by the City PC and by the various departments and branches. Out of the total 7,300 documents issued by the City PC, it was proposed to abolish 4,463. As a result of the review, the City authority made proposals to central ministries and agencies to amend or supplement another 103 documents. In addition, out of the total 1,170 documents issued by various subordinate departments and branches under the review, the City PC requested that 365 should be abolished.

On the basis of the review, the City PC issued a new statute reorganising the regulation of the functions, authority, responsibilities and working methods of city-level departments and branches; of People's Committees in districts; and working relationships between the agencies (NAPA, 2000a: 19). The reform of administrative procedures has helped the agencies to identify two main functions: to fulfil state management functions in accordance with assigned tasks; and to make administrative procedures known to the public for each type of service. With this identification, the agencies have managed to sort out more relevant and streamlined administrative procedures; to set up the "one door" system for receiving and returning dossiers; and to settle particular cases in a simpler, more timely and lower cost manner (Personal interview with HCMC official, October 2000). Fewer agencies are now involved in particular areas of service, and departments are assigned specific services. This was rarely the case in the past, and many overlapping jurisdictions have been

eliminated. Where more than one agency is involved in the settling of a particular case, the lead agency is responsible for contacts with other departments (HCMC, 2000b).

Improvements have also been witnessed at the district level where streamlined work procedures and more openness have helped to increase quality and efficiency and reduce difficulties for the public. The "one door, one stamp" reforms have brought new requirements to reorganise the divisions and units belonging to the district People's Committees. As a result, the advisory role of these units towards the district PC is enhanced on the one hand, while the authority and responsibility of the district PC are strengthened on the other hand. This situation helps the PC to avoid being overwhelmed by daily routines and better able to concentrate on overarching management functions.

Reorganisation

The improvements in administrative procedures have prompted changes of the organisational structures to match the new situation.. At the grassroots level, the former nine sub-committees affiliated to the People's Committee have now been reorganised into one sub-committee. As a result, the workforce at the grassroots level has been considerably reduced (2,108 people lost their jobs). The district-level authority has also been restructured. The number of functional divisions and units has been cut from 21 to 11 in urban districts; and to 13 in rural districts. By the year 2000, at this level, a total number of 4,643 employees had been reduced by 447 (HCMC, 2000b).

The continued reorganisation of the districts includes transfer of a number of functions that are currently performed by the district PC, such as transfers of business functions to specialised units; of movement-based functions to social organisations of the city; and of responsibility for complaints, accusations and civil disputes to functional agencies, namely the Inspectorate, the Court, and the Prosecution Bureau. In this way, structures have been made slimmer, and managerial functions given priority. The district PCs have set up teams to assist both in daily operations and in dealing with the public. Information technology is widely used through the city web to facilitate the work of the teams.

City agencies have been reduced from 58 to the present 37. Within these 37 agencies, there are 20 departments, 11 advisory agencies, and 6 business units affiliated to the City PC. One of the major improvements was the merger of the two separate Departments of Land Administration and of Housing into the present Department of Land Administration and

Housing. Practical evidence has shown that in HCMC, there were numerous complaints and civil disputes around land and housing issues, which used to be addressed by separate state agencies. Since 1998, the merger has proved effective and has been applauded by the public. Apart from the simplification achieved through new administrative procedures, the merger has also brought about enhanced efficiency in activities of cross-sectoral management owing to the close and clear combination of functions and responsibilities (HCMC 2000b: 18). Further mergers of specialised departments are now anticipated.

Efforts have also been made to restructure the state owned enterprise (SOE) sector in the city. In 1995, the city managed 409 SOEs, which, by February 1999, had been rearranged into seven state corporations (a merger of 106 enterprises) and 52 public welfare enterprises; 42 enterprises were 'equitised'; and 17 were listed to be disbanded or declared bankrupt. There are 18 SOEs currently under temporary City management, which will be restructured in the coming years. The remaining 174 SOEs are untouched (NAPA, 2000: 22-23).

Civil Service Reform

The administrative reforms in the city have boosted the quality of the workforce of cadres and civil servants. The new work regulations, as well as operations in accordance with the "one door, one stamp" system, require qualified and professional employees. More significantly, the new development of the city has generated new demands for capabilities in strategic planning, and policy analysis and appraisal. These issues have been gradually tackled through a number of training and retraining activities for City officials.

In an attempt to develop training needs assessment for the whole workforce, the City conducted a survey of civil servants in late 1999. The classification by civil service grades shows that in HCMC, most of the civil servants are at a low level (expert, pre-expert, and others). While the next grade of principal experts accounts for 12 per cent of posts, there is less than one per cent at the most senior expert level, implying an insufficiency of civil servants who work at strategic levels, such as policy-making and socio-economic planning. In terms of professional training, the number of undergraduates is nearly twenty times bigger than that of post-graduates, while a considerable number of civil servants have chosen to undertake political training (HCMC, 2001a).

From the total number of trainees over the period 1995-99 (more than 15,000 at all levels: HCMC, 2000b) it is clear that the City authority takes formal training very seriously. But there are major weaknesses and deficiencies in the public service training system of Vietnam. There is too much focus on quantity of trainees rather on quality of training; training curricula and materials are still theory-based and many of them are out-of-date; and training methodology is mainly a one-way, trainer-centred rather than a two-way, participatory approach (Personal interviews, July 2001). In early 2001, with assistance from UNDP, the City developed a training strategy, for implementation in 2002, which aims to improve both the training institutions and the quality of training.

It should also be noted that changing structures and specialisation have brought a necessary reorganisation of the workforce. In this process, best-qualified and experienced civil servants have been placed in frontline positions to deal with the public when citizens come and ask for service. Other civil servants have also been re-assigned to new workplaces in accordance with their professional qualifications and capabilities: the intention is "*to place the right person in the right place*" (Personal interview, 2001). The qualifications and capabilities required include, among other things, policy analysis, an understanding of economic and social development issues, management skills and familiarity with information technology.

The 'One Door, One Stamp' System

The idea for what is known elsewhere as a 'one-stop' system for dealing with members of the public developed early in the PAR (HCMC, 2000a). The perceived advantages were that it would create more effective decentralised governance by a proper match of structures to functions; that by clarifying and simplifying district level administrative procedures it would strengthen the district authority, a crucial level in the decentralised system; that there would be an onward effect on lower commune and ward levels; and that it would make possible a rational determination of the staff numbers required to carry out state management.

This system was introduced in District 1, then expanded in 1995 to District 5 and Cu Chi rural district. It aims to subject local officials to general principles that will stop them acting merely according to their own personal ideas and interests. The intention was to reduce the "private" element in their decisions, and replace this by decision making that reflects public interests. These general principles are necessarily laid down in documents, which therefore have to be rewritten with the support of the Law Department of the City. One crucial step

was a physical centralisation of the district divisions and units in one building, thus reducing costs directly, permitting the district offices to provide administrative support, and reducing arguments for retaining the divisions' own bank accounts. It should also be noted that the reduction of over 10 authorising stamps of the various divisions and units to just one stamp of the district PC *'has the significance of both gathering power to one stop and enhancing responsibility in directing, administering and implementing the PC's functions'* (HCMC, 2000a: 5).

The application of the system has produced positive outcomes that benefit both officials and the public. The authorities of the city, district and commune/ward levels have benefited from improved efficiency of their activities, from streamlined procedures, and better functioning organisations and staff. More significantly, they enjoy more public trust because the relationships with the public have improved. The public have benefited from the reduction of burdensome procedures, from less exposure to bribery and corrupt practices by certain public employees, and from more convenience in the process. The new system has helped to save time, money and energy. The practical results have brought far greater speed of work; and clear monitoring by both the public and the Chairperson of the PC (Personal interviews, 2000 and 2001). Corruption has declined, largely because of the removal of direct relations between the public and decision-makers (Fforde, 1997: 25). As a further step in this direction, there are plans to introduce TV Monitors to control public access and contacts with officials.

In 2000, HCMC authority jointly conducted with the NAPA branch in the city a 'user'survey with regard to the "one door, one stamp" system. 3,000 questionnaires were delivered, 1,200 to public servants, and 1,800 to the public in districts 1 and 5, and Cu Chi rural district. The number of questionnaires returned was 2,551, of which 1,008 came from public servants, and 1,543 from the public. While 69.3% of the public servants think that the system has fundamentally changed their working style and routine, 77% of responses from the public showed that the system has brought satisfactory results. 85.1% of the public think that administrative procedures have been open and clear, and that a major improvement has been the changed behaviour and attitude of frontline officials toward their citizens/customers (85.5%). However, 73.4% indicated room for further improvement (HCMC, 2000a).

Since June 1997 all HCMC districts have implemented the "one door, one stamp" system. Since late the same year, a pilot "one door" scheme has been conducted in six key City departments (HCMC, 2000a). More importantly, other provinces and cities have sent delegations to observe and to learn from HCMC experiences, and as a result, they have begun to adapt and apply the system in their own areas. For example, Hanoi started the "one door, one stamp" experiment in 1996 in Ba Dinh District. In October 2001, the central government General Committee on Personnel (GCOP) held a workshop to review the implementation of "one door, one stamp" in the whole country, gathering experiences from 31 provinces and central cities. The experiment has even expanded to all districts of two of the poorest provinces, Ninh Binh and Quang Binh, where "one door, one stamp" was put into operation in 1999 (Personal interview November 2001).

However, this reform has not been without problems. Practical evidence has shown that difficulties have emerged particularly in administrative relations between the central government and the local authority, and among the various levels and units of the city authority. These problems are based in a number of regulations issued by the central ministries and agencies that are no longer suitable and impede the implementation of "one door, one stamp". Despite the review and adjustment of all regulations on administrative procedures in the city, *'there are still circumstances whereby a number of regulations are abolished just to prepare the way for new red tapes to come forth. A typical example is that the nine administrative procedures on construction developed and currently carried out by the Chief Architect's Office are irrelevant and complicated, causing a lot of troubles for the people and organisations, especially for investment projects, leading to many instances of illegal construction'* (Personal interview with HCMC official, November 2001). In terms of personnel, the permanent workforce at all agencies in HCMC displays the paradox of a 'simultaneously short and abundant' situation. While many staff are considered as redundant, with poor qualifications and capacities, and unable to meet the requirements of new tasks, there is a severe shortage of highly qualified officials to devise policies, strategies, and development plans.

Pilot Application of ISO 9002:1994 to Public Service Delivery in District 1

District 1 is situated in the centre of HCMC and contains the most valuable real estate in the city. It used to have the largest administration of any, with 24 divisions and 160 staff. The district was selected to carry out the 'one door, one stamp' experiment in 1995. After five years (1995-2000), administrative reform efforts in the district have resulted in positive

changes, including a reduction of the number of divisions from 24 to the present 11; a reduction of civil servants from 160 to 110; wider support and trust from the public; and improved values and attitudes of the civil servants (HCMC, 2001b). In order to promote further change, the district PC set a target for themselves, that is to constantly improve public service delivery in a fast, streamlined manner, and in accordance with the law. As such, the district PC decided to apply quality management standards set by the International Standard Organisation (ISO) 9002: 1994 (or ISO 9004) to its public service delivery. The application was first piloted in the four fields of granting building permits; household business registration; certifying applications for cultural services and transferring them to the Department of Culture and Information for working permits; and notarising photocopies, signatures and civil contracts. The official application began in July 2000.

District 1 PC conducted a study for the application, including experiences of other countries, then established a Steering Board and a Quality Assessment (QA) Team. The QA team manages and guides the practice while working closely with members of a consulting company, which was selected to provide advice on the implementation process. Since this is a new exercise for government agencies, the district paid due attention to the training of its staff, particularly those directly involved with administrative procedures. As reported by the district: *'4 training classes of ISO 9000 were held for 254 staff of district, ward, party agencies and mass organisations. In the fourth quarter of 2000, District 1 cooperated with the consulting company to deliver five classes of ISO 9000 application for 181 staff from the units under the district PC'* (HCMC, 2001b: 3). After eight months of preparation, the exercise started on July 1st, 2000 and has been assessed three times by the QA team. The initial results show that all dossiers in three of the four pilot fields have been processed on time or before the fixed time. The 30-50% failure rate in respect of the grant of building permits may demonstrate the need to amend inappropriate regulations.

After the one year of experiment, it has become obvious that the application of ISO 9002: 1994 allows the district to evaluate its management system by comparing the process intended with the real outcomes. In terms of effectiveness, it has demonstrated that while the administrative process is carried out in a systemic and stable manner, the responsibility of each staff is clearly and specifically defined in each step. The district leaders provide close and quick supervision and instruction, and cooperation among different sections becomes closer with each section being more committed to processing dossiers. Since application

forms are rationalised and synchronised, the process of dealing with dossiers is consistent and uniform, making it easy for the leaders to monitor each step (HCMC, 2001b).

However, the pilot application has also revealed some constraints to be addressed, including the fact that where regulations are constantly changing, if the quality process is not revised in time to respond to changes in relevant legal and regulatory documents, a mismatch will result. Mistakes have been found in several dossiers reviewed. In addition, supervision and monitoring by the QA team has not been conducted in a continuous way, producing some failure in identifying constraints and obstacles for the PC leaders to undertake necessary adjustments (Personal interview, July 2000). Extension of quality standards management to other areas of the City administration is now taking place (HCMC, 2001b).

Pilots for Payroll and Budget Reforms

Until recently, budgets were allocated to public agencies on the basis of the total number of employees listed in their payroll, a method much criticised for providing neither flexibility nor incentives to make savings. In March 2000, the Vietnamese government called for a new system for giving autonomy to organisations in using their payroll and administrative cost budgets (Dang Van Thanh, 2001: 34). The new system aims to manage state budgets on the basis of outputs, and to give agencies some autonomy to make savings in their expenditures. After its breakthrough in PAR, HCMC was allowed by the central government to carry out a pilot scheme in the new system of budget allocation and use.

Fourteen organisations were selected by a new Steering Board to carry out the pilot, including seven urban and rural districts, three City departments, two party commissions, and two mass organisations, namely the Women's Union and the Youth League. Interestingly, while two of the selected districts, the two party commissions and the two mass organisations later withdrew from the pilot due to their fear of difficulties, two other districts, namely District 3 and Cu Chi rural district, volunteered to join the pilot (HCMC, 2001a). A standardised expenditure budget was agreed on the basis of 1076 employees, and agreed expenditure limits (HCMC, 2001a).

After a year of implementation (from August 2000) the pilot scheme has produced some initial positive results. The number of staff cut back after a year was 152 people, counting for 13.2 per cent of the existing payroll. Among these 152 people, 36 retired, 26 were dismissed, 26 moved to other jobs at SOEs or public service delivery units that needed to

recruit employees, and four people terminated their work voluntarily (Dang Van Thanh, 2001: 35).

In terms of savings from the staff reduction and reduced administrative costs, it was reported (HCMC, 2001a: 3-4) that while the total budget allocated to the 10 pilots in the scheme, according to the standardised budget norm, was 23,803 billion *dong*, the total savings in the year 2000 were 4,350 billion *dong*, accounting for 18.27 per cent. communications. (The exchange rate in late 1999 was 14,500 *dong* to one US\$). The savings were then reallocated as follows: 70 per cent for topping up staff salary, 20 per cent to the award fund, and the remaining 10 per cent to the welfare fund. These savings have contributed to a significant improvement in staff salaries. Before the pilot, salary plus allowances accounted for only 25.3 per cent of the total expenditure; the figure has now increased to 38.65 per cent of total expenditure after the one year of the pilot implementation. In these terms, this new system has been recognised by both the agencies and staffs as beneficial, particularly in the context where salaries are still regarded as too low.

The exercise has also revealed some issues to be addressed, including the fact that the functions and tasks of several agencies are not clear, leading to difficulties in defining the budget required. In addition, practice requires that close supervision should be maintained from the higher level of the authority. However, on the basis of the initial positive results, proposals were made to the central government to extend the reformed system into other areas of the national public administration (Dang Van Thanh, 2001: 36-37).

CONCLUSIONS

There is general agreement that economic growth in a market economy requires appropriate social organisations and institutions. If crucial institutions do not change, they become increasingly inappropriate to, and a hindrance to, changing strategies of economic growth. This is as true in Vietnam as elsewhere. It is clear that the requirements for reforms emerged from a number of perspectives, particularly from the economic transformation associated with the opening-up of the country to the outside world. The city with biggest population and highest rate of economic development in Vietnam has increasingly faced acute social problems, many of which are connected to, even exacerbated by the administrative system, its institutions and staff. In addition, while foreign investors show their frustration with the way in which business is regulated, the public also resent and

mistrust the congested bureaucracy and overlapping agencies that provide public services. All these have created pressure on the City administration, which, if not reformed, could easily have lead it to be an obstacle in the transition to a market economy, and possibly, even political unrest, as argued by some senior officials (Personal interviews, Nov 2001).

The strategy for PAR in Vietnam today rests primarily in a top-down process with the central government in Hanoi playing the key role. However, the case of HCMC clearly indicates an alternative approach whereby "local" initiatives shape lessons for the overall, national reform. Two main lessons drawn from the transition to a market economy appear to have been, first that economic liberalisation improves economic performance, and, second, that there is a close relationship between cognition and the process of learning-by-doing. As argued by Fforde (1997: 9-10): *'The direction that the natural path of institutional change is following can be found through examining what is happening 'on the ground' in areas where local conditions encourage if not force experimentation. In this view of the nature of change, a key responsibility or function of leadership is to 'see the large in the small.* HCMC so far has provided important examples of how new ideas and ways of changing institutions can be made to work, and some of the general administrative reform policies of the central government appear to be based on pilots and experiments carried out in different areas and branches of the City. It should also be noted that HCMC has enjoyed essential support from the central government, as well as from aid donors. The new PAR has been placed firmly in the overall framework of political renovation; the City authority has established a Steering Board for administrative reforms that includes members of both party organisations and the PC agencies. The presence of party leadership in the Board indicates political support for the reform process and provides better opportunities for consultation and approved experimentation. The fact that the Steering Board has so far been functioning smoothly shows that administrative reforms not only benefit the public in general, but also bring advantages for the local authority and the party organisations. The initial success of the PAR reform in the city is directly linked to the level of support from the political system, and the influence that the local authority is able to exert within that wider system.

There are still tensions and contradictions between central and local levels in PAR-related strategy, policy and implementation both in relation to resource allocation and capacity. Interviews with HCMC public service staff clearly indicate the feeling that it is central government which limits the efficiency with which the local authority can operate. It has been argued (Vasavakul, 2000; Fforde, 1997) that in Vietnam there is a confused picture,

with decentralisation of authority in some areas, but recentralisation in others. This tendency to recentralise over the past few years has seen central government wanting to lead stronger action, but failing to provide coherent and efficient procedures and legislation. This has led to confusion and frustration at local level, both in attempts to understand the underlying issues and in implementation of PAR. HCMC has avoided this problem; central government has recognised their dynamism and capability, and in 2001 issued a decree that confers more autonomy on the City authority (and in Vietnam applies only to HCMC). The decree particularly defines four areas in which more delegation of both functions and authority is granted to HCMC, including the management of master plans, planning, investment, and socio-economic development; the management of land, housing, and technical infrastructure; the management of state budgets; and the management of public organisations and their human resources. The challenge now is for the central authorities in Vietnam to work out how to generalise this successful local experiment to the rest of the country, where to date reform efforts have clearly faltered.

Note

Much of the research for this article is based on personal interviews with senior Vietnamese officials in central and local agencies. They are not identified individually, but reference is made in the text wherever this material is used.

References

- Dang Van Tanh (2001) 'Pilots of administrative expenditure contracts :results and issues' in *State Management Review*, June 2001, Hanoi, NAPA.
- Doan Trong Truyen (ed.) (1996) *Development Administration and Administrative Reform*, Hanoi: NAPA.
- Fforde, A. (1997) *Public Administration Reform in Ho Chi Minh City – A report on the "Vietnamese process", with suggestions for how to support it*. Canberra, Australia (unpublished).
- Fforde, A. and de Vylder, S. (1996) *From Plan to Market – The Economic Transition in Vietnam*, Westview Press.
- HCMC (2001a) *Review of the Pilot Scheme giving autonomy to organisations in using their payroll and administrative cost budgets*, Ho Chi Minh City Authority (unpublished).
- HCMC (2001b) *Report on exchange of experiences of PAR in District 1 and the Department of Planning and Investment*, Ho Chi Minh City Authority (unpublished)
- HCMC (2000a) *Report on the three year implementation outcomes of District-level PAR under the "One Stop, One Stamp" mechanism in HCM City*, Ho Chi Minh City Authority (unpublished).
- HCMC (2000b) *General Report on five years of implementation of PAR in HCM City*, Ho Chi Minh City (unpublished).
- HCMC and UNDP (1998) *Project Document Vie/96/029*, Ho Chi Minh City Authority.
- International Colloquium (1996) *Proceedings of the International Colloquium on PAR*, Hanoi: 24-26 September 1996. Steering Committee for PAR, UNDP project Vie/92/2002 (1996)
- NAPA (2001) *Solutions to promote public administration reform in Vietnam*, Hanoi: Political Publishing House.
- NAPA (2000a) *Public administration reform in Ho Chi Minh City (1995-99): achievements and lessons*, Hanoi: Political Publishing House.
- NAPA (2000b) *Some definitions of public administration*, Hanoi: Gioi Publishers.
- Tonnesson, S. (2000) 'The layered state of Vietnam', in Kjeld Erik Brodsgaard and Susan Young (eds) *State Capacity in East Asia*, Oxford, Oxford University Press, pp236-68.
- Turner, M (ed) (2000) *Central –Local Relations in Asia-Pacific*, St Martin's Press.
- UNDP, Vietnam (2003) <http://www.undp.org.vn/undp/fact/base.htm> accessed 20th January 2003.

Vasavakul, T. (2000) 'Rethinking the philosophy of central-local relations in post-central-planning Vietnam' in Turner Vu Huy Tu and Nguyen Khac Hung (1998) *Administrative Sciences and Reform*, Hanoi: National Political Publishing House.