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**Public Administration Reform and Anti-Corruption  
A Series of Policy Discussion Papers**

**Corruption, Public Administration  
Reform and Development:  
Challenges and Opportunities as Viet  
Nam moves towards Middle-Income**

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The series of *Policy Discussion Papers on Public Administration Reform and Anti-Corruption* is lead and edited by Jairo Acuña-Alfaro, Policy Advisor on Public Administration Reform and Anti-Corruption at UNDP Viet Nam.

The series aims to analyze trends in Viet Nam regarding the implementation processes and options in specific public administration reform areas. In order to confront the social, economic, political and environmental challenges facing Viet Nam, policy makers need to be informed by evidence. These policy papers aim to contribute to current policy debate by providing discussion inputs on policy reforms – thereby helping to improve Viet Nam's development efforts.

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## Abbreviations

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AC	Anti-corruption
CPV	Communist Party of Viet Nam
GI	Government Inspectorate
GoV	Government of Viet Nam
MP	Master Programme
NAPA	National Academy of Public Administration
PAR	Public Administration Reform
OSCAC	Office of the Steering Committee on Anti-Corruption
SAV	State Audit of Viet Nam
UN	United Nations
UNCAC	United Nations Convention against Corruption
UNDP	United Nations Development Programme
VPCI	Vietnam Provincial Competitiveness Index

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## Executive Summary

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This policy discussion paper asks why it is that interventions by the Government of Viet Nam (GoV) in respect of public administration reform (PAR) and Anti-Corruption (AC) have generally failed to have the desired effect such that the problems which the reforms are designed to tackle persist. The paper answers this question by arguing that corruption – and associated weaknesses in administrative procedures – should be understood as systemic problems. That is, corruption and problems in public administration in Viet Nam should be seen less as an aberration of the system but more as the normal workings of the system, which has its own distinctive logic, which is self-perpetuating. The strong connections in people’s minds between public office, making money, and other forms of personal advancement, lie at the heart of this.

Recognising the problems as systemic, the paper then asks what kind of interventions would be likely – over time – to change the incentive structure governing the system. It argues that an integrated approach to tackling corruption and weaknesses in public administration is likely to pay special attention to increasing transparency and improving enforcement, with the key objective over time to make the system more accountable and increase the costs of corruption.

The paper also argues that strengthening the role of civil society and the media in the fight against corruption and poor public administration is also critical in achieving these goals.

# 1. Introduction

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## 1.1 Research context

The paper asks why it is that interventions by the Government of Viet Nam (GoV) in respect of public administration reform (PAR) and Anti-Corruption (AC) have generally failed to have the desired effect such that the problems which the reforms are designed to tackle persist. The paper makes this observation while recognising the very substantial progress which has been made in Viet Nam: first in terms of a greater willingness to talk about the problem of corruption, and associated weaknesses in public administration; and second in terms of the Communist Party of Viet Nam (CPV) and GoV beginning to take substantive steps towards addressing it. The resolution of the 3<sup>rd</sup> Plenum of the Party Central Committee (10<sup>th</sup> term) in August 2006 focused specifically on the problem of corruption. Moreover, this followed passage of Viet Nam's first AC law in 2005 (Davidson, Soren et al 2008) while in May 2009 the government adopted the AC Strategy towards 2020 (Government of Viet Nam 2009).

Overall, the research seeks to highlight what has been achieved under the PAR process in Viet Nam, to analyse weaknesses and shortcomings, to assess what remains to be done, and in light of this to make detailed policy recommendations. Underpinning the research is a recognition that institutions are permanently evolving, that there is no measurable end-point, and that the goals of institutional reform are likely to be subject to revision and adjustment by future generations of citizens.<sup>1</sup> Nevertheless, it is recognised that institutions create incentives which structure behaviour in the political and economic domain, and that what is needed in Viet Nam is a thorough analysis of how its institutions are currently functioning in order to point the way in terms of improvements. The timing of the research coincides with a growing awareness that the PAR process, which has been pursued in Viet Nam since the mid-1990s, has achieved mixed results (Painter 2005; PAR Steering Committee 2006; World Bank 2006b). This is of concern not just because PAR has attracted sizeable financial and technical resources, including from the international donor community, but also because it highlights continuing, serious problems with the provision of public services in Viet Nam, which if unchecked run the risk of undermining the country's development (Acuna-Alfaro 2008b; Government of Viet Nam 2009).

With its title 'Corruption, Public Administration Reform and Development: Challenges and Opportunities', the focus of this paper is on the problem of corruption and specifically the relationship between AC work and PAR. For historical – and perhaps practical – reasons, AC work and PAR have tended to be treated as discrete areas of work in Viet Nam with separate projects and distinct institutional jurisdictions in terms of government oversight.<sup>2</sup> The question arises, however, whether this is helpful or whether there is mileage to be had from a better integration of these two spheres of activity. More pertinently, one of the issues which this research is interested in is the relationship between AC work and PAR both in theory and in practice. Is it the case, for example, that a successful PAR would reduce corruption? Or, is it in fact the other way round, i.e. that a successful PAR depends on progress towards tackling corruption?<sup>3</sup>

## 1.2 Methodology

Research for this paper has been guided by four principal considerations. First, we have adopted a team-based approach incorporating both Vietnamese and international expertise. Inevitably, the team brings different skills, experience, and insight but this is healthy, and we believe enriches our paper. Secondly, we have engaged in widespread consultation with key stakeholders – government, international, and citizens<sup>4</sup> – at each stage of the research process through interviews and regular discussion and feedback.<sup>5</sup> Thirdly, we have placed a high premium on adopting an evidence-based approach to our research. A persistent criticism of much policy work – and not just in Viet Nam – is that it often lacks a firm basis in evidence. Of course, addressing this problem in relation to the sensitive issue of corruption is not easy but to the best of our ability we have sought to do so (and where there are gaps we have highlighted them). Fourthly, our report places a high premium on offering well thought-out policy recommendations. This includes not only providing concrete policy scenarios but also exploring how such scenarios might be implemented, including anticipating possible difficulties if certain approaches were pursued.

In the course of our research for this paper we have paid close attention to both the academic and policy literature on PAR and AC both in Viet Nam and internationally. Interviews for the research were conducted over a two week period in September and October 2008.<sup>6</sup>

## 1.3 Paper structure and argument

The paper is divided into four sections: part 1 introduces the research, sets out the methodology, the structure of the paper and offers an overview of the argument; part 2 looks at the international experience of tackling corruption; part 3 explores the relationship between PAR and AC, looks at the changing nature of corruption in Viet Nam, the consequences of corruption, and its causes; and part 4 takes stock of the preceding analysis, exploring its implications for policy in light of what the Government of Viet Nam (GoV) is already doing. This section of the paper contains our policy recommendations, including addressing the question of how particular policies might be implemented.

The report's argument is that corruption and associated weaknesses in public administration are primarily systemic in nature by which we mean they reflect a particular institutional logic or incentive structure which is self-perpetuating. Thus, over time, any kind of intervention to correct problems tends to be thwarted or subverted because the logic of the system requires that this be so. This, we argue, explains the relatively poor performance of PAR and AC work to date.<sup>7</sup> In order to tackle the problems, it is essential to have as clear an understanding as possible of the inner workings of the system in order to target interventions most effectively, and to anticipate the ways in which future reforms may be knocked off course. Surprising though it may seem, we do not always see this understanding reflected in the policy literature.

In terms of our recommendations, we argue that there is no single formula or approach that can be adopted in Viet Nam in order to strengthen public administration and reduce corruption. Rather, it is necessary to pursue a variety of

approaches over time, which cumulatively will change the incentives governing the system, in turn resulting in altered behaviour. It is here that we believe there are some useful lessons for Viet Nam based on international experience, notably in relation to the sequencing of reform. In our recommendations, we place special emphasis on increasing transparency, strengthening the role of civil society and the media, and enforcement, in an approach designed to make the system more accountable and over time to increase the costs of corruption. Specifically, what this means in relation to the government's National Strategy for Preventing and Combating Corruption Towards 2020 (Government of Viet Nam 2009) is that we are suggesting that greater priority ought to be given to three of the groups of solutions as the means by which the other groups of solutions will in time be achieved. This is discussed in more detail in the paper's section 4.

## 2. International lessons

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In this section, we look at international experiences in the fight against corruption, considering different views about the causes of corruption, the consequences of corruption for development, and what is regarded as 'good practice' in the fight against corruption.

### 2.1 International experiences in the fight against corruption

While all countries can learn from the experiences of others, each country is also distinct. Therefore, it is important that international experiences are not applied slavishly but rather are adapted to local conditions. Nevertheless, there is a growing body of literature in the AC field which may offer pointers in the fight against corruption.

A widespread view is that corruption is bad for development, that the burden of corruption falls most heavily on the poorest, and that corruption undermines political legitimacy (OECD 2006; Transparency International 1998; Transparency International 2007; UNDP 2008; World Bank 2006a). The opening sentences of UNDP's report 'Tackling Corruption, Transforming Lives' sums up this view most clearly:

*"Corruption has many damaging effects: weakened national institutions inequitable social services and blatant injustice in the courts – along with economic inefficiency and unchecked environmental exploitation. And it hits hardest the poor – who often depend heavily on public services and the natural environment and are least able to pay bribes for essential services that should be theirs by right."* (UNDP 2008: 1)

Clearly, there is much truth in all this, including some empirical evidence to support these claims (Ades and Di Tella 1997; Bardhan 1997; Gray and Kaufman 1998; Gupta, et al 1998; Hall and Jones 1999; Mauro 1995; Mauro 2002; World Bank 2004). However, the empirical evidence regarding the effects of corruption is not as watertight or as uncontested as is sometimes suggested. For example, there is research which shows that different kinds of corruption have different effects with certain types of corruption being much more debilitating for development and political

stability than others. For instance, some scholars have argued that corruption which is centralised in the hands of a cohesive political elite is less debilitating in developmental terms than if it is not (Rock and Bonnett 2004). Also important according to revisionist literature is whether state patrons have the upper hand in relation to societal clients, and whether elites take a long-term or a short-term approach to corruption.<sup>8</sup> Relevant too is whether corruption is predictable (Malesky and Samphantharak 2008) and whether gains from corruption are re-invested productively, or find their way into foreign bank accounts or are used up via conspicuous consumption, although even in respect of conspicuous consumption there is likely to be some economic benefit domestically (Hutchcroft 1997; Khan 1996 and 1998, Khan and Jomo 2000; Rock and Bonnett 2004).

Taking this logic a stage further, it has also been argued that what is often called corruption is simply a process of capital accumulation, which may not be particularly equitable or just, but is necessary if economic development is to occur (Khan and Jomo 2000; Wood 1999). In advancing such arguments, it is often suggested that what is occurring in developing countries – which today is labelled corruption – is similar to that which occurred in many developed countries at the point at which they industrialised (Khan and Jomo 2000; Nolan 1995). While it is almost certainly politically unacceptable – and quite possibly ill-advised – to do nothing about corruption, being clear about the effects of corruption in a particular country is obviously important in terms of deciding how to respond to the problem, including the level of resources to devote to solving it.

In terms of tackling corruption, different countries have tried different approaches although the leading international agencies specialising in the field of AC have tended to emphasise a fairly consistent set of what they regard as ‘good practice’. At their most general, these include the need to tackle the causes of corruption and not just the symptoms, along with recognition that the way in which institutions are structured tends to define the incentives by which people operate (Transparency International 1998; World Bank 2006a). The importance of political and economic competition, transparency and accountability are also regularly stressed in the international literature on tackling corruption (OECD 2006; World Bank 2006a). The OECD, for instance, emphasises the importance of transparency, accountability and integrity in both the public and the private sector although it also argues for strong criminal legislation, international cooperation, and robust anti-corruption mechanisms. Amongst other things this has seen the OECD targeting the ‘supply side’ of corruption, developing mechanisms designed to reduce the offering of bribes (OECD 2006).

Other frequently mentioned ‘good practice’ in the fight against corruption include strengthening the rule of law, reducing the size of the public sector, limiting the scope for discretionary decision-making by the state, mobilising civil society and the media, raising public awareness, increasing public sector wages, strengthening judicial independence and parliamentary oversight (Shah 2005; Transparency International 2007; UNDP 2008). Echoing some of this, Transparency International highlighted the importance of four issues as having been important in the fight against corruption in East and South East Asia: ‘political will’; the establishment of a specialised anti-corruption agency; mobilising civil society and the media; and adopting a sectoral approach whereby those areas most vulnerable to corruption are

targeted first (Transparency International 2007). Beyond this, UNDP has argued that even allowing for national or local complexity in tackling corruption certain approaches are likely to be appropriate across a range of countries. These include collaborating internationally in the fight against corruption (e.g. ratification of the United Nations Convention against Corruption); establishing access to information as a right; encouraging private sector and citizen involvement in tackling corruption; and utilising new technologies, if they are available, to assist in uncovering corruption (UNDP 2008). Box 2.1 contains a summary of Hong Kong's anti-corruption strategy.

### **Box 2.1 Hong Kong's Anti-Corruption Strategy**

Hong Kong was viewed as highly corrupt in the 1960s and 1970s whereas now corruption is viewed as being under control. Its Independent Commission Against Corruption (ICAC), established in 1974, adopted a three-pronged approach to tackling corruption, focusing on deterrence, prevention, and education. Its deterrence strategy incorporated: a zero-tolerance approach to corruption; an effective public complaints system to encourage reporting of corruption; systems designed to enable a quick response to complaints; and a review system to ensure all investigations were conducted properly and free of political interference. In terms of prevention, the ICAC placed emphasis on reducing opportunities for corruption via ensuring transparency and accountability in all government business. The ICAC's education strategy focused on publicity through the mass media, including producing commercials and documentaries, along with promoting ethical codes and ethical behaviour in government, business and in schools.

*Source: Kwok 2008.*

While much of this advice is sensible, it is, nevertheless, mistaken to think that there is consensus on what works (or does not work), or that there is always good empirical evidence supporting particular conclusions. As with the effects of corruption, the evidence is rarely as conclusive as people like to suggest while it is important to say that just because something is said to have worked in one country does not mean it will do so – or be appropriate – in another country. Transparency International itself concedes that not all countries in East and South East Asia have established a specialised anti-corruption agency – although this is something it advocates as best practice (Transparency International 2007). Moreover, where countries have not established a specialised anti-corruption agency (e.g. the Philippines, China, Cambodia, Japan), it is impossible to say whether this has been a cause of problems or not since the research which would allow us to make such a claim has not been carried out.

In addition, it is often said that enlisting the support of civil society is crucial in the fight against corruption, which it may be. However, it has been noted that Singapore's success in tackling corruption appears to have been achieved without reliance on a dynamic and vibrant civil society (Transparency International 2007). Nevertheless, even taking this assertion at face value, it is important not to jump to conclusions. For example, we cannot say that Singapore's experience proves that a vibrant civil society is unnecessary to fight corruption since Singapore may be a special case. Furthermore, a case can be made that society has been very important in the fight against corruption in Singapore – just not necessarily in the same way that it has been in a liberal democracy. Thus, once again, for countries seeking to draw conclusions from international experience, the lessons are clear: while there

may be benefits from looking at the experiences of other countries, any potential lessons need to be weighed carefully both in terms of relevance and whether evidence exists to support the claims being advanced.

A further key criticism can be levelled at much of the received wisdom in terms of tackling corruption, namely that while many agencies are good at saying what needs to be done to fight corruption they have much less to say in terms of how countries are supposed to achieve the things they recommend. The focus on 'political will' as being important in the fight against corruption is a case in point. Political will undoubtedly is important – at all levels of the political system and society – but how one is supposed to create political will, particularly in a climate where corruption is endemic, is rarely set out. Similarly, it is unclear based on a review of the literature examined here how one is meant to create transparency in a climate where neither the state nor citizens are used to such things. Furthermore, while the idea of a sectoral approach – i.e. prioritising certain sectors in AC work – may make sense from the point of view of managing finite resources, there are questions to be asked as to whether it is realistic to expect actors in one area to change their behaviour in situations where the whole system is corrupt.

Some of the most interesting and useful research in the AC field concerns the question of sequencing of reforms, which goes to the heart of the question of how to break the habit of corruption in contexts where corruption is institutionalised. What this literature argues is that in contexts where corruption is endemic, certain approaches are doomed to failure simply because the incentives of the system are such that it is not possible to stop being corrupt (Shah 2005). To illustrate this, we only have to think about the businessman who cannot secure a contract without paying a bribe, the citizen who cannot get a license to build a house without doing the same, the patient that feels obliged to pay the doctor and nurse for free medical care, the parent that fears his child will fail if does not pay the teacher, or the government department that cannot stop collecting informal payments from the public even if they wanted to because their institutional budget depends on it.

Thus, in such a climate, it is argued that awareness raising about corruption is likely to have little, if any, impact on behaviour. Similarly, while raising public sector wages might be the right thing to do if they are low, it is unlikely to have much impact on corruption in contexts where corruption is widespread. Equally, in a context where corruption is institutionalised, attempting to strengthen parliamentary oversight or create a merit-based civil service – while they may be good ends in themselves – are not priorities when it comes to tackling corruption (Shah 2005). Instead, it is far more important to focus attention on strengthening the rule of law, building media and judicial independence, raising the levels of citizen involvement in the fight against corruption, and economic policy reform, including reducing the size of the public sector (Shah 2005).

However, once again, while this research is relatively sophisticated in relation to prioritisation, it has much less to say in terms of how one achieves these things. Moreover, there is also the question of whether it is realistic for a government to stop doing certain things simply because they are not a priority in the fight against corruption and especially if they are valuable for other reasons (e.g. equity). Nevertheless, despite these caveats, we believe there are some potentially useful lessons for Viet Nam derived from this literature as follows:

- First, the strong performance of Viet Nam's economy during the doi moi period despite high levels of corruption gives credence to sections of the international literature which argue that the impact of corruption on development is multi-variegated.<sup>9</sup>
- Secondly, in a high corruption environment – like Viet Nam's – certain measures are unlikely to have much impact in reducing corruption. These include raising public sector wages, awareness raising about corruption; strengthening parliamentary oversight; and attempting to create a merit-based civil service.
- Thirdly, measures which are likely to be more effective in the fight against corruption are ones which strike at the heart of the incentive structure underpinning the system. These include measures designed to strengthen accountability and transparency and reduce the scope for discretionary decision-making by officials. Important here is raising the level of citizen involvement and the media in the fight against corruption.

We will consider the relevance and applicability of these lessons for Viet Nam further on in the paper.

### 3. Reform Challenges

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This section of the paper is divided into four parts. We first consider the relationship between PAR and AC both in theory and in practice. We then look at the changing nature of corruption, its consequences (specifically for public service provision), and finally we examine the causes of corruption. It is in this section of the paper that we set out our argument about the systemic nature of corruption in Viet Nam.

#### 3.1 Public administration reform and anti-corruption in Viet Nam

In terms of understanding the relationship between PAR and AC work, the most logical position is that they both speak to each other although in each case their remit, and the issues they are concerned with, are broader than the other. Thus, in terms of PAR, it is evident from the report on the review of the first phase of the PAR Master Programme (MP) that one of its key concerns is corruption even if PAR is also involved in areas which go beyond the issue of corruption per se (PAR Steering Committee 2006). For example, we are told in section III of the document that there are still serious concerns about the quality of civil servants, and this evidently links to concerns about corruption:

*“Although there have been some improvements in training contents and methodology, fundamental reforms defined in [the] PAR MP still fail to be implemented. The ethical qualities of a big section of the contingent of public officials, civil servants [are] degrade[d]. They even commit corruption and are authoritarian. They lack a sense of responsibilities and service oriented spirit. They are indifferent to the requirements of the people and the society.”* (PAR Steering Committee 2006: 12)

Equally, the PAR MP's focus on clarifying the responsibilities and tasks of different agencies, on reducing the scope for discretionary interference by state agencies, and on salary reform are all – one suspects – being carried out against the backdrop of concern about corruption even if this is not formally stated at every stage.

Similarly, looking at the government's AC Strategy one can also see how the strategy speaks to issues relating to PAR. Its overall objective is described as creating a “clean and strong state machinery” staffed by “ethical and incorruptible personnel” (Government of Viet Nam 2009: 3). Moreover, in the second of its five 'groups of solutions, the AC Strategy focuses explicitly on the exercise of state power and the civil service, highlighting – like PAR – the need to clarify the responsibilities of different agencies, improve the quality of civil servants, and tackle the problem of low public salaries (Government of Viet Nam 2009: 4). Moreover, in talking about the need to eliminate the “opportunities and conditions that give rise to corruption” (Government of Viet Nam 2009: 3) the AC strategy is also clearly signalling the need for an institutional solution to the problem of corruption.<sup>10</sup>

*“If you succeed in PAR you create a good basis for anti-corruption. If you fail in PAR, you create more opportunities for corruption.”* (interview with international specialist on governance, October 2008)

While PAR and AC work clearly speak to each other – and are both important to each other's success – they do not deal with identical issues or areas. For instance, AC work has a broader focus than PAR not least because corruption is not simply something which happens in the public sector. Furthermore, because of its focus on the delivery of public services, PAR naturally incorporates debates about the kind of public services Viet Nam is seeking to achieve and the different ways in which they may be delivered, which go beyond the remit of any AC Strategy. Such observations notwithstanding, it is undoubtedly important given the close relationship between the PAR MP and the AC Strategy to consider whether there is a danger of overlap between the two areas and hence a need for greater synchronisation.

Also important is whether there are any lessons to be learnt from the experience of implementing PAR, which may be relevant as Viet Nam moves to implement its AC Strategy. Specifically, we are referring to the criticism which has been levelled at PAR that it is simply too big and unwieldy, and hence difficult to coordinate. While this may be inevitable for a complex programme like PAR, it is, nevertheless, worth asking whether certain things could be done differently, which may have a bearing on how AC work in Viet Nam is developed going forward. We will return to this issue, and that of synchronisation between PAR and AC work, in part 4 of our paper.

While it is clear from the preceding analysis that there is a close mutually supporting relationship between PAR and AC work in Viet Nam in theory, it is important to consider how this relationship has worked out in practice. Put another way, has PAR made significant inroads into addressing the problem of corruption during its lifetime? Or, has AC work made a difference in terms of improving the quality of administrative procedures?

While the situation on the ground is obviously complex and varied (Malesky 2008), our research suggests that the overall impact has been small. That is, PAR has

generally not resulted in lower levels of corruption while neither has AC work led to strengthened administrative procedures. Moreover, it is not just based on our own research that we say this: it comes across clearly in the review of the first phase of the PAR MP, which while acknowledging PAR's successes is equally explicit about continuing problems, including that of corruption. This includes a close association in people's minds between public office and making money, the continued prevalence of nepotism in appointments, and high levels of bribery, fraud and embezzlement (Vasavakul 2008). Especially pertinent to our analysis is the attention paid in the report on the first phase of the PAR MP to the proliferation of organisations inside provincial departments, district bureaus, ministries and central branches, which the report says directly contradicts efforts within PAR to streamline the administrative apparatus (PAR Standing Committee 2006: 8-9). This, in turn, highlights the way in which the system tends to reproduce itself despite efforts to introduce reforms which push in the very opposite direction. Furthermore, there is a close relationship between the proliferation of government organisations and corruption since just as old organisations are closed down, new ones tend to form, one suspects, to keep people in employment and maintain the means to generate revenue.

*"[The reason there are still so many administrative procedures is because] people are afraid of losing power and income so they don't want to see a reduction."* (interview with government official, October 2008)

If, therefore, the impact of PAR on corruption has been relatively small, what about the effects of AC work on PAR?

Once again, our research suggests that as yet the effects have been limited. In particular, we would point to the existence of a wide range of qualitative and quantitative indicators, pointing not only to the persistence of corruption in Viet Nam, including in respect of public administration, but also asserting that corruption has worsened during the doi moi period (Central Committee of Internal Affairs 2005; Government of Viet Nam 2009; Transparency International 2006).<sup>11</sup>

We will now look at the changing nature of corruption in Viet Nam.

### **3.2 The changing nature of corruption in Viet Nam**

In trying to understand the changing nature of corruption in Viet Nam, we are ultimately concerned with two things: firstly, how frequently corruption occurs, and secondly, the different ways in which it occurs. In relation to the first question, we have to accept that by its very nature, we can never measure corruption precisely. That is, we can never know the number of acts of corruption which occur in Viet Nam at any one time. Nor can we measure precisely the amount of money which is 'lost' to corruption although it is important to remember that corruption need not involve money, and that as we saw with reference to the international literature on corruption, different kinds of corruption have different developmental effects.

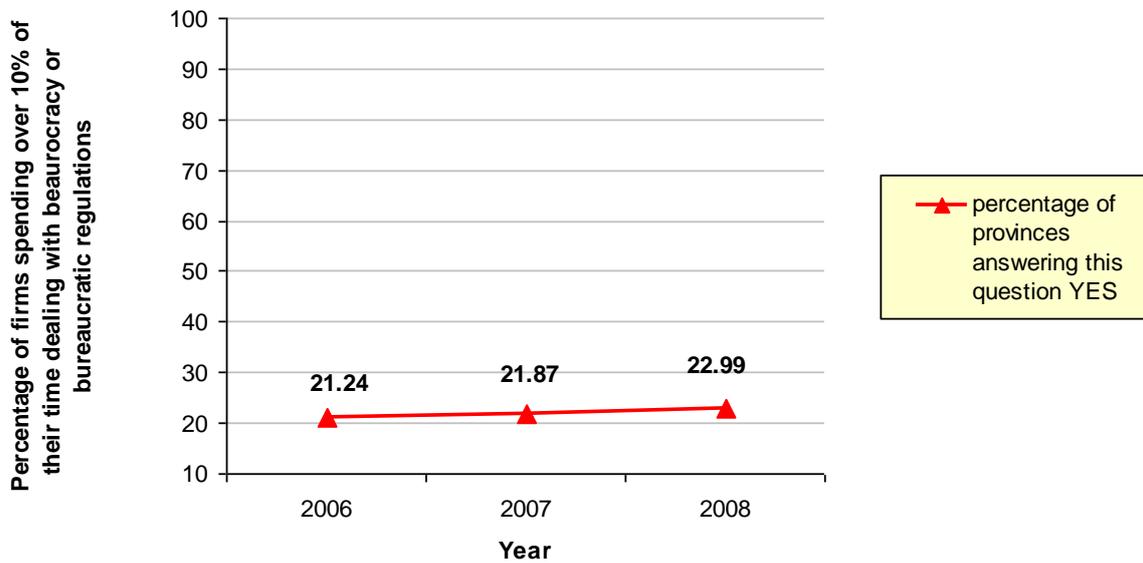
*"Between October 2007 and August 2008, the number of corruption cases going to court fell. Government Inspectorate said that this was an achievement. Others, however, say that this statement is not quite correct"*

*because it may be they just haven't discovered the corruption.*" (interview with official with responsibilities in the anti-corruption field, October 2008)

Despite these caveats, we can say with a fair degree of confidence that since doi moi both the incidence of corruption and the sums involved have increased, and almost certainly have increased significantly. This is not to suggest that there was no corruption under central planning. Indeed, significant portions of the academic literature on Viet Nam highlight the way in which corruption did exist under planning (Fforde 1993 and 1996; Kerkvliet 2005; Koh 2004). Nevertheless, looking at the situation today, we can say that marketisation and international integration have created more opportunities for corruption – not least because there is more money flowing around. Also, liberalisation in Viet Nam has not been accompanied by a retreat of the state but rather it has remained central to the operating of the business environment, and this too has provided opportunities for corruption (Gainsborough 2003a).<sup>12</sup>

Against the backdrop of over twenty years of reform, there is also a sense in which certain kinds of corrupt behaviour, which previously might have attracted attention or raised eyebrows, have simply become more acceptable, or at least more normal. Anecdotally, one suspects this extends to the amounts of money involved in corrupt transactions such that if we could devise an objective measure of the amount of money lost to corruption each year we would probably find that it has risen during the doi moi period even relative to the increase in the size of Viet Nam's economy. Furthermore, notwithstanding official efforts to tighten inspection and audit mechanisms and clamp down on corruption, it is probably easier in certain respects for those who engage in corruption to go undetected. This is in large part because being wealthy is more acceptable – and normal – such that conspicuous displays of wealth attract less attention today even if they have been obtained by corrupt means.<sup>13</sup> Data from the Vietnam Provincial Competitiveness Index (VPCI) 2008 reveals that the importance of bribes (referred to as 'informal fees') has not declined since 2006. In addition, VPCI data also underlines the fact that time cost of dealing with bureaucracy or bureaucratic regulations remains high (Malesky 2008). See Figures 3.1 and 3.2 below.

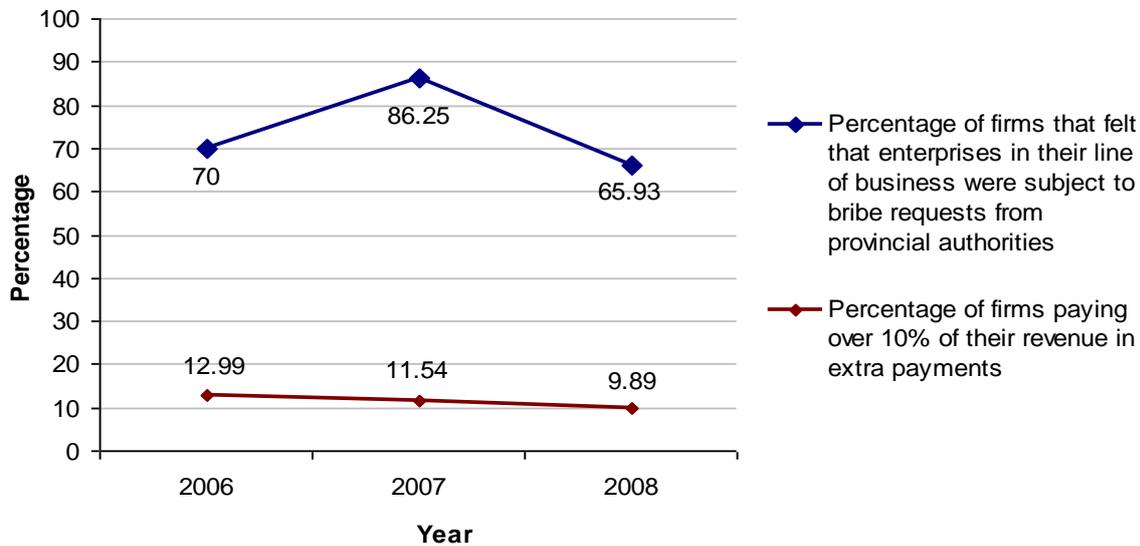
**Figure 3.1. Comparison of Time Costs of Regulatory Compliance  
2006-2008**



Source: Malesky 2008

The second area we are interested in assessing regarding the changing nature of corruption concerns the types of corruption which occur in Viet Nam today. Writing on Viet Nam has tended to categorise corruption in a variety of different ways. Some have referred – somewhat blandly – to the existence of administrative, political, and judicial corruption in Viet Nam (Anti-Corruption Resource Centre 2008). Others have made a distinction between public sector and private sector corruption. Some commentators have referred to petty and grand corruption with the former tending to be understood as small-scale, everyday corruption, and the latter being larger scale and involving high-level officials either directly or by providing protection (UNDP 2008). All these different ways of classifying corruption have their uses although with reference to petty and grand corruption, the key point to make is that Viet Nam has both, and both are serious (Transparency International 2006).<sup>14</sup> Moreover, while there may be benefit in referring to public and private sector corruption, the fact that public and private are so blurred in Viet Nam raises questions about whether targeting ‘private sector’ corruption on its own is likely to be effective.<sup>15</sup>

**Figure 3.2. Comparison of Informal Charges  
2006-2008**



Source: Malesky 2008

Taking the analysis a stage further, we can add that corruption in Viet Nam occurs at all levels of the Party and State and in all sectors, including both the public and the private sector. Moreover, it is no exaggeration to say that in business and in public administration – again both private and state – corruption is the norm in Viet Nam insofar as generally speaking it is impossible to operate without engaging in some form of corrupt practice. Both citizens and business people interviewed for our research confirmed this repeatedly, commenting that they had ‘no choice’ but to pay bribes to get things done, or to agree to pay a percentage if they wanted to be considered for a government contract. Furthermore, people were often quite unsure whether such behaviour was wrong, preferring instead to see it just ‘as the way things are’ (interviews with business people, Ha Noi, October 2008).

*“We don’t want to give money but there is no other way.”* (interview with government employee, October 2008)

On the whole, it appears that corruption is relatively predictable in Viet Nam by which we mean people know what the ‘going rate’ is – say, for example, to secure a public position or a construction tender (Gainsborough 2009a; Malesky 2008: 94; Salomon 2008). Moreover, in Viet Nam, people by and large get what they pay for, which it is worth noting is not a feature of all countries. Predictable corruption is in some respects harder to deal with because it is not necessarily regarded as a problem – as we have seen – so building political will to tackle it is more difficult. The effects of predictable corruption on development may also be less debilitating.

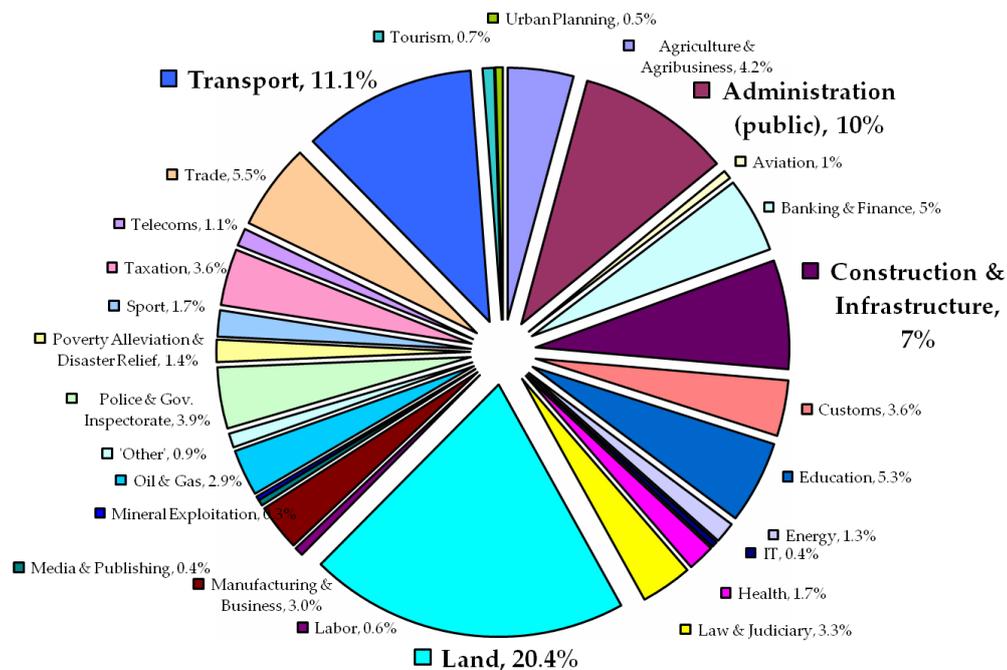
It is often said that corruption in Viet Nam – although a major problem – is not as serious as in Russia or Cambodia. The evidence for such claims is not especially strong but it has to do with arguments about state capture, which is arguably greater in Russia (Anti-Corruption Resource Centre 2008), and the degree to which the state

acts with impunity, which is said to be greater in Cambodia than in Vietnam (Gottesman 2002; Hughes 2000). Moreover, it has been suggested that the state in Viet Nam has been more effective in keeping corruption within certain limits compared with other transition economies – for example, compare equitisation in Viet Nam with privatisation in Russia (Gainsborough 2009b forthcoming).

*“If your tax report is late, you will face a big fine. But it is easy to avoid it. You just put your report in a plastic folder with VND500,000 hidden between two blank sheets of paper, exchange mobile numbers [with the tax official], and [they] will change the date of receipt.” (interview with government employee, October 2008)*

With reference to the public sector in Viet Nam, it is often said that certain sectors are more corrupt than others, and there is some truth in this. For instance, the diagnostic study of corruption conducted in 2005 by the Party’s Internal Affairs Committee revealed that respondents thought that the traffic police along with agencies with responsibility for land, customs, construction and taxation were the most corrupt (Central Committee of Internal Affairs 2005). Its findings were also born out by another study conducted around the same time (cited in World Bank 2006b). Nevertheless, this ‘headline’ list leaves important sectors out (e.g. those agencies with responsibility for deciding appointments) and the reality is that all sectors are vulnerable to corruption even if some sectors are perhaps more vulnerable than others. See Figure 3.3 for more recent data on the presence of corruption across different sectors, and Figure 3.4 for data showing the geographical distribution of corruption in Viet Nam. Since the passage of the AC Law in 2005, there has been greater awareness of the vulnerability of anti-corruption agencies in Viet Nam to corruption.

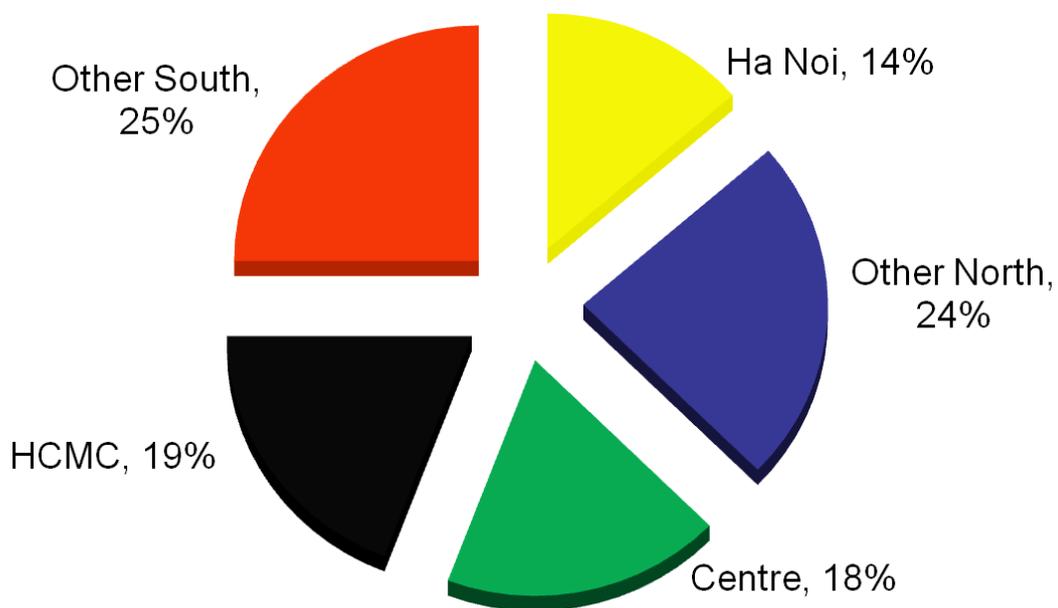
**Figure 3.3. Coverage of Corruption by Sector**



Source: McKinley, Catherine (2008) Report on media reporting of corruption to AC Dialogue, November 28.

While the above analysis provides the broad outlines of the nature of corruption in Viet Nam in terms of highlighting its ubiquity and institutionalised nature, there is more to say in terms of the precise ways in which corruption is occurring in Viet Nam and how this is changing. Writing in the 1990s, Gainsborough (2003a) explored the way in which the emergence of the land market and the move away from a mono-banking system, notably with the establishment of joint stock commercial banks, created new opportunities for corruption, as officials used inside knowledge about urban development plans to buy up land cheaply before its value became apparent. Others have written about corruption in relation to state enterprise reform, including equitisation, whereby state assets were ‘hollowed out’ such that they found their way – often illegally – into private ownership (Fforde 2004 and Gainsborough 2003a and 2009b). Others still have documented how elaborate corporate ownership patterns, notably with the establishment of *cong ty con* and *cong ty con con* (children and grandchildren companies), were used to access credit from the commercial banking system often by mortgaging the same asset again and again (Gainsborough 2003a and 2003b). While such behaviour was relatively new in the 1990s, such practices continue to this day albeit with variations. For example, there is now a greater tendency for people operating under a private sector label to engage in such practices compared with a decade ago, reflecting in part the greater confidence of the private sector. Nevertheless, the beneficiaries of such behaviour are still to be found in equal measure in both the state and the private sector (Cheshier and Penrose 2007).

**Figure 3.4. Geographical Distribution of Corruption**



Source: McKinley, Catherine (2008) Report on media reporting of corruption to AC Dialogue, November 28.

Corruption has also been classified during the *doi moi* period as occurring in one of three ways, namely grease or speed money, the illegal privatisation of state property, and the selling of state power (Vasavakul 2008). Some of this overlaps with our analysis above but is nevertheless useful. Grease or speed money refers to state officials offering a faster or better service to citizens or other officials who approach

them for services in exchange for payment. Grease or speed money exists in a wide range of sectors in Viet Nam, including education.<sup>16</sup>

The illegal privatisation of state property refers to public officials exploiting their position for private gain through fraud, embezzlement, extortion, smuggling or illegal tax collections. The selling of state power involves the acceptance of bribes in relation to recruitment or promotion in respect of public office. It can also involve the sale of services normally carried out by public officials to private individuals, including organised crime. This has happened in Viet Nam in respect of the judiciary and the police, most famously in respect of the Nam Cam corruption case (Vasavakul 2008 and Salomon 2008). The institutionalised nature of corruption in Viet Nam is such that it is possible to identify an extensive network of ‘buyers’, ‘sellers’, and ‘brokers’. Sellers tend to be Party and government officials at all levels while buyers tend to include both officials and private business people (Vasavakul 2008: 8). Others have also spoken of how corruption has permeated the legislative process such that the very act of drafting laws is done in such a way to create loopholes and protect various vested interests.<sup>17</sup>

In writing on corruption in Viet Nam, the Vietnamese government has made reference to how corruption never stands still but constantly re-forms in new ways (Government of Viet Nam 2009). For example, the AC Strategy to 2020 notes that the development of the stock market and other financial instruments along with increased international integration has created new opportunities for corruption, including through organised crime (Government of Viet Nam 2009: 2). While this is certainly correct – and poses real challenges for enforcement authorities – it is an area which is under-researched.

### 3.3 Consequences of corruption, including for public service provision

The potential for negative fallout if corruption goes unchecked in Viet Nam has been recognised at the highest level of the CPV and GoV. The resolution of the 3<sup>rd</sup> Plenum of the Party Central Committee (10<sup>th</sup> term) in August 2006 focused specifically on the problem of corruption. Moreover, this followed passage of Viet Nam’s first AC law in 2005 while in 2008 the government issued its AC Strategy towards 2020. The AC Strategy is particularly explicit about the dangers from corruption, including acknowledging that the very survival of CPV rule is at stake:

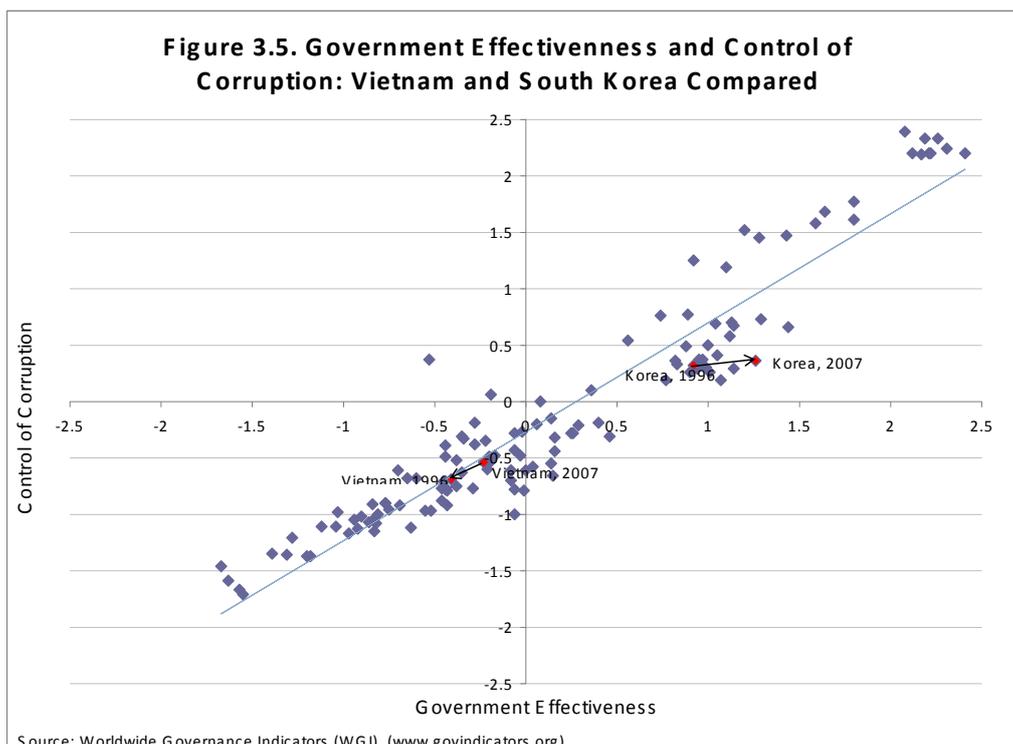
“[Corruption is] leading to adverse effects in many ways, eroding the confidence of the people in the leadership by the Party and the management of the State, giving rise to potential conflicts of interest, social resistance, and protest, and widening the gap between the rich and the poor. Corruption has become a major obstacle for the success of Doi Moi and the fighting force of the Party, threatening the survival of the regime.” (Government of Viet Nam 2009: 1)

Looking at the above analysis, it is striking how little emphasis is placed on the effects of corruption on the economy; not unreasonably since Viet Nam’s economy has performed well during the reform years despite widespread corruption. Thus, while economists may make arguments about costs of corruption and the risk that it

might make Viet Nam uncompetitive, as yet this has not been the case, or at least not significantly. Moreover, it is not even clear that effects of corruption will become more debilitating as Viet Nam seeks to develop its economy further, including moving into higher value-added industrial production – although such claims are frequently made. In addition, it is often said that accessing capital on international markets requires a greater degree of transparency and more robust corporate government than Vietnamese firms are generally used to. However, what we in fact find, is that international lenders are willing to accept government guarantees – for example for state enterprises – if they are unsure about the reliability of the company they are lending to (email communication with international expert in Viet Nam, December 2008).

*“Corruption is not good because it undermines credibility [of the system], it undermines morality. The consequences are not just economic, it effects all aspects of life.”* (interview with senior Vietnamese academic, October 2008)

Nevertheless, there are other good reasons to strive for efficient and discretion-free administrative procedures in Viet Nam on grounds of social justice, equity, and in order to avert a potential loss of CPV legitimacy. Rapid economic development in Viet Nam is being accompanied by widespread social change such that citizens’ expectations of the state are changing, and there is less tolerance towards officials who make life difficult for people (Gainsborough 2007b). While it is true that most people if they are able to play and pay the system will do so, there is also a growing sub-section of Viet Nam’s citizens, who are increasingly angry about corruption. Thus, there is a clear link between the provision of better public services and hence higher levels of citizen satisfaction, and stability of the regime. See Figure 3.5 for data which shows a clear correlation between corruption and the level of government effectiveness comparing Viet Nam with South Korea.



A key flash point in relation to unclear and untransparent administrative procedures concerns land, which has been the source of a growing number of protests in recent years (Dinh 2008a; Kerkvliet 2003).<sup>18</sup> In addition, while businesses are generally able to navigate Viet Nam's myriad rules and regulations, securing permissions and opening doors, firms we spoke to nevertheless expressed profound frustration at the lost opportunity cost resulting from the time and money lost from going backwards and forwards to government offices to deal with issues which should not have been a problem in the first place (Malesky 2008; interviews with business people, Ha Noi, October 2008).

*“Waiting in a long queue wondering whether our document will be looked at...coming backwards and forth as they keep asking for more information...it is the lost opportunity cost [that matters] as you can't do other things.”*  
(interview with Vietnamese businessman, October 2008)

We now turn to the causes of corruption and difficulties in administrative procedures.

### 3.4 Causes of corruption

Within the academic literature there is a range of views as to the causes of corruption. Some scholars focus on structures (Oi 1989; Shore 2005) while others look at agents (Chan and Unger 1982; Womack 1987). Some scholars view corruption as a crime of calculation, not passion (Klitgaard et al 2000), while others emphasise the importance of understanding the social foundations of corruption (De Sardan 1999). In reality most explanations of corruption draw on a mixture of all these. Here, we will briefly refer to three explanations as these are the ones which are most relevant to our purposes: agency-idealist; structural materialist; and structural idealist theories of corruption.<sup>19</sup>

Agency-idealist theories of corruption represent some of the oldest explanations for corruption. They also sit most comfortably with popular understandings of corruption. Put simply, they argue that bad people steal, offer or accept bribes, and good people do not. Thus, corruption is widespread where an individual's ethical behaviour is in doubt (Wraith and Unger 1963).

Structural materialist explanations of corruption, meanwhile, are popular with economists although they have also attracted a following among political scientists. Structural materialist explanations typically treat all agents the same, arguing that their sole motivation is to maximise economic returns. Variations in corruption are then seen as the result of structural factors which create or constrain the incentives within which agents operate. Hence, corruption is likely to be highest, it is argued, when monopoly power and discretion on the part of officials are widespread, and where checks and balances are lacking (Klitgaard et al 2000). Others from the structural materialist camp have emphasised the way in which in some countries, the administrative system is only able to function if people pay bribes or deploy other informal practices to oil the wheels (Oi 1989).

Structural-idealist explanations seek to explain how social context and culture lead to variations in corruption levels. For instance, this might involve exploring the way in which gift-giving or Confucianism might lend itself towards corruption (Moon and

McLean 2003). Not surprisingly, cultural explanations of corruption are controversial since they seem to imply that certain cultures may be morally inferior to others. Nevertheless, applied sensitively, cultural explanations can be useful as they allow for the possibility that what is viewed as corruption in one context may not be the same as how it is viewed in another context.

With reference to Viet Nam, we can see that all these explanations for corruption have been applied at one time or another. For example, it is not uncommon to hear that corruption exists in Viet Nam because there is too much scope for discretionary behaviour on the part of officials, notably in respect of the economy, or that corruption is the result of a poor ethical outlook on the part of officials, including the assertion that ethical standards have got worse during the doi moi period (interviews with government officials and Vietnamese academics, October 2008). Other explanations for corruption in Viet Nam view it as a consequence of insufficient reform, including regulatory loopholes as a result of the transition from plan to market; low salaries; a legacy of the state subsidy period, notably the ask-give mechanism. Other commentators see corruption as a result of decentralisation (Anti-Corruption Resource Centre 2008); preferential treatment of state-owned enterprises; dangerously close political-business relations (Beresford 2008); poor implementation of the country's laws and related regulations (Davidson et al 2008; Fritzen 2005); and a lack of political will (Transparency International 2007).

In a report on corruption in Viet Nam and Russia, the Anti-Corruption Resource Centre, U4 concurs with a large part of this:

“Rapid economic growth is accompanied by increased demand for administrative functions such as the need for more government permissions to engage in economic activities via licenses, approvals, consents and the like; this in turn increases opportunities for administrative or petty corruption.” (p. 3)

“Local governments have also been given new authority and greater control over local expenditure, notably in infrastructure, and increased freedom to approve foreign investment projects. These decentralisation efforts have led to the uneven implementation of laws and variations in requirements have given local officials considerable discretion to demand bribes for issuing licenses and permits, leading to more administrative corruption.” (p. 4)

“Legal systems...were found to be underdeveloped and unprepared to deal with the demands of economic transition, which not only led to a slew of ad hoc and inconsistent laws. Confusion in the application of these laws also led to greater opportunities for judicial corruption.” (p. 6)

For its part, GoV echoes some but not all of these explanations. For instance, it tends to dispute assertions about a lack of political will – particularly at a high level – instead placing emphasis on unclear regulations, weak implementation of AC policies, and a decline in ethical standards on the part of officials (interviews with

government officials and Vietnamese academics, October 2008). In its AC Strategy to 2020, GoV explains the persistence of corruption in Viet Nam as follows:

“The main causes of [corruption] are the fact that the system of policies and laws has not been well synchronised or well aligned; the strengthening of agencies and organisations in the political system still fails to keep up with the development of the socio-economic life; the personnel of public officials and civil servants are still unprofessional, the ethics of a significant portion of public officials and civil servants is downgraded; the implementation of guidelines, policies and solutions for preventing and combating corruption that were put forward during the past few years still fail to meet the requirements and expectations, with poor effectiveness, especially there is the lack of a comprehensive long-term strategy or plan for preventing and combating corruption.” (p. 2)

While there is merit in at least some of the above analysis, generally speaking it places far too much emphasis on the failings of individuals, on the one hand, and on unclear regulations and poor implementation of them, on the other. Of course, these things are not irrelevant but to place them at the centre of the analysis is to fundamentally misunderstand the problem of corruption. Put simply, corruption in Viet Nam is a systemic problem. That is, corruption exists not as an aberration of the system – at least not primarily – but rather it is the system. See Box 3.1 for further explanation of what it means to understand corruption as a systemic problem. Controversial though this assertion may be, it can be understood with reference to three key generalisations about the state in Viet Nam: firstly a tendency in Viet Nam to view public office as a vehicle for personal enrichment; secondly; a tendency to pay attention to servicing one’s patronage network rather than working for some notion of the public good; and thirdly a tendency to use uncertainty and a lack of clarity in respect of regulations as an instrument of rule (Gainsborough 2008).

### **Box 3.1. Corruption as a systemic problem**

To describe corruption as a systemic problem is to emphasise the way in which corruption should be seen less as an aberration of the system but more as the normal workings of the system, which has its own distinctive logic, which is self-perpetuating. The strong connections in people’s minds between public office, making money, and other forms of personal advancement, lies at the heart of this. Viewing corruption as a systemic problem therefore places heavy emphasis on the informal but often institutionalised way in which governance occurs. With reference to Viet Nam, viewing corruption as a systemic problem is helpful in explaining why it is that interventions by the Government of Viet Nam (GoV) in respect of public administration reform (PAR) and Anti-Corruption (AC) have generally failed to have the desired effect such that the problems which the reforms are designed to tackle persist. It also shifts the emphasis away from viewing corruption as primarily an ethical issue or as a consequence of unclear regulations or poor implementation. Viewing corruption as systemic problem is not to be confused with criticising one-party systems in relation to the problem of corruption as it is noted that corruption occurs in all political systems.

How current problems have emerged historically is complex and is beyond the scope of this paper. Nevertheless, it is important to add that this characterisation of the state is not unique to Viet Nam: indeed, it far more widespread globally than is generally realised. Moreover, to characterise the state in this way is expressly not to point the finger at any particular individual, politician or department, or to highlight their supposed moral degeneracy. Of course, even within this system, there are some people who overstep the mark. However, generally speaking, the approach to understanding corruption advocated here adopts a more sympathetic standpoint in relation to corrupt behaviour, not condoning it but arguing that as the system currently operates, it is simply unrealistic to expect people to behave differently if they want to get anything done.

The validity of our first point, namely that there is a tendency in Viet Nam to view public office as a vehicle for personal enrichment, makes immediate sense if one recalls that public office in Viet Nam comes with a price tag (i.e. it can and frequently is purchased) (Acuna-Alfaro 2008b; Gainsborough 2009a; Salomon 2008; Transparency International 2006). Thus, officials or prospective officials are not buying their seat simply out of the goodness of their heart but rather because they expect to get something in return (i.e. to recoup their investment). And, as was discussed in part 3.2 of this paper, this happens in a whole variety of ways whether it is officials charging for their services, running businesses, or exploiting their position for private gain in other ways.<sup>20</sup>

In relation to our second point, namely a tendency to pay attention to servicing one's patronage network rather than working for some notion of the public good, the argument would be that in the Vietnamese system, looking after those in your immediate circle or patronage network is regarded as the ethically right thing to do. In fact, not to do so, would be viewed as behaving badly. This, for example, explains the continued high prevalence of nepotism in appointments despite formal efforts to eradicate it (Salomon 2008).

Those regulations in Viet Nam are frequently unclear and overlapping – our third point – is not by design, or the result of the activities of any one official (e.g. inexperience of those drafting such regulations). Rather, the rules are unclear in Viet Nam because there is an inherent logic of the system, which necessitates that they are – as a means of exercising power over people and in order to create opportunities for private gain. A good example would be the persistent difficulties which have been encountered in relation to PAR in respect of attempts to clarify job descriptions (PAR Steering Committee 2006), leading to the conclusion that despite a formal commitment to such a process, actual commitment is low because a clear job description would limit the ability of office holders to exploit their public position for private gain (interviews with UNDP programme officers, October 2008).

Once it is understood that the system operates in this way, a number of important things fall into place, which are highly relevant in relation to efforts to devise an effective AC strategy. Firstly, it is clear that many of the reasons put forward for the existence of corruption in Viet Nam are second-order causes at best, which fail to go to the heart of the problem. For example, corruption in Viet Nam is not primarily an ethical issue: most people in Viet Nam are thoroughly decent people who nevertheless operate in a system which requires certain kinds of behaviour of them if they are to survive in the system, to provide for their families, and to get thing done.

Understanding corruption as a systemic problem also makes it easier to see that low salaries are not a fundamental cause of corruption even if paying officials poorly does not help matters.<sup>21</sup> Furthermore, viewing corruption as a systemic problem makes it clear that simply trying to clarify the rules will not actually change behaviour. As we have seen over more than a decade of PAR reform, this is almost impossible to do, not because individuals lack capacity but because the system itself works against this happening (i.e. based on how the system is structured the incentives do not exist for this to happen). There are similar problems talking about corruption as a problem of implementation. That is, one can talk about implementation as much as one likes but redoubling efforts to strengthen implementation will not change anything as long as the logic governing the system remains unchanged. Instead, what is required if corruption is to be reduced, is nothing less than fundamentally changing the underlying logic of the system. How to do this is the focus of our next section.

## 4. Policy Recommendations

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In this section, we first review our key findings prior to setting out our recommendations, focusing on transparency, enforcement, civil society and media. We then relate our recommendations to existing practice in Viet Nam, pointing out similarities and differences in relation to the government's AC Strategy to 2020. We then consider scope for greater coordination between PAR and AC work before concluding with some final considerations in relation to moving the policy dialogue forward.

### 4.1 Key findings of the research

In order to advance towards discussion of our policy recommendations, it is necessary to take stock of the key findings of our paper so far.

Our first finding is simply that there is a close relationship between PAR and AC. That is, while the remit of both PAR and AC is broader than the other, they both have at their heart the objective of strengthening administrative procedures – amongst other things – and hence substantive progress in one area is likely to result in progress in the other.

Second, we have established that the relationship between corruption and economic development is multi-variegated and complex, and that there is not a clear link between corruption and economic development. The relatively robust performance of the Vietnamese economy during the doi moi period despite the existence of high levels of corruption is strongly supportive of this conclusion. That said, we have argued that there are strong reasons to move to tackle corruption on the grounds of social justice, equity, and because it is undermining of political legitimacy. In addition, we believe that there is a strong connection between the quality of public services and political legitimacy, which GoV could do more to exploit.<sup>22</sup>

Third, we have established that corruption and many of the associated problems of weak public administration are systemic in nature. That is, they should be seen less as aberrations of the system but more as the normal workings of the system, which has its own distinctive logic, which is self-perpetuating. The strong connection in

people's minds between public office, making money, and other forms of personal advancement, lies at the heart of this.

Thus, as we have seen, many of the measures carried out in the name of AC or PAR, simply tinker at the edges and hence fail to alter the overall incentive structures. Consequently, such measures have little or no impact, or as is often the case, the system simply recreates itself such that corruption moves to a new location or takes on a new form. The way in which new offices spring up no sooner than old ones are closed down provides vivid illustration of this (PAR Steering Committee 2006: 8-9). Once again, this is explained by the fact that the system, with its perpetual need to provide revenue streams for those serving in it, requires that this happens.

*The central finding of this paper, therefore, is that any AC strategy which fails to recognise the systemic nature of the problem, and act accordingly, is doomed to failure.*

We would also add that this finding is as relevant to the success of PAR as it is to AC. We also believe that it is insufficient attention to the systemic nature of the problem which explains the relatively poor performance of PAR and AC to date.

Fourth, we have looked at work by Shah (2005) on corruption. Shah argues that in a high corruption environment like in Viet Nam, certain interventions are of low priority from an AC perspective because without more fundamental reform they are unlikely to alter the way people behave. These include: raising awareness about corruption; establishing a specialised anti-corruption agency, increasing public sector wages, seeking to establish a merit-based civil service, and strengthening parliamentary oversight. Shah, meanwhile, highlights a series of other interventions, which he argues should be prioritised, including: economic policy reform; strengthening the rule of law; reducing the size of the public sector; strengthening media and judicial independence, and citizen participation in the fight against corruption; and establishing a service delivery culture within the public sector (Shah 2005).

While there is much that is valuable in Shah's analysis, he still says very little about how such measures should be achieved nor is he familiar with Vietnamese conditions. Hence, it is still necessary for us to map out the kind of interventions which may make a difference in respect of Viet Nam, including detailing the manner in which such interventions might be pursued.

## **4.2 Recommendations**

Recognising the systemic nature of the problem of corruption, we argue that there is no single approach that can be adopted in Viet Nam in order to reduce corruption and strengthen public administration. Rather, it is necessary to pursue a variety of approaches over time, which cumulatively are designed to change the incentives governing the system.

We argue that an integrated approach to tackling corruption is likely to pay special attention to increasing transparency and improving enforcement, with the key objective over time being to make the system more accountable, and to increase the costs of corruption. If we had to identify one thing we would prioritise above all else it

would be increasing transparency. Strengthening the role of civil society and the media in the fight against corruption is also critical to the strategy proposed in this paper because along with transparency and enforcement this is crucial to making the system more accountable.

*"Unless it is imposed by the people, by society, you won't achieve transparency." (interview with Vietnamese employee of international organisation, October 2008)*

In relation to transparency, we believe there needs to be much greater emphasis in Viet Nam on getting public information – and indeed all issues related to the business of government – into the public domain as a matter of course. This includes reviewing the Law on State Secrets in order to narrow down its scope. The ultimate objective is that no government agency should think that it is possible for it to carry out its activities without being subject to public scrutiny. Crucial here is that it should not be left to the discretion of individual offices what they are required to put in the public domain. Rather, this should be decided for them, and enshrined in law, with clear penalties for agencies or individuals who fail to comply.

While the drive for transparency should involve placing a spotlight on all aspects of government, there should specifically be a move towards full disclosure of all inspections and audits carried out by the Government Inspectorate (GI) and State Audit of Viet Nam (SAV) along with publishing the activities of prosecuting bodies, judicial proceedings and rulings. While the precise way in which greater transparency is to be achieved in Viet Nam requires more detailed work, we would recommend the setting up of a 'Transparency Roadmap' by the government detailing what different agencies are required to do over a designated timeframe. There may also be scope for sectoral roadmaps whereby different sectors detail their plans to increase transparency.

In respect of enforcement, we advocate building on existing institutional structures as set out in the fourth group of solutions in the government's AC Strategy while paying special attention to the way in which different agencies work together. We do not advocate establishing any new AC agencies in the short term. However, over time it is likely that the role of the Steering Committee on Anti-Corruption, and its supporting body, OSCAC, will evolve such that its relationship with other agencies, such as GI, will need to be kept under closer review to avoid duplication of work.

*"There are lots of organisations involved [in the fight against corruption] and they each have their own roles. To be effective, you need to work together, and to achieve this you need someone to direct. This is the Steering Committee on Anti-Corruption's role. We are like a conductor of an orchestra or the coach of a football team." (interview with official with responsibilities in the anti-corruption field, October 2008)*

Our other recommendations in relation to enforcement include:

- Establishing a watchdog body to review the work of the Steering Committee on Anti-Corruption, including publication of an annual report by the watchdog which would be debated by the National Assembly<sup>23</sup>;
- Addressing problems of conflicts of interest with local inspectorates by ensuring that the head of the inspectorate retains sufficient independence from the People's Committee chairman<sup>24</sup>; and
- Establishing an independent complaints committee for the public to log complaints (with sufficient means for the committee to be able to act on complaints).<sup>25</sup>

Furthermore, in the interests of transparency in enforcement, it is crucial that the widespread practice of settling corruption cases as an 'internal matter' ceases.<sup>26</sup>

"The key is to have a process to deal with [corruption] cases so you can punish people quickly. In Viet Nam, we don't have such a process." (interview with senior Vietnamese academic, October 2008)<sup>27</sup>

In relation to strengthening the watchdog role of civil society and the media, our recommendations comprise two parts: firstly, building a supportive regulatory climate for civil society and the media to play a watchdog role in the fight against corruption; and secondly, education and confidence-building work within the state apparatus to ensure that a strong civil society and media is regarded as an asset not a liability. Central in all this is creating a climate whereby whistleblowers, including journalists, are not afraid of speaking out, and are sufficiently protected. Of course, there also needs to be appropriate professional codes of conduct governing the behaviour of editors and journalists but currently more effort needs to be placed on creating a climate in which whistleblowers are sufficiently protected.

*"Without checks and balances...[and] free expression, there is no way you are going to be able to fight corruption."* (interview with senior Vietnamese academic, October 2008)

Finally, we suggest that consideration needs to be given to improving coordination between PAR and AC work given heavy overlap in their scope of work. This is discussed in more detail in section 4.4 below.

Since we are not making recommendations in a vacuum, the question inevitably arises as to how our recommendations sit in relation to current and planned practice in Viet Nam. It is to this we now turn, looking at the government's priorities as set out in its AC Strategy to 2020.

### 4.3 Our recommendations and existing practice in Viet Nam

Central to the government's AC Strategy is its five groups of solutions, which broadly speaking focus on transparency, PAR, business, including the private sector, enforcement, and strengthening the role of society and the media in the fight against corruption (see Box 4.1 below). Thus, it can be seen that while our recommendations overlap with some of the solutions contained in the AC Strategy, they clearly differ from it insofar as we are suggesting that three of the five groups of solutions be given additional priority in the short and medium term (i.e. solutions 1, 4 and 5). Put another way, what we are suggesting is that the government could afford to be more strategic in its approach, recognising that it is important to prioritise rather than try a little bit of everything, which we believe is a weakness of the present AC Strategy.

#### **Box 4.1. AC Strategy Five Groups of Solutions**

1. To strengthen openness and transparency in the performance of official functions and duties, to minimise conditions and opportunities that give rise to corruption in policy-making, development and enforcement of laws.
2. To control the exercise of State powers; to perfect the civil service, and to improve the quality of the execution of official functions and duties.
3. To perfect the economic management mechanism, to build an equal, fair and transparent environment for business.
4. To improve and enhance effectiveness and efficiency in the performance of inspections, examinations, supervisions, audits, investigations, prosecutions, and court trials with regard to detecting and dealing with corruption.
5. To enhance awareness and to promote the role of the entire society in preventing and combating corruption.

*Source: Government of Viet Nam 2009.*

More than this, our research emphasises the way in which solutions 1, 4 and 5 should be seen as the *means* by which progress towards achieving the other solutions (i.e. 2 and 3) is likely to be made. That is, improved transparency, better enforcement, and a stronger watchdog role for civil society and the media – together designed to make the system more accountable – are the means by which public service delivery and economic governance will be improved. At the moment, the government's AC Strategy does not appear to make a distinction between means and ends.

To be clear, we are not saying that solutions 2 and 3 are not important, or should be abandoned – on the contrary. However, simply trying to achieve the measures contained in solutions 2 and 3 by seeking to implement these measures is unlikely to be successful because to do so does not address the underlying incentive structure governing the system, which as we have argued throughout this paper is the principal problem, which needs to be targeted. Thus, it is only through improving transparency and enforcement, and strengthening the watchdog role of civil society and the media, that the goals which PAR and AC work are ultimately striving for will be achieved.

## 4.4 Lessons from PAR for AC work and possibilities for greater coordination

One of the main criticisms of PAR – aside from the fact that it has achieved mixed results – is that the programme’s sheer size, along with the involvement of multiple agencies, makes it unwieldy and difficult to manage. Up to a point, this may be unavoidable: the delivery of public services is by definition complex and naturally involves a large number of organisations. Nevertheless, the question arises whether there are lessons for the government as it seeks to develop its AC work. Specifically, is it possible for the AC Strategy to be rolled out in such a way that some of the problems of PAR are avoided?

An important first step is to recognise that as with PAR also for AC, the nature of the system – and the incentive structures which underpin it – is such that it operates to try to create amorphous and difficult to manage organisations because it here that power is exercised and the system’s money making requirements are served. Put like this, there is a very real danger that without sufficient care and attention, the AC Strategy will suffer a similar fate to PAR, in turn also achieving mixed results. As a result, we believe that the question of how AC work might be done differently from PAR needs careful thought, ideally prior to the Strategy being rolled out.

The second issue concerning PAR and AC relates to whether there is a need for greater synchronisation or coordination between them. The argument in favour of doing so relates to the fact that PAR and AC so clearly speak to each other, as we saw in section 3.1. Indeed, in the case of the AC Strategy’s second group of solutions, PAR and AC explicitly overlap. Given that PAR and AC currently have distinct institutional jurisdictions – albeit both answering in the final analysis to the prime minister – this is cause for concern. Not least, it runs the risk of resource duplication along with a possibility of turf wars, and controversial measures falling through the gaps. Consequently, ways in which PAR and AC might be better coordinated need to be considered as a matter of urgency.

## 4.5 The ‘How?’ of moving forward

In light of our recommendations, it is necessary to highlight a number of additional considerations which need to be born in mind if such a strategy, or a similar one, were pursued.

Firstly, the central thesis of this paper, namely that corruption and weaknesses in public administration are systemic problems requiring systemic solutions, may encounter resistance from conservative quarters in Viet Nam. This is not surprising since to see matters in this way entails facing up to some very deep-rooted problems. There are also interests at stake. On the other hand, viewing corruption as systemic shifts the emphasis away from seeing the problem in terms of moral degeneracy – or a particular institution or person’s fault – and instead advocates creating the necessary conditions to enable people to change. Nevertheless, we anticipate that further work – and perhaps research – may be required before there is full buy-in in relation to our argument and its implications.

Secondly, it is important that moves to strengthen enforcement or transparency, or increase the role of citizens and the media in highlighting problems takes place in a concerted but staged manner. This is because sudden moves to clamp down on corruption or to subject the system to new levels of transparency are just as likely to be destabilising as doing nothing.

Finally, it is important for all stakeholders to be realistic about change. Corruption will not disappear overnight. Indeed, it is quite possible that it will get worse before it gets better. Nevertheless, just because measures do not immediately have the desired effect does not mean they are the wrong measures. For instance, in our recommendations we argue that it is through a combination of measures pursued consistently and robustly over time that the incentives governing behaviour will change, i.e. change is likely to be gradual.

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## Endnotes

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- <sup>1</sup> See the terms of reference for this piece of work.
- <sup>2</sup> Both the PAR Master Programme and the National Strategy for Preventing and Combating Corruption Towards 2020 are characterised by multiple institutional involvement. The PAR Master Programme is overseen by the PAR Steering Committee answering to the prime minister. The AC Strategy is overseen by the Central Steering Committee for Preventing and Combating Corruption. The Steering Committee for Preventing and Combating Corruption is headed by the prime minister but nevertheless it would be a mistake to view the institutional chain of command as straightforward or necessarily unproblematic.
- <sup>3</sup> For some preliminary thoughts on these questions see Acuña-Alfaro 2008b.
- <sup>4</sup> Interviewees for this research include: A, Nguyen Quang, president, Institute of Development Studies; Anderson, James, senior governance specialist, World Bank; Bahuet, Christophe, deputy country director (programme), UNDP; Booth, Nicholas, policy advisor, rule of law and access to justice, UNDP; Chortsen, Dorte, Counsellor (political/development), Embassy of Denmark; Chuong, Hoang Van, director, legal department, State Audit of Vietnam; Cu, Nguyen Dinh, director, Institute for Population and Social Studies, National Economics University; Collins, Maeve, Ambassador, Embassy of Ireland; Cuong, Phan Dang, social development advisor, Embassy of Ireland; Dieu, Nguyen Trong, vice-president, Ho Chi Minh National Academy of Politics and Public Administration; Degnbol, Tove, counsellor, deputy head of mission, Embassy of Denmark; Dung, Trinh Tien, head of governance unit, UNDP; Hieu, Nguyen Huu, chief operating officer, Stoxplus; Hoy, Sean, head of development, Irish Aid; Huong, Tran Thi Lan, programme Coordinator, Embassy of Finland; Lien, Nguyen Thi Kim, governance advisor, DfID; Lien, Molly, counsellor, Embassy of Sweden; Luan, Le Man, deputy head, Office of the Central Steering Committee on Anti-Corruption; Mckinley, Catherine, consultant; Minh, Dinh Van, vice-director, research institute, Government Inspectorate; Nhan, Tran Ngoc, head of office for democracy and law, Viet Nam Fatherland Front; Rooke, Peter, advisory council member, Transparency International; Salomon, Matthieu, governance expert; San, Pham Bich San, vice-secretary general, VUSTA; Si Dung, Nguyen, deputy secretary general, National Assembly; Warren-Rodriguez, Alex, development economist, country economist unit, UNDP.
- <sup>5</sup> An earlier version of this report was presented to the National Academy of Public Administration (NAPA) and a gathering of representatives of the international donor community – both in October 2008. An informal discussion regarding the preliminary findings of the paper was held with the Office of the Steering Committee on Anti-Corruption (OSCAC) and Government Inspectorate (GI) in December 2008. The paper was also presented at a seminar on National Public Administration Reform: Current Situation and Recommendations in March 2009. In all cases, we have responded to feedback provided by discussants and our audiences.
- <sup>6</sup> For a list of those interviewed see Appendix 1.
- <sup>7</sup> Since we are only presenting our argument in outline here, relevant supporting data will be provided later in the paper (i.e. in part 3).

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- <sup>8</sup> In referring to long and short-term approaches to corruption, a distinction is being made between whether officials are engaging in ‘careful and relatively modest’ predation or whether it is a ‘no-holds barred’, ‘steal as much as you can as fast as you can’ approach to corruption. See Khan 1998 and Rock and Bonnett 2004.
- <sup>9</sup> Note that this is not a recommendation to do nothing or to imply that corruption does matter. Nevertheless, recognising that the impact of corruption on development is multi-variegated may have policy implications in context of finite resources where prioritisation is necessary.
- <sup>10</sup> The resolution of the 3<sup>rd</sup> Plenum of the Party Central Committee (10<sup>th</sup> term) in August 2006 and the AC Law both also address PAR-related issues. The report’s authors are grateful to Mr. Le Van Lan, Department Director OSCAC for drawing this to our attention.
- <sup>11</sup> Additional substantiation of this point is provided in sections 3.2, 3.3 and 3.4 of the paper, where we explore these issues in detail.
- <sup>12</sup> This is not unique to Viet Nam but is a pattern across the Greater Mekong Sub-region. See Gainsborough 2008 and Walker 1999.
- <sup>13</sup> This is not always the case. Journalists writing in the late 1990s about the Tamexco and Minh Phung-Epco corruption cases in Ho Chi Minh City asked how an official was able to pay back such a large sum of money reportedly obtained illegally given that he lived on a civil servant salary. See Gainsborough 2003a: 88.
- <sup>14</sup> For discussion of grand corruption see Gainsborough 2003b and 2007a.
- <sup>15</sup> This relates to our point which we develop later in the paper that corruption needs to be understood systemically.
- <sup>16</sup> Note that the Vietnam Provincial Competitiveness Index 2008 (Malesky 2008) is talking about the same thing when it discusses the persistence of informal fees and the time cost of regulatory compliance. See Figures 3.1 and 3.2.
- <sup>17</sup> The authors are grateful to Ms. Pham Chi Lan, vice-president of the Institute of Development Studies for pointing this out.
- <sup>18</sup> The well-known cases of social unrest have occurred in Thai Binh in 1996 and the Central Highlands in 2001 and 2004 although the latter was not simply a conflict over land. However, there is scarcely a province or a district that has not witnessed some kind of land dispute as evidenced by the frequency with which people come from the countryside to protest outside government offices in Ha Noi.
- <sup>19</sup> The review of the academic literature on the causes of corruption draws on work carried out by Till Brucker PhD student at Bristol University. The team is very grateful for his useful work in this area.
- <sup>20</sup> Note, we accept that not all officials buy their position.
- <sup>21</sup> We are aware of the argument that low public sector salaries lead officials to look for ways to supplement their income, including through corruption. Nevertheless, we do not accept that low salaries are a fundamental cause of corruption simply on the grounds that corruption occurs in countries where civil servants are paid well.
- <sup>22</sup> We are aware of the argument that economic growth in Viet Nam might be better if corruption was lower although we are not especially convinced by it. Faster growth could, for instance, result in overheating.

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- <sup>23</sup> The Steering Committee on Anti-Corruption was set up by the Standing Committee of the National Assembly, and is accountable to the Politburo, Party Central Committee, the Party Secretariat, the National Assembly, the State President and GoV. What we are therefore advocating is the formalisation of a watchdog role in a single body with its findings debated in the National Assembly.
- <sup>24</sup> Presently, the local inspectorate comes under the jurisdiction of the People's Committee which limits its ability to carry out its work where there are allegations of corruption involving the People's Committee.
- <sup>25</sup> Under the present system, state agencies are all responsible for receiving and dealing with complaints. Key agencies involved in this include inspectorates, investigation bodies, procuracies and the Steering Committee on Anti-Corruption. Our point is that citizens do not have faith in this system, and a more efficient and centralised system is required. For such a system to work, it will need to be well-resourced.
- <sup>26</sup> That this occurs was talked about openly in our interviews with officials saying that if a corruption case was not particularly serious they would ask that the organisation head dealt with the matter without recourse to any external body (interviews with officials working in the anti-corruption field, October 2008).
- <sup>27</sup> Note that we suspect that the emphasis here should be placed on the word 'quickly'. Viet Nam does have various processes to deal with corruption cases whether it is the Ordinance on the Handling of Administrative Violations or the Criminal Law and Criminal Procedure Law. The issue is how well they work.