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**EXPORT OF SERVICES: HYPE OF HIGH POTENTIAL?
IMPLICATIONS FOR STRATEGY- MAKERS**

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**The Need for a Strategic Partnership in a National Export
Strategy for Services – Viet Nam’s Experience**

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THE NEED FOR A STRATEGIC PARTNERSHIP IN A NATIONAL EXPORT STRATEGY FOR SERVICES - VIET NAM'S EXPERIENCE

The Need for an Effective Coordination Mechanism for Public and Private Sectors

- Like other domains of economy, the service sector comprises many sub-sectors, such as business services, communication services, construction and engineering services, distribution services, educational services, environmental services, financial services, health related services, tourism and travel services, etc. It means that different ministries and governmental bodies had to be set up to regulate the activity of each sub-sector. This therefore requires coordination between these ministries and governmental bodies. This is the first reason why a country needs an effective coordination mechanism for service sector.

In fact, one of the major challenges in most economies is that responsibilities for service industries are spread across a range of ministries and governmental agencies. Unclear division of responsibilities among ministries and agencies may lead to the situation in which each agency pursues its own interests, paying little attention to the provinces may issue conflicting or inconsistent regulations and decide to use public resources in a wasteful manner. The ultimate outcome of the lack of coordination is increased transaction costs and uncertainty the enterprises have to bear, and the fragmentation of the resulting strategy. It somewhat brings about the difficulties for the Government to manage and coordinate the activities of its bodies to avoid overlapping.

In the case of Vietnam, every ministry plays some role in either direct supervision of a service industry or policy development that affects service industries. For example, the Ministry of Construction, the Ministry of Transportation and Communication, and the Ministry of Agriculture and Rural Development oversee engineering services. In Vietnam, it is common that each service industry will be administered mainly by a line ministry. At the same time, several other ministries are also responsible for the formation of the strategy and operation of the enterprises. In addition, provincial people's committees and departments are also responsible for the activities of that service industry within provincial borders. The result is a complex system of administrative management with several horizontal and vertical linkages.

- Unlike other sectors, the service industries are characterized by a much higher degree of both intra-sectoral and inter-sectoral relationship. All service industries can serve as inputs for the other services industries but also can be important inputs of good production. As a result, the development of the services sector hinges on the coordination among all ministries and agencies. This particular strait of service sector therefore requires a stronger cooperation between service industries.

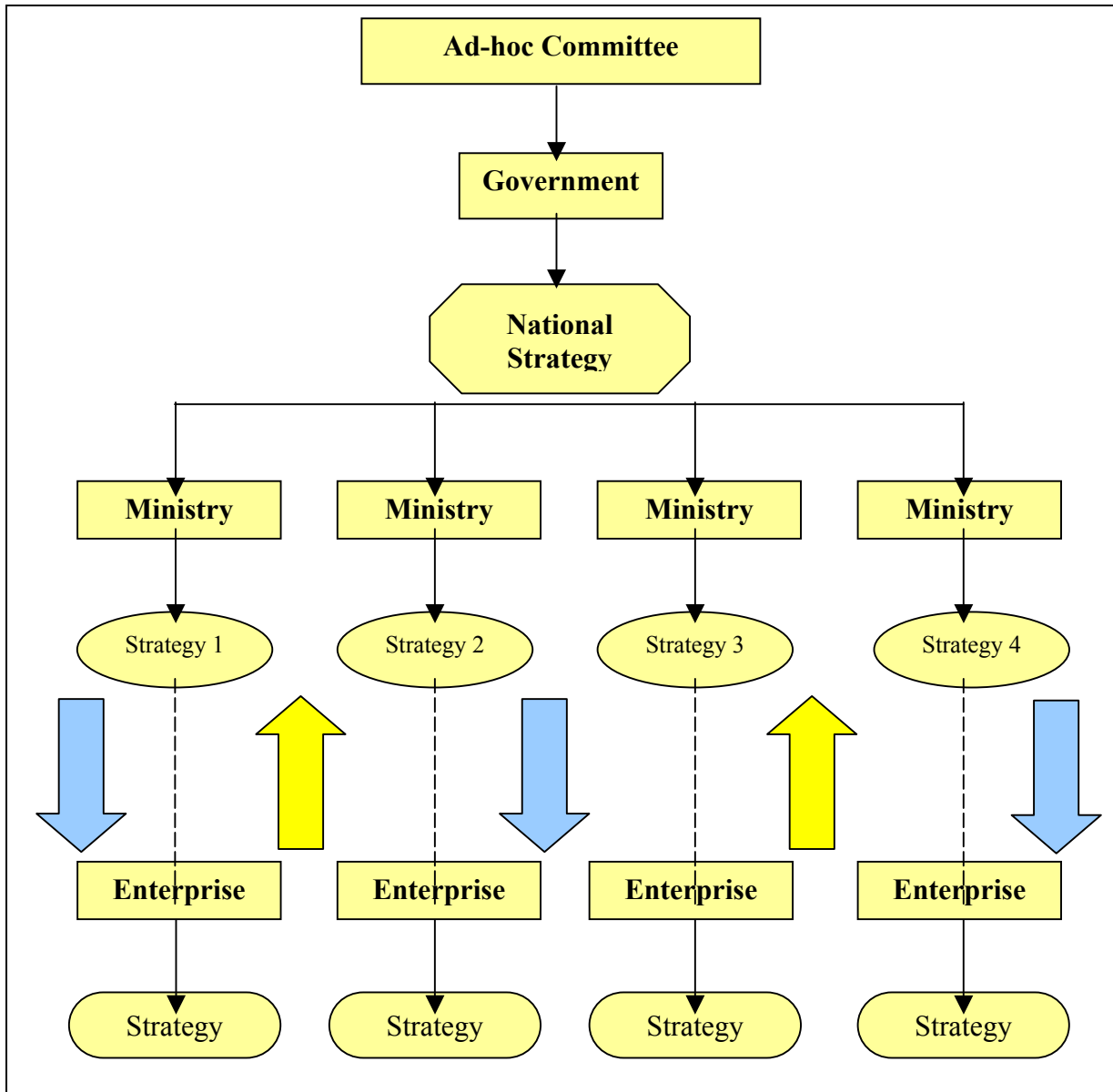
In the case of Vietnam, almost all service industries had their own development strategy. For example, Ministry of Transportation and Communication built up Strategy for development of transportation, communication services, Ministry of Finance created Strategy for development of finance, insurance, and banking services, Administration Agency of Tourism mapped out Strategy for development of tourism services, etc. However, there has been still lack of overall orientation and priority among these service industries that is needed to assure the efficiency of the activity within service domain.

- Different service industries will produce accordingly different strategies. In order to make these strategies going forward the main direction of the country development, it requires combination and coordination among them to ensure the effectiveness in activity.
- It is obvious that private sector plays an important role in building and implementing strategy in every service industries. However, in many cases their participation in the process of building up strategy is very weak. This situation will lead to the problem of unreality in strategies. That is also the reason why we need a coordination mechanism to ensure the

participation of the private sector in the process of building up the national strategies for services.

The Role of the Public and Private Sectors - An Effective Coordination Mechanism

As mentioned above, it is necessary that a government have to make an effective coordination mechanism for public and private sectors in order to strengthen the domain of services. A recommendable coordination mechanism can be described as in following chart:



- The oversight for any given service industry will need to be allocated to a single ministry while ultimate responsibility for a national service sector development strategy will need to be the responsibility of a specific senior authority rather than spread across multiple authorities. This senior authority will be in charge of mapping out the national strategy for services. The formation of a coherent national strategy for the service sector will depend inter alia on the setting of development priorities as well as on the selection of interventions under tight fiscal

constraints. Consequently, the existence of an effective coordination mechanism that can deal with potentially conflicting interests among ministries and agencies is of crucial significance for an optimal selection of objectives and allocation of resources.

In the case of Vietnam, an ad-hoc committee was created to coordinate the activities of services sector. In addition, the decentralization process currently underway makes the clear division of responsibilities even more important to ensure coherence in national policy regarding the services sector. The implementation of the recently issued Resolution 8 about accelerating decentralization will require significant improvement in accountability, monitoring, and evaluation to avoid a situation where individual provinces and ministries only follow their own interests rather than implementing an integrated development strategy for the service sector as a whole.

- Under the national strategy, base on the main orientations and priorities that was made in the national strategy, ministries and/or governmental agencies will build development strategies for their service industry that keep along with the national strategy. In both processes of making national strategy and sectoral strategy for services, the participation of private sector need to be ensured.

In the case of Vietnam, formerly almost all strategies were created by administrative bodies without consultation with private sector. This is one of the biggest problems that make strategies unrealistic.

- In regards to private sector, enterprises should pay attention to the national strategy and sectoral strategies before making their business strategies in order to maximize the advantages and minimize the disadvantages that come from these strategies.

Another role of private sector in these processes is that they could make recommendation and feedback to the administrative bodies so that they can readjustment and updating strategies corresponding to the reality.