

Vietnam Development Report 2010

# Modern Institutions

Joint Donor Report to the Vietnam Consultative Group Meeting  
Hanoi, December 3-4, 2009

*Cover Photographs*

*The media covering the Vietnam Consultative Group Meeting, December 2008.  
(Photo by Ngan Hong Nguyen, World Bank).*

*A Community Supervision Board monitors the quality of bricks for a house built  
under a government program in Phuoc Tien commune, Bac Ai district, Ninh Thuan  
province.  
(Photo by Truong Quang Tran, Oxfam GB)*

*Legal Aid Service delivered by a mobile clinic in Ban Khen village, Lac Nung  
Commune, Bac Me district, Ha Giang province.  
(Photo by Huy Quang Do, Sweden)*

*A One Stop Shop in Thach Ha district, Ha Tinh province.  
(Photo by Serge Berrut, SDC)*

*Community consultation organized by Department of Planning & Investment to  
identify local priorities for the 2010 SEDP, Dien Bien province.  
(Photo by Son Van Nguyen, UNICEF)*

*Second printing. January 2010.*

## VIETNAM GOVERNMENT FISCIAL YEAR

January 1 to December 31

## CURRENCY EQUIVALENTS

(Exchange Rate Effective as of October 28,2009)

Currency Unit VND

US\$1.00 17,007

Weights and Measures

Metric System

## ACRONYMS AND ABBREVIATIONS

ADB	Asian Development Bank
AECID	Spanish Agency for International Development Cooperation
ASEAN	Association of Southeast Asian Nations
AusAID	Australian Agency for International Development
BOT	Build Operate Transfer
BT	Build Transfer
BTO	Build Transfer Operate
CBO	Community Based Organization
CAP	Center for Agricultural Policy
CDD	Community Driven Development
CECODES	Center for Community Support Development Studies
CFAA	Country Fiduciary and Accountability Assessment
CIDA	Canadian International Development Agency
CIEM	Central Institute for Economic Management
CSO	Civil Society Organization
DEPOCEN	Development and Policies Research Center
DERG	Development Economics Research Groups of the University of Copenhagen
DFID	Department for International Development of the United Kingdom
EBRD	European Bank for Reconstruction and Development
EC	Economic Commission
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GSO	General Statistics Office
HCFP	Health Care Fund for Poor
HCMC	Ho Chi Minh City
ICT	Information and Communication Technology
ILSSA	Institute for Labor Studies and Social Affairs
INGO	International Non-Government Organization
IPSARD	Institute of Policy and Strategy for Agriculture and Rural Development
IT	Information Technology
JICA	Japan International Cooperation Agency
JRS	Judicial Reform Strategy
LCC	Legal Consultancy Center
LURC	Land Use Right Certificate

LSDS	Legal System Development Strategy
M&E	Monitoring and Evaluation
MOF	Ministry of Finance
MOHA	Ministry of Home Affairs
MOJ	Ministry of Justice
MONRE	Ministry of Natural Resources and Environment
MPI	Ministry of Planning and Investment
NA	National Assembly
NAPA	National Academy of Public Administration
NGO	Non-Government Organization
NHU	National Hanoi University
NTP	National Targeted Program
P135	Program 135
ODA	Overseas Development Agency
ONA	Office of the National Assembly
OSS	One Stop Shop
PAR	Public Administration Reform
PC	People's Council
PCI	Provincial Competitiveness Index
PFM	Public Financial Management
PM	Prime Minister
PPWG	People's Participation Working Group
Q&A	Question and Answer
RIA	Regulatory Impact Analysis
SAV	State Audit of Vietnam
SDC	Swiss Agency for Development and Cooperation
SDU	Service Delivery Unit
SPC	Supreme People's Court
SPP	Supreme People's Procuracy
SED	Socio Economic Development Plan
SME	Small and Medium Enterprise
SOE	State Owned Enterprise
TCER	Training Center for Elected Representatives
TV	Television
UNICEF	United Nations Children Fund
UNDP	United Nations Development Program
USAID	United States Agency for International Development
VAT	Value Added Tax
VID	Vietnam Innovation Day
VIDS	Vietnam Institute of Development Studies
VCCI	Vietnam Chamber of Commerce and Industry
VNCI	Vietnam National Competitiveness Initiative
VND	Vietnam Dong
VHLSS	Vietnam Household Living Standards Survey
VUFO	Vietnam Union of Friendship Organizations
VUSTA	Vietnam Union of Science and Technology Associations
WB	World Bank
WTO	World Trade Organization

## ACKNOWLEDGMENTS

This report was prepared in partnership by the Asian Development Bank, Australia (AusAID), Canada (CIDA), Denmark, European Commission, Finland, Japan (JICA), Spain (AECID), Sweden, Switzerland (Swiss Development Cooperation), United Kingdom (DFID), United Nations, United States of America (USAID), and the World Bank. These donors contributed by providing analytical works on which the report draws, by participating in the working group meetings at which the storyline for the VDR was determined, and by providing direct inputs for the draft. The contributions of Oxfam GB are also acknowledged.

The donors involved in this partnership also provided guidance on the process and reviewed an advanced draft in a meeting of the Steering Committee. In addition, the preparation of the report involved consultations with Vietnamese researchers and practitioners who participated in a personal capacity on a Reviewing Committee. The inputs and feedback of Hop Hoang Ha (Vietnam Journalists Association), Hung Khac Nguyen (Management Consulting and Development), Vo Hung Dang (Hanoi National University), Diep Thi Bich Nguyen (VUSTA), Tuan Anh Dau (VCCI), Thang Nguyen (Vietnam Academy of Social Sciences), Loan Thi Thanh Le (HCMC Provincial Statistical Office), Phuong Minh Nguyen (Ministry of Justice), and Dinh Ngoc Dang (CECODES) are gratefully acknowledged, although they are not responsible for remaining errors. The assistance of Hieu Minh Hoang and Hung Van Phung (Office of the National Assembly) in locating data is also gratefully acknowledged. We are also grateful to Edmund Malesky (University of California, San Diego) and to VCCI/VNCI for assistance with the PCI survey data and to Carrie Turk (World Bank) for her support on the governance module.

Preparation of the report was led by a core team from the World Bank including James Anderson (Task Team Leader), Maria Delfina Alcaide Garrido, and Tuyet Thi Phung. Contributions and comments were also provided by Dung Viet Dao (ADB); Cameron Hill, Loan Hong Duong and Chi Mai Nguyen (Australia-AusAID); Andrew Smith, Deidre Yukich, Jacqueline DeLima Baril, Chau Hoai Nguyen, Yen Thi Vu (Canada-CIDA), Frances Gordon, Lien Bui (CIDA-funded JUDGE Project) and Charles Philpott (CIDA legal consultant); Dorte Chortsen, Tove Dengbold (Denmark); Helena Sterwe and Thanh Van Le (European Commission); Huong Thi Lan Tran (Finland); Ha Thi Vinh Nguyen and Veronique Saugues (France); Toru Arai, Fuminori Ito, Yosuke Kobayashi, Junichi Imai, Khanh Thi Mai Nguyen and Eiichiro Hayashi (JICA); Hoa Thi Le Nguyen and Huyen Thu Truong (Oxfam GB); Chau Minh Dao and Gabriella Spirli (Switzerland-SDC); Antonio J. Peláez Tortosa (Spain-AECID); Elsa Hastad and Anna Rosendahl (Sweden-SIDA), Renwick Irvine, Lien Thi Kim Nguyen, Huong Thi Thien Than and Kirsty Mason (UK-DFID); from the United Nations family: Jairo Acuna-Alfaro, Nicholas Booth, Huong Nam Le, and Christophe Bahuét (UNDP), Lan Thi Pham and Rajen Kr. Sharma (UNICEF), Graham Harrison and Socorro Escalante (WHO), Anne-Claire Guichard (UNAIDS), Peter

Reeh and Ingrid Fitzgerald (UN Resident Coordinator's Office), Suzette Mitchell (UNIFEM); Jim Winkler, Hoang Anh Do, Phuong Vo (USAID/VNCI Project), Vien Hong Bui (USAID/STAR Project); Mai Thi Hong Bo, Quang Hong Doan, Viet Tuan Dinh, Nguyen The Dung, Hisham A. Abdo Kahin, Valerie Kozel, Keiko Kubota, Daniel Mont, Ngan Hong Nguyen, Ha Diep Nguyen, Nga Nguyet Nguyen, Toomas Palu , Duc Minh Pham, Hoa Thi Mong Pham, Mai Thi Thanh, Viet Quoc Trieu, Quyen Hoang Vu, Ngan Thuy Nguyen, Phuong Minh Le, Loan Thi Phuong Nguyen and Nha Thi Vu (World Bank). Nguyen Viet Cuong (National Economics University) helped with analysis of the VHLSS, and Viet Tuan Dinh (World Bank) prepared the statistical annex.

This report draws on data from a Governance Module that was attached to the 2008 round of the VHLSS. The Governance Module was led by MPI and implemented by GSO with support from DFID, SDC, and the World Bank. We are very grateful to MPI for agreeing to a preliminary release of the data for this Vietnam Development Report. We are also grateful to DIAL for their contributions and to all the individuals who helped prepare and implement the Governance Module, and to the 9,189 Vietnamese citizens who participated in the survey.

Guidance for the overall process was provided by Vikram Nehru, Victoria Kwakwa, and Martin Rama from the World Bank. The advice of the peer reviewers, who advised on the concept and the draft, is gratefully acknowledged. The peer reviewers were Soren Davidsen (Denmark, Ministry of Foreign Affairs), Martin Gainsborough (University of Bristol), Yasuhiko Matsuda, and Joel Turkewitz (World Bank). The advice of others who provided comments and ideas are gratefully acknowledged.

# CONTENTS

Executive Summary .....	i
1 The State and Institutional Reform .....	1
A Devolving State .....	1
New Forms of Accountability .....	4
Data for Informing the Analysis .....	5
Organization of the VDR.....	7
2 Central Government.....	10
The Role and Organization of the Central State.....	11
Managing the Public Administrative Reform Process .....	12
Human Resource Management .....	13
Public Financial Management.....	20
3 Local Governance .....	26
Fiscal and Administrative Decentralization .....	27
Planning Processes .....	37
Regional Planning .....	40
Land Use.....	42
4 Administrative and Direct Services .....	52
Administrative Services .....	53
Direct Services for Citizens—Health and Education .....	63
5 Legal and Judicial Systems.....	80
Legal Development .....	81
Dispute Resolution .....	85
Administrative Disputes .....	94
Legal Awareness .....	94
6 Oversight.....	99
Anticorruption .....	100
Organized Civil Society .....	110
National Assembly and People’s Councils.....	116
Information .....	122
Media.....	129

7	Themes and Lessons for Governance Reform .....	132
	Progress .....	132
	Prospects .....	132
	Themes .....	133
	The Next Decade? .....	135
	Endnotes .....	137
	References .....	143
	Annex 1. Timelines .....	154
	Annex 2. Statistical Appendix .....	172

## **Boxes:**

Box 1.1. Institutional challenges highlighted in the Vietnam Fatherland Front's report to the National Assembly .....	6
Box 1.2. Key data on governance and institutions .....	8
Box 2.1. Remuneration of civil servants .....	16
Box 2.2. Lessons from international research: meritocracy is at the heart of performance .....	18
Box 2.3. Extending the scope and quality of audits .....	25
Box 3.1. Obstacles for the decentralization to the lowest levels — the case of Bach Ninh and Ha Nam provinces .....	28
Box 3.2. Innovation in exercising powers at the local level—The Chu Lai Open Economic Zone .....	31
Box 3.3. The development impact of participation .....	36
Box 3.4. Consultative planning and budgeting in Hoa Binh .....	40
Box 3.5. Leveling the gender playing field with joint land titling .....	43
Box 3.6. Land-users' discontent with resettlement areas .....	48
Box 3.7. The current system of settling land-related administrative complaints .....	50
Box 4.1. The implementation of One Stop Shops in Dak Lak .....	54
Box 4.2. Innovation in building downward accountability at the local level — Citizens Report Cards in Ho Chi Minh City .....	58
Box 4.3. Decision space in health care .....	64
Box 4.4. Competition and rent-seeking in pharmaceuticals .....	65
Box 4.5. Self-financed public schools and kindergartens in Ho Chi Minh City .....	66
Box 4.6. The downsides of “envelope payments” in the health sector .....	67
Box 4.7. Role of civil society organizations in improving access to health and education .....	68
Box 4.8. Reforms in education user fees .....	72
Box 4.9. International experience in reducing unofficial payments .....	78
Box 4.10. User feedback from patients at the National Hospital of Pediatrics .....	79
Box 5.1. Culture and legal values .....	87
Box 5.2. Independence with accountability—the experience of other transition countries .....	90



Box 5.3. The paucity of lawyers in provinces with socio-economic difficulties .....	97
Box 6.1. How do bribes affect the performance of small and medium enterprises? .....	100
Box 6.2. Anticorruption policies specified in the law on anticorruption of Vietnam .....	101
Box 6.3. Inspections system challenges.....	102
Box 6.4. The battle of a corruption whistleblower .....	106
Box 6.5. Sector specific approaches to corruption—customs in Russia.....	107
Box 6.6. The role of associations in monitoring the government .....	114
Box 6.7. People’s Inspection Boards and Community Investment Supervision Boards .....	115
Box 6.8. The Vietnamese Women’s Caucus .....	121
Box 6.9. Regulations on information .....	123
Box 6.10. Monitoring implementation of access to information in international experience .....	126
Box 6.11. Access to information in Hanoi, Quang Binh, Ninh Thuan, and An Giang .....	127
Box 6.12. Innovative sources of information to address unanticipated policy needs.....	128
Box 6.13. Role of the media in uncovering problems with taxis at Ho Chi Minh City airport.....	130

## Figures:

Figure 1.1. A devolving state .....	2
Figure 2.1. Average state salary premium over formal sector alternatives .....	17
Figure 2.2. Average state salary premium over formal sector alternatives, accounting for unobserved characteristics, 2006-2008 .....	17
Figure 2.3. An official misuses public funds or assets for private benefit: is it corruption?.....	20
Figure 3.1. Information that meets households’ needs on commune budgets and plans (among those with interest).....	32
Figure 3.2. Households who provided opinions on commune budgets and plans during the period 2006-2008 (among those with interest) .....	32
Figure 3.3. Confidence in land property rights .....	42
Figure 3.4. Informal payments by firms for Land Use Rights Certificates in 2006.....	44
Figure 3.5. Opinion on level of corruption in issuance of Land Use Rights Certificates (among those who used the service since).....	44
Figure 3.6. Formal complaints related to land issues.....	45
Figure 3.7. Administrative complaints against land compensation and resettlement for land recovered by the State, breakdown by cause .....	46
Figure 4.1. On-time performance at One-Stop Shops in Dak Lak.....	55
Figure 4.2. Households that experienced difficulty when dealing with administrative services .....	59
Figure 4.3. Difficulties when applying for Land-Use Rights Certificates .....	60
Figure 4.4. Level of difficulty for households to find guidance information on administrative procedures .....	60
Figure 4.5. Administrative procedures are getting easier, according to households (2006-2008).....	61
Figure 4.6. Getting information without a relationship with provincial officials .....	62

Figure 4.7. Overall satisfaction with health and education services at national level .....	76
Figure 4.8. Health and education services are improving, according to households (2006-2008).....	77
Figure 4.9. Trends in corruption in health and education services, according to households (2006-2008) .....	79
Figure 5.1. Provinces with more predictable laws have more firms willing to invest.....	82
Figure 5.2. Methods of providing opinions on legal documents (among those participating) .....	84
Figure 5.3. Reasons for not providing opinions on legal documents.....	84
Figure 5.4. Growing economy, growing pressure on the courts .....	88
Figure 5.5. Strategies for dealing with business disputes .....	88
Figure 5.6. Legal awareness for fighting corruption.....	95
Figure 5.7. Legal aid cases handled by the Legal Aid Agency .....	96
Figure 6.1. Is corruption is a major problem for you and your family? .....	101
Figure 6.2. How much information do households have on the regulations to prevent and fight corruption? .....	104
Figure 6.3. Reasons for not reporting corruption.....	104
Figure 6.4. Is it “corruption”? Views of citizens.....	105
Figure 6.5. Citizens’ perception of overall level of corruption (among those with opinions) .....	108
Figure 6.6. Citizens’ perceptions that corruption is serious .....	108
Figure 6.7. Trends in corruption in services, according to households (2006-2008).....	109

#### **Tables:**

Table 2.1. Ministries and agencies at the central level.....	11
Table 2.2. Why do civil servants intend to leave the government? .....	14
Table 2.3. Increase in civil servants’ minimum wage vis-à-vis the cost of living and individual incomes .....	15
Table 2.4. Countries that have finalized Public Financial Management assessments under PEFA .....	23
Table 3.1. Participation of households in decision-making and supervision of infrastructure works in P135-II communes in the provinces of Lai Chau, Lao Cai, Binh Phuoc, and Soc Trang .....	32
Table 3.2. Participation in decision-making and supervision of commune-level infrastructure projects; communes in the provinces of Lai Chau, Lao Cai, Binh Phuoc, and Soc Trang .....	34
Table 3.3. The voices of citizens and commune-level officials: What are the difficulties with the implementation of “grassroots democracy”? .....	35
Table 3.4. Complaints in land recovery (percent of land users whose land was recovered) .....	47
Table 3.5. Percentage of households lacking production resources after the agricultural land acquisition (%) .....	48
Table 3.6. Evaluation of participatory approaches on land acquisition activities in Ho Chi Minh City, Hung Yen, and Thai Binh provinces (% of people) .....	49
Table 3.7. Percentage of households having received feedback to their complaints on land recovery and types of feedbacks received (Ho Chi Minh City, Hung Yen and Thai Binh provinces).....	51

Table 4.1. Percentage of provinces planning on-line administrative services for 2010, out of 36 surveyed provinces .....	56
Table 4.2. Satisfaction of citizens with a selection of administrative services in Ho Chi Minh City, 2006 and 2008.....	61
Table 4.3. Government and household expenditure in the health sector .....	70
Table 4.4. Household expenditure on health and education out of total household expenditure.....	70
Table 5.1. Execution of civil judgments .....	93
Table 6.1. Types of local Civil Society Organizations that are legally recognized.....	111
Table 6.2. Number of legally registered associations (approximate figures).....	113
Table 6.3. Full-time deputies in the National Assembly .....	118
Table 6.4. National Assembly Deputies since the 1992 Constitution .....	120
Table 6.5. The media in Vietnam .....	129