

SOME OPINIONS ABOUT ADMINISTRATIVE REFORM IN THE COMING YEARS

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After the economic reform policy had been adopted by the VCP, a lot of attention was paid to consolidation of the Government's role. In the past ten years, many achievements in this task had been obtained and this helped to

overcome the socio-economic crisis and create favorable conditions for the national industrialization and modernization. However, negative aspects and corruption still existed in spite of various measures taken by both the Government and the Party.

In his inauguration speech given to the National Assembly on Sep. 25, 1997, PM Phan Văn Khải said that it's necessary to carry out the socio-economic innovation in parallel with the administrative reform. This reform should aim at making the Government and administrative machinery stronger, cleaner and more effective; and materializing the Party's leadership and people's power.

As for the administrative reform, the Resolution of the 8th National Congress of the VCP advised rearranging central and local administrative machinery, unifying similar economic managing bodies at different levels with a view to making them more concentrated on administrative control over economic activities, and delegating more authority to provincial and municipal governments, and at the same time, innovating the law system with a view to making it appropriate to the reality.

At present, responsibilities and rights of governmental bodies aren't well defined with the result that their organization and performance are poor. Let's study regulations on rights and duties of ministries and governmental bodies at ministerial

level stated by the Decree 15-CP issued on March 2, 1993 by the Government. The Article 10, section 3 of this Decree reads "The ministry settles, or takes part in settling, disputes relating to its function and service". We see that this regulation allows the ministry to play the same role as a judicial organ.

As for the ministerial control over state-owned enterprises, the Article 13 of the same decree allows ministries to:

1. Establish and dissolve state enterprises (that is, to pay no attention to the Bankruptcy Act).

2. Make business strategies for the enterprise.

3. Inspect the use of capital invested by the Treasury and the observance of laws.

4. Appoint the management of the enterprise.

This regulation is no longer appropriate to the market mechanism. For example, it's necessary to let the enterprise to make its own business strategy according to results of market researches.

Generally, governmental decrees expressed rather clearly the status of ministries but they failed to state clearly certain important functions of ministries, such as supplying information and advisory services, helping with business strategy making process, introducing technological innovations and carrying out market researches.

Many current regulations allowed ministries to intervene too much into operations of state-owned enterprises and turned them into protectors of corrupt directors. Moreover, because they concentrated on control over state enterprises, they failed to pay full attention to non-state companies, therefore about the administrative



reform, PM Khải was of opinion that the administrative machinery had to concentrate on making and carrying out macro-economic policies, strategies and long-range plans.

In parallel with the administrative reform at central level, it's necessary to innovate the mechanism for controlling state enterprises. In the market economy under the government direction, the public sector met with difficulties and became less effective. Main causes of this situation came from the fact that rights to possess and employ public property hadn't been well defined and as a result, nobody cared about it. Most directors of state enterprises, since the centrally planned economy, had got into the habit of relying on their superiors. After the decree 217-HDBT, state enterprises assumed full authority to do their business. Some enterprises could adjust themselves to the new mechanism and make reasonable profit while many others failed and caused great damage to the public property.

Therefore PM Khải advocated accelerating radical reforms in the public sector: as for profit-making state enterprises of medium and large size, they could be privatized with a view to attracting more investment from other sectors, other state enterprises (including 100% government invested ones) will be considered as limited companies or joint stock companies.

Among various proposals put forward by the PM are:

- Stipulating the status of representatives of company's owners and the rights of companies' legal entities.

- Discriminating between rights and duties of the Board of Directors, which represent company's owners, and those of governmental economic regulators, which take part in the company management under the direction of the government.

- Defining the relationship between the Board of Directors and directors.

- Settling definitely loss-making state enterprises (most of them are of small size and account for 50% of the amount of state enterprises): these enterprises will be settled on a case-by-case basis and everything must be done carefully by degrees in order to avoid bad effects on the socio-economic life.

Statistics show that up to April 1997, there were 31,800 companies (some 6,000 of them were state

owned) including 170 joint stock companies. According to PM Khải, some 3,000 state enterprises will be rearranged in the near future.

One of main tasks of the administrative reform is to make the administrative machinery more effective and less cumbersome. At present, there are 17 ministries and 6 governmental bodies at ministerial level in comparison with 48 ministries in wartime; that is, good progress has been made. If rights and duties of these ministries are well defined the amount of officials could be reduced. In HCMC, the amount of services under the People Committee has reduced from 40 to 22 recently resulting in some 6,000 redundancies.

In the process of down-sizing the administrative machinery, we suggest integrating the Ministry of Industry with the Ministry of Trade and orienting them toward tasks of carrying out market researches, introducing new technologies, supplying advisory services and finding foreign markets for Vietnamese products.

In doing so, governmental economic regulators start to treat state enterprises as legal entities, instead of as affiliated organs. These state enterprises will be allowed to operate according to laws and will be under inspection of economic regulators. If they break the law they, like privately-owned companies, will be judged by courts. After studying the organization and functions of the Japanese MITI, we suggest that main functions of Vietnamese Ministry of Industry and Trade are:

- a. Establishing status:

- To make and submit to the Government bills, ordinances, rules and regulations relating to industrial production and commerce.

- To issue directives, guidelines and circulars needed for the enforcement of laws; regulations on foreign trade, techno-scientific standards and processes.

- To control foreign trade by granting (or withdrawing) licenses and quotas.

- To make regulations on domestic trade.

- To control rep offices of local companies in foreign countries.

- To gather, handle and supply economic information to the Government and businesses.

- To help the National Assembly perfect the legal infrastructure ensuring equal opportunity for all sectors and preventing monopoly.

In short, the ministry will help to perfect the legal infrastructure that allows all sectors to develop legally and orient all economic concerns towards macro-economic objectives set forth by the Government.

- b. Supplying techno-scientific and economic information

At present, the lack of a department specializing in this service has prevented local producers from obtaining a foothold in foreign markets. Only the Ministry of Trade is assigned this task so it couldn't meet the market demand for this techno-scientific and economic information. Many companies had to gather information by themselves or suffered from the lack of information. In the near future when a stock market comes into being, the information service will become a matter of greater urgency.

- c. Encouraging and assisting economic development

According to PM Khải, the quality of economic development must be enhanced, that is Vietnam's goods and services must be more competitive. Therefore, application of new technologies will be a matter of great urgency to local businesses. To introduce technological innovations, many problems must be solved, such as:

- To build a market for R&D activities.

- To modernize facilities for research institutions.

- To give incentives to R&D activities and encourage local companies to invest in these activities.

- To protect intellectual property and consumer's interests and create conditions favorable for international cooperation on scientific researches.

- To promote exportation and protect local industries with a view to reducing the trade gap.

- To gather and supply information about foreign markets in order to help local companies export their goods and services or cooperate with foreign companies.

- To improve the quality of the army of civil servants because the performance of the administrative machinery is determined by this army.

We hope that the above-mentioned opinions will be of service to the realization of the administrative reform launched by the Government and the Party.