Chapter 17
Third Sector Governance in Vietnam

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With the introduction of a socialist system, a new socio-economic and political space was created in Vietnam in the 1950s. The system was characterised by a highly centralised system with three pillars: the Party, the government and the mass organisations. The Party's all encompassing power has waned in the recent past, and a clearer boundary between the roles and the responsibilities of the Party and that of the government has emerged. The mass organisations, under the umbrella of the Vietnam Fatherland Front (VFF), with wide participation of individuals from a wide spectrum of social groups, are organised by the state with a clear mandate, among others, of mobilising people to achieve nationally defined goals.

The idea of centralised authority, originated from the legacy of the imperial court and the Confucian ideology, continued during the French colonial period because of its need for concentrating power in the General Government of Indochina, and later reinforced by Leninist ideology of democratic centralism. The notion that the state should limit operations to what it can do best, or what others in society refuse to do, was alien even to the intellectual elite in Vietnam.

The economic structure also reinforced the centrality of power. As the economy was structured around the state and the collectives—with the government being the sole employer, there was little room, if any, for associations of individuals seeking things beyond state interests. Society was designed to be unidirectional and homogenous. In such an environment, it was hard to talk about the existence of a civil society, even in a nascent form.

Nevertheless, the needs for local participation was appreciated, and allowed by the government to be met by the mass organisations. Thus, although being organised and funded by the government, and not considered as non-governmental organisations (NGOs) in a conventional sense, the mass organisations, in the recent past have been playing an important role in voicing local interests and needs to the government.

The decade of the 1990s witnessed the mushrooming of local third sector organisations (TSOs) and other forms of associations. According to the Vietnamese government's statistics, as of July 2001, there were 240 nationwide associations, 1,400 local organisations and thousands of private associations in the district and commune level. In the face of the government's preference for a centralised system, however, unlike most other systems people in Vietnam engaged in the public

Table 17.1 Political Structure and the Third Sector in Vietnam

Level	Communist Party (CP)	Legislative body	Executive body	Mass organisations
Central level	Central Committee of the CP	National Assembly	Government	Central committees of the Vietnam Fatherland Front, Ho Chi Minh Youth Union, Women's federation, trade union, farmers' association and other mass organisations
Provinces	Provincial Committee of the CP	Provincial People's Council	Provincial People's Committee	Provincial committees of mass organisations
Districts	District Committee of the CP	District People's Council	People's Committee Services	District-level mass organisations
Communes	The CP cell	Commune People's Council	Commune People's Committee	Commune mass organisations

sphere do not generally see themselves as asserting civic power against state power. Rather, they prefer to infiltrate the state, find informal allies and build networks that may conceivably be seen as fulfilling state, public and private objectives simultaneously (Marr, 1994). Table 17.1 shows the relationship and status of the TSOs vis-à-vis the state organisations.

Many sceptics insist that there are no NGOs in Vietnam because all voluntary organisations are placed under the leadership of the Party and under the management of the state (cited in Duong and Hong, 2006). In fact, many of the associations and groups are state affiliated. Thus, it may be more appropriate to discuss about a third sector, known variously as voluntary organisations, non-profit organisations, NGOs, people's organisations, community-based organisations and co-operatives, than civil organisations, or civil society, as being conceptualised in Western literature. For the purpose of this chapter, these organisations are mediating groups, or mediating organisations but as in the rest of the book, will be called TSOs.

This chapter will highlight the major findings from the literature survey, review of the legal environment, interviewing of key informants, and the interviewing of key personnel in 81 TSOs. The chapter is divided into five major sections (after this introductory part) dealing with the structure of the third sector in Vietnam, legal framework of the third sector, the third sector governance impact of the legal framework, a profile of the TSOs surveyed and governance practices of the TSOs surveyed.

Structure of the Third Sector in Vietnam

In the context of centralism, the TSOs in Vietnam can be classified into the following forms:

- Mass organisations
- Popular and professional organisations

- Research/Training professional centres (donors-called NGOs)
- Community-based organisations
- Funds, charities and supporting centres
- Others

Group 1—Mass Organisations: As mentioned earlier, the mass organisations in accordance with the legal framework constitute a pillar of the state structure of Vietnam, thus cannot be considered as components of civil society. Nevertheless, considering their recent transformation and subsequent involvement in collective actions, the mass organisations are playing increasingly important roles in the civil society of the country. Over the past few years, the mass organisations from being the political organisations with the mandate of disseminating the Party and the government's policy to all groups of society, mobilise supports from citizens for implementing policies have shifted more towards representing and protecting the interests of the members in the government's decision-making process.

Under the umbrella of the VFF, currently there are about 30 member mass organisations with millions of members.[1] For example, the Vietnam Union of Science and Technology Associations is a mass organisation under the VFF, and has about 650,000 members (ie. about 50% of the total Vietnamese intellectuals—defined as university graduates). The research centres and institutes (that the donors call NGOs) are registered under the Vietnam Union of Science and Technology Associations (VUSTA).[2]

Further, the Vietnam General Confederation of Labour (VGCL), an important mass organisation, has more than 76,000 grassroots trade unions and about four million members. In general, the central unions of the mass organisations are state-led institutions. The close integration of the mass organisations with the government and the Party ensures that the business of state and citizens are interwoven from the top to the bottom of the government chain. Thus the integration allows the mass organisations to influence the government—an important entry for policy advocacy. The organisational culture of accepting the authority, and the reliance on the government funds, thwart the mass organisations' effectiveness in representing their members.

Groups 2—Popular and Professional Associations: There are different types of popular and professional associations. Some associations run their own research centres as well as private schools and universities.[3] Many member associations have

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[1] The major ones are the Vietnam Women's Union (VWU), the Farmer's Union, the Federation of Labour and Youth Union which involve millions of citizens. For example the VWU has 12 million members across the country with a very well organised structure linking its central, provincial, district and commune levels. The Ho Chi Minh Communist Youth Union has 3.5 million members.

[2] VUSTA has four elements: the central organisation of VUSTA, its member professional associations, its province-level unions and the centres and research institutes (donors-called NGOs) registered under VUSTA.

[3] For example, the Association of Economics under former Vice Minister Tran Phuong administers a private university named the Hanoi University of Business Management. The Association of Physics runs a private university named Dong Do, and the Union of Technology and Science Associations of Hanoi runs yet another private university named Phuong Dong.

responsibility for their own finance. The Vietnam Gardener's Association (VACVINA) under the VUSTA is a good example of a popular association. The VACVINA has a central body as well as local branches in 61 provinces.[4] The VACVINA is a member association of the VUSTA but has established direct relationships with the state structure, especially with the ministries of Agriculture and Rural Development, Fisheries, Education, Finance, Planning and Investment, and Science, Technology, and Environment, and the Party structure. It also works with other popular associations such as the Association of Fertiliser Producers and the Association for Vietnamese Planters. The VAC model developed a systematic coherence and was adopted as an economic model (*kinh te VAC*). During the third phase of its development that began in the mid-1990s, it has become the baseline for advice and evaluation of other rural models of development.

Group 3—Research/Training Professional Centres (*also known as NGOs*): Within the current institutional framework, the mass organisations such as the VUSTA and the government agencies such as the institutes and universities have set up many professional research/training centres. Donors working in Vietnam appreciate these organisations' level of autonomy from the government and consider them as local NGOs or Vietnamese NGOs. These organisations are involved primarily in research and consultancy covering a wide range of economic, social and cultural dimensions of development. Since there is no other regulatory instrument for these NGOs, all these organisations are affiliated with the government's science, technology, education, training, or environment institutions. They also have to register their operation with the Ministry of Science, Technology, and Environment (MOSTE) according to the Decree No. 35 of the government.

Group 4—Community-Based Organisations: Community-based organisations (CBOs) in Vietnam are numerous and growing.[5] The CBOs are established through projects and development programmes, and by the community for the provision of services to themselves.[6] Those groups are usually formed to respond to a specific need of a community. They operate on a self-reliant and democratic basis. This type of organisations has developed rapidly particularly in the rural areas since the services of government agencies have not met the demands of the fast developing rural market. The agricultural extension club (AECs) in southern Vietnam is an important type of CBOs. The farmers voluntarily join these clubs to share their experience and information on the markets of agricultural inputs and outputs, or to be a party of these credit and saving groups.

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[4] It also runs five centres and three companies that support the promotion of the VAC ecosystem. The five centres are the Center for Rural Communities Research and Development, the Center for Marine Products, two centres responsible for the transfer of technology and one centre responsible for consultant work.

[5] Examples of this type of CBOs are the Commune/Village Development Boards (CDB/VDB), or the Project Management Committees at the commune and village levels. Typically, members of these groups are selected from grassroots elected bodies and representatives from community population.

[6] Examples of these organisations are agriculture/aquaculture extension groups, water user groups and credit-savings groups.

Group 5—Funds, Charities and Supporting Centres: Funds and charities have been operational in Vietnam since 1999.[7] According to the regulations, funds and charities should be non-governmental, not-for-profit organisations. In 2001, there were about 200 funds in Vietnam, set up by the associations. There are also funds formed by many government organisations.[8] There are also hundreds of social supporting centres under different associations.[9] These centres register their operations with the local government directly or through the umbrella body.

Group 6—Organisations of Other Forms: There are many organisations in Vietnam which cannot be classified in the above categories. Most of these organisations are informal or un-registered.[10] Some of these organisations, like the professional organisations, can influence local authorities and state departments. For example, advocacy groups in some localities request development agencies and business communities to pay attention to the environmental impact of their activities.[11]

Legal Framework for the Third Sector in Vietnam

The first legal document that guarantees individual rights to form associations is Vietnam's Constitution.[12] The Constitution also provides a principal basis for the establishment of organisations independent from the government.[13] A legal framework, however, is yet to be developed to facilitate an effective interpretation and implementation of these constitutional principles. For now, the VFF and its member organisations constitute the political base of people's power.[14]

Realising its limited and declining subsidies for the bureaucracy as well as the increasing demands of the economy, the government of Vietnam has come to acknowledge that many functions which used to be performed by the government institutions can now be performed by organisations created by private individuals. This is particularly so in the field of research and application of science and technology, including the research and application of economic, governance and social development policies. This has resulted in initial limited efforts by the government to legitimise a public

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[7] With the issuance of the Decree 177/ND-CP of the government on September 22, 1999.

[8] An example is Fund for Protection and Support of Children, formed by the Vietnam Committee of Protection and Care of Children—a ministerial-level government body in charge of children issues.

[9] For example, a number of centres for orphans were formed under the Association for Protection and Support of Disabled People and Orphan Children.

[10] These include self-help clubs, association of schoolmates, association of chess players, informal credit groups, cultural/religious/ethnic organisation, etc.

[11] As a result, one factory had to install air filter to improve the discharged airs and the other factories had to be relocated (O'rourke, 2000).

[12] Issued in 1946 and were revised in 1959, 1980, 1992 and 2000.

[13] Article number 69 clearly states that 'the citizen shall enjoy freedom of opinion and speech, freedom of the press, the right to be informed and the right to assemble, form associations and hold demonstrations in accordance with the provisions of the law.'

[14] Article 9 of Vietnam's Constitution of 1992 (and revised in December 2001).

Box 17.1 Laws and Regulations Controlling TSO in Vietnam

  (i) The Government Decree No. 35/HDBT issued on 28 January 1992 on the establishment of non-profit scientific and technological organisations.

 (ii) The Regulations on Operations of International NGOs in Vietnam promulgated in accordance with Decision No. 340/TTg dated 24 May 1996 of the Prime Minister.

(iii) The Regulations on the Exercise of Democracy in Communes in conjunction with Decree No. 29/1998/ND-CP.

(iv) Decree No. 177/1999/ND-CP of 22 December 1999 promoting organisation and operation of social funds and charity funds.

 (v) The Law on Science and Technology of 9 June 2000.

(vi) The Civil Law of 1st June 1996 by the Parliament.

(vii) The Joint Circular 195-LB of November 1992 of the Ministry of Science, Technology and Environment and the Government Commission for Organisation and Personnel promulgating the implementation of regulations for registration and activities of scientific research and technology development organisations.

(viii) Resolution number 08B/NQ-TW of 27 March 1990 on 'renovating public mobilisation policy of the Party, strengthening the relation between the Party and people's community'.

(ix) Circular No. 143/TB-TW of 5 June 1998 on comments from Standing Committee of Political Bureau on organisation, operation and administration of professional associations.

sphere independent from the state. Box 17.1 lists the most relevant legal documents issued by the state.

Decree No. 35 (Item 1, Box 17.1) is considered as the most important legal basis for the existence and operation of the research and development centres classified as local NGOs by the international donor community working in Hanoi and Ho Chi Minh City.

The Law on Science and Technology[15] (Item 5, Box 17.1) stipulates conditions for establishing scientific and technological organisations, the organisations' rights and obligations. Some local government laws (Decree No. 29, Item 3, Box 17.1) are considered as the first legal basis for strengthening the participation of local communities at the local level.

In addition to these recent laws, there is the 1957 Association Law. The Association Law is a substantive proof of the Party/Government's persistent effort in building a democratic country with a strong civil society. This 1957 Association

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[15] Considered to be a replacement of the above-mentioned Decree number 35 on organisation of scientific and technological activities.

Law could be an important reference for the formulation of a new Law on civil society organisations.

A major conclusion that can be drawn from the review of the TSO legal environment is that the laws and regulations are too general and do not provide detailed instructions on the implementation and enforcement of the laws. The procedures for establishing the TSOs are unclear and complicated, and create difficulties for the TSOs. Further, the laws are often made by the bureaucrats without consultation or support, and have low feasibility. Though many rules and regulations have been created in the recent past, the basic laws are not regularly reviewed, and have low applicability to the rapidly changing third sector in the country.

The Legal Framework and the TSOs Governance

At one level, governance of the TSOs is defined, shaped, or influenced by the laws and policies introduced by the state. The above-mentioned legal framework, however, only provides legal sanction for the TSOs to operate. It does not elaborately define and regulate how the TSOs would be managed and governed.[16]

Some specific requirements to the effect, however, exist. For example, most of the legal documents mentioned above, provide guidelines on roles and responsibilities of these organisations which form the legal foundation for their operation and activities. The regulations require these organisations to establish management boards through democratic ballot at the organisations' meetings. The concerned individuals of any proposed organisation need to submit the agenda, the internal rules and regulations for approval by the umbrella organisations before they are issued the license.

These umbrella organisations are required by the government to be in charge of management and supervision of the TSOs under their reporting, and there is no single body to supervise all TSOs. The government or the respective umbrella organisation does not have enough financial and institutional capacity to closely and regularly manage and supervise the operations and activities of the organisations. Only when a serious problem arises the state bodies undertake investigations and cancel the licence or even prosecute those found guilty, as appropriate. Currently there is no legal and administrative document that specifically defines service quality offered by these organisations.

It is worth emphasising that in the past, the government approved associations used to receive operational subsidies and be under close supervision of the state. Nowadays, the government only provides partial funds to cover costs related to the administration, and co-ordination of the large unions and associations. Most associations and organisations however are self-financed. Thus, the government does not have much influence over these organisations (as long as they do not violate the laws).

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[16] At present, the Ministry of Home Affairs (MOHA) is assigned to revise all related policies and to prepare for development of a more comprehensive law on the third sector, that can enhance state supervision and enforcement apparatus.

Presently, many TSOs get funds (for independent or joint projects) from many international NGOs. For many years, international donors did work exclusively with government agencies. Recently they have paid more attention to the TSOs.[17] In the United Nations Development Programme (UNDP)-funded project on Administrative Reform, there is a component aimed at strengthening 'civil society'. International NGOs working in Vietnam have also increased their collaboration with domestic NGOs to implement projects in various areas including health, HIV/AIDS prevention, poverty elimination, etc. Thus relaxation by the government of supervision or supervisory regime has created space for third sector activities which also have drawn life supports from donor organisations.

Because of the creation of 'space' by the state and the Party on the one hand, and the various supports by international organisations the third sector in Vietnam has been growing. Nevertheless, the management and supervision mainly by the umbrella organisations at present is very loose and irregular. It is in this context, our work has been crucial. It will provide understanding of the functioning of the TSOs and the governance dynamics as well as identify the gaps in governance relationships. In the next section we highlight the main features of the TSOs we surveyed to comprehend TSO governance in Vietnam.

A Profile of the TSOs Surveyed

In total, 81 TSOs were surveyed for the study. Nine or ten TSOs were selected in each of the following fields of activity: art and culture; business; education; environment; laws; religion and social services. Given the high concentration of the TSOs, 16 TSOs involved in economic and social development were chosen for the study (please see Chap. 1 for details of the methodology).

Years of establishment: As previously discussed, market reforms have resulted in the formation of many TSOs. Although the Constitution guarantees the people's rights to establish TSOs, no TSO was created up until the late 1980s. The study finds that 70% of the TSOs were established in the past ten years, of them 34% were established in the last five years.

Staffing: All TSOs have 'official' members. These members are paid workers of the TSOs. In addition, there are other paid staff who share basic civic interests in the TSO's mission and endeavour to fulfil these goals by operating their TSOs as paid workers. Indeed, official members can also work part-time as well, if they find it appropriate.

Given the fact that the country's third sector is still in its nascent stage, most TSOs are very small. Many TSOs do not receive any financial support from the government and have to be selective in staffing. About a quarter of the total TSOs have only five or less official members (including the head). Close to 60% of organisations

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[17] The World Bank, the AUSAID and the governments of Netherlands, Finland and Sweden, for example, have given grants to support Vietnamese NGOs to strengthen their capacity through development and implementation of socio-economic development projects.

have no more than ten members. Only 16% of the TSOs have more than 20 members. The official members perform most of the tasks of the TSOs, as reported by 73% of the surveyed TSOs.

Sources of funding: TSOs have to rely on many sources of funding for survival. Some TSOs however, depend exclusively on foreign sources of funding, and some on the government support. About 27% of the TSOs surveyed received funds from foreign sources like the Asian Development Bank, and the UN agencies. One of the key priorities of the donors, as expressed in their Consultation Group meetings held regularly, is the involvement of the local NGOs in development activities. Many surveyed organisations have good technical capacity that meet the high requirement of the international organisations, and receive 57% of their revenue from foreign sources. While about a third of the organisations surveyed are dependent mostly on government funds, around 50% organisations received one-third of their revenues from the government.

It is not uncommon for many senior government officials, upon their retirement from the government positions, to establish their own NGOs with the hope that their experience, and more importantly, their connections with the ministries and state agencies will attract revenue and work. One fifth of the TSOs surveyed for the study receive donations, either from their staff or from outside sources; for example religious groups receive regular donations from their followers.

Development dynamics: The dynamic of the expanding third sector in the country can be partly reflected in the surveyed organisations over the past three years of operation. According to the field data, close to 80% of the organisations reported a growth in their activities.[18] Only 5 out of 81 (6.2%) of the TSOs experienced a decline in their activities over the last few years; while the total funds of 70% increased, that of 20% TSOs remained constant. Seven (or 8.6%) TSOs experienced a decline in their funds. In the three years before the survey, the number of staff in more than a half of the TSOs increased, and more than a third remained the same.

Governance at the TSOs Under Survey

Earlier in this chapter, we have discussed macro impacts of the laws and policies on the nature and performance of the TSOs, including their governance. This section deals with governance in the TSOs under the study. As required by the current laws, all registered TSOs in Vietnam should have a director and/or a formal board of directors, and/or a board of trustees/founders responsible for the establishment of the organisation, defining the organisation's directions, objectives, leading their operations as well as creating and developing relationship with the stakeholders.

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[18] As both the government and the donors now consider the TSOs as important partners, there has been a steady increase not only of the number of TSOs but also their active participation in various development projects and programmes, ranging from consultation to direct intervention at all levels from central down to community.

The directors and the board members also actively work to enhance the organisations' sustainability, especially in seeking funds for the organisations to operate. As the government does not, in principle, provide operational funds, having enough external funds is crucial for the TSOs to sustain. Leaders of the TSOs thus have to rely on their social and political network to draw resources from the government, international organisations and the private sector.

The survey findings show that of the total 81 organisations under the study, up to 70 (86%) have management boards. The rest of the organisations are operated under the leadership of the organisation heads or directors. There is no explicit legal requirement of a minimum number of board members, thus as most of the surveyed TSOs are small, the boards comprise of two to ten members. The directors and/or board members in most cases are professionals in the related areas and help the organisations in achieving their respective goals. Thus the directors and/or board members should have sufficient knowledge, skills and experiences in the activities that the organisation is established for. Names and resumes of the proposed directors/board members have to be submitted for consideration before the TSO is approved, or for already established organisations permission for reorganisation of the board is granted by the respective umbrella organisation. For established TSOs, the members can be chosen or nominated from within or outside the organisations. In most cases, the directors and/or other board members select the new board members, sometimes in consultation with the organisation staff, or sometimes even through voting.

In the study, composition of the board is found to be relatively complex, reflecting to a certain extent the nature of the formation of the TSOs in the country. As revealed by the study, a large number of the TSOs (37% or 30) have government officials, (some retired) as board members. The low percentage of the TSOs where the board is elected by the members and constituents, or appointed by the board, CEO/founders/chairs or by the stakeholders (6.7%, 5.4% and 5.4%, respectively) indicate that the common practice in selecting board members found in many other countries are still new and rarely adopted in the Vietnamese TSOs. Very often (about 50%) the board collectively decide the chair of the board. Only in 32% of TSOs this decision was made by all members of the organisations.

The directors and/or the boards are held responsible for the TSOs' activities before the umbrella organisations, and ultimately the government. Each organisation has to submit to their respective umbrella organisations an annual report, explaining in detail their activities, achievements, difficulties, sources of funding and staffing issues. However, in most cases, these reports are simply a list of items without qualitative descriptions for each area. Thus, it is hard for the respective umbrella organisation to understand what actually happen at the TSO and how they are governed. There is basically no monitoring and evaluation of the TSO's activities.[19] In cases of reports on mismanagement leading to serious financial or political damages, the state intervenes and the TSOs become liable of being charged for the offences, if found guilty.

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[19] Monitoring and evaluation, if any, are confinemainly to projects funded by overseas donors or international organisations.

Depending on the situation of each organisation, the board (in a third of the surveyed organisations), the directors/heads (35%), or collectives of official members (28%) can have the final say in the TSO. Irrespective of who has the 'final say', most organisations, in general, have a 'driving-force'—who is the founder of the TSO (38%), or the head or director of the organisation (30%), or the manager/CEO of the organisation (31%). The expertise of the person (in 52% cases) is perceived to be the key factor in him becoming the 'driving-force'.

In addition, in about one-third of the cases personality and/or charisma is the main factor for the creation of the 'driving-force'. The voluntary basis of most of the organisations requires the 'driving-force' to have personality that appeals to the volunteers. Finally, and to some extent related to the first qualification, performance of the 'driving-force' is considered important by 8% of the surveyed TSOs. Other features, such as political connection, integrity, moral uprightness of the 'driving-force' were mentioned by just a few respondents.

Planning and Decision-Making at the Surveyed TSOs

Planning: Planning is undertaken almost invariably in all the TSOs (98%) covered under the study. From the beginning, the TSOs always put forward missions and objectives for their activities, as reported by 92% and 99% of them respectively. In fact the umbrella organisations require the TSOs to undertake planning. The plan is prepared mainly by the board and is circulated to all the board members, as in the case of 93% of the surveyed organisations, for its implementation. Strategic, or long-term, plan was prepared in most of the TSOs (94%) and regularly reviewed by the board (97%). Often these strategic plans are produced collectively by the board (95%) and finally are approved by the board itself (91%). The review of the strategic plan is also the responsibility of the board, as being undertaken in 86% of the TSOs under the study. In most cases (91%) the long-term plans are circulated to all members of the board.[20]

Decision-making: Decision-making is crucial for the functioning of any organisation, and is done primarily through the working of the board. In order to manage and lead the organisations, the board holds meetings to make decisions. Only 4% of the surveyed TSOs hold weekly meetings, and 35% monthly meetings of the TSOs. Quarterly meetings were held by close to one-third of the TSOs. Those meetings were usually for reviewing the TSOs' operations and making important decisions, and the agenda is prepared and made available to the members in 91% of the surveyed TSOs. The drafting of the agenda is prepared almost exclusively by the organisation director or head. Voting on options available at the board meeting is not a common practice, as it is being done in only three TSOs. The popular way (97%) is arriving at consensus among the board members.

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[20] However, it is not necessarily the case with other constituents of the organisations, as they themselves consider these plans as internal to the organisation staff, or in some cases to the board.

Besides the board meeting, the TSOs under the study also hold general meetings (96% of the organisations). Close to 5% of the TSOs hold weekly meetings[21], one fifth of the TSOs hold monthly meetings and slightly more than one tenth of the organisations hold quarterly meetings. Nearly one-third of the TSOs organise biannual meetings, and up to 10% hold only one general meeting a year. Often the general meetings are open to the staff only, and never to the public. Similar to the board meetings, the decisions at the general meetings are reached through consensus of all (or the majority of the participants).[22]

Financial Management at the Surveyed TSOs

As a condition of their registration with the umbrella organisation, all TSOs are required to strictly follow financial rules and regulations provided by the Ministry of Finance, and to declare in their charter that they will follow this financial conduct. This study however, found that some TSOs (10%) under the survey do not follow such a formal financial procedure because the procedure is complicated and hard to follow,[23] or in a number of cases the TSO did not receive the detailed guidelines of these rules and regulations. Thus it seems the government organisations, though supposed to, are not very particular in monitoring the TSOs' financial procedures.

Given the precarious condition of the work in the third sector, it is not always easy for the TSOs to prepare their annual budget. Most TSOs in our study did not receive regular government funds. Many had to rely on donations or funds provided by the international donors or organisations. As a result, financial management in many TSOs is very much project (or task) based (37%). Still, about 63% of the TSOs (primarily those with continuous commitment of funds) did prepare their annual budget. As cash is widely used, even in large transactions, the practice of making cash flow budget was not considered as something different from other budget making. About 78% of the TSOs reported preparing a cash flow budget.

Financial statement is a requirement from the umbrella organisations, and about 80% of the TSOs furnish it regularly. However, auditing is not a common practice either by the organisations themselves or by the umbrella organisations. Around 60% of the surveyed TSOs over the past few years had some sort of auditing.[24]

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[21] These are the organisations of small size where decisions can be reached quickly with all staff.

[22] Of the 81 TSOs under the study, only one organisation reached decision through voting. Taking minutes of the general meeting was common, as found in 85% of the organisations.

[23] According to them the rules are more applicable to state ministries rather than to those operating in the third sector.

[24] There are some foreign auditing companies operating in Vietnam, such as KPMG or WaterHouse Price Cooper. These big firms however work mainly on large projects. Their high fees are not affordable to most of the local NGOs thus these firms are rarely asked by the TSOs to perform standard auditing. There are also state-owned auditing agencies, but at this stage they focus mainly on state organisations and projects.

Asset registration is also poorly undertaken and supervised in Vietnam, and about 30% of the TSOs did not do so. Many TSOs did not find the circulation of financial statements to all the official members of the organisation necessary, mainly because low transparency is a common practice in the government as well as the TSOs. The results of the survey revealed that about 35% of the sample did not send financial statements to all the stakeholders and 40% did not make their financial statements available to the public. It is also revealed that the management board actively get involved in the preparation of the annual budget (57%), reviewing and approving annual financial statements (46%), reviewing the organisations' performance against budget at regular intervals (52%), approving major financial expenditures (62%), but not in all TSOs. Thus the TSOs have a very low financial transparency that tends to hamper the quality of the TSO performance.

Performance at the Surveyed TSOs

It is clear that not all the surveyed TSOs have an established and clear system of measuring performance of their staff (74% do). The evaluation of the staff's performance is often subjective, and based on observations only. While close to 70% of the TSOs reported that they have a procedures manual, this affirmation has to be taken with caution, since its contents and quality are not publicly available. In most cases, the manual can be a simple list of tasks that staff was asked to do in their daily work. This can be partly reflected in the low percentage of the TSOs (44%) where the staff receive job descriptions, or terms of reference, with details of what they are to do, and how.

In about 60% of the surveyed TSOs, the performance appraisal of the senior staff is undertaken. Much lower (43%) was the number of organisations where performance indicators are produced. As such, it is hard for the managers to comprehend the effectiveness and efficiency of their organisation operation. It also reduced competency of the staff as there was no clear mechanism of incentives and disincentives to be used for staff development.

The relatively high percentage of TSOs (72%) having quality assurance procedures do not actually mean these were built-in component of the organisations' management system. Very often these procedures were simple supervision of senior staff over the works of the organisations in their daily management. These management problems are again reflected in the very low number of TSOs which carried out regular evaluation of the effectiveness and efficiency of their institutions (less than one-third).

As the data show, the involvement of the board in the overall management of the organisations was not very strong, as reflected in the involvement of the board in the reviewing of the CEO's performance at regular intervals (in 61% of the TSOs), in reviewing quality assurance procedures (44%) and in evaluating the efficiency and effectiveness of the TSOs (73%).

Stakeholder Relationship at the Surveyed TSOs

A major aspect of organisational governance is external relations in order to assure accountability and transparency of the TSO. External relations in TSOs in Vietnam have been poorly managed. The study shows that, while close to 80% of the TSOs mentioned involvement in external reporting, in reality the reporting has been to the respective umbrella organisations, except for a few that were obliged to report to the auditing institutions. In fact, some umbrella organisations require the TSOs within their jurisdiction to prepare annual reports (compiled in only 63% of the organisations), and this is the only, and vertical, mechanism for the TSO reporting. Nonetheless, the number of TSOs which disseminate their internal activities to the public or relevant institutions, through newsletters (30%) and websites (12%) has been growing. Networking is new but has become a relatively common practice among many TSOs (46% of the surveyed organisations being involved). Finally, the board of directors have been involved in all the tasks relating to stakeholder relationship, including seeking funds and donations, representing the TSOs as well as in negotiating with state bodies at all levels.

Conclusions

Doi moi, or market reforms, have resulted in fundamental transformation of Vietnam's economic and social structure. Some of these changes have had ample implications for the development and functioning of the third sector. With the downsizing of the state sector, the provision of state-subsidised and -organised welfare and social safety nets through collective or planned systems has increasingly been declining. The impacts of the regional financial crisis further undermined incomes and reduced the capacity of the government to continue the welfare services. Starting from the late 1980s, the government has switched to a fee-based system for many social services. These changes, and the relative decline in the capacity of family networks or informal mechanisms to provide alternatives, have created pressures on individuals to make provision for economic and social services for themselves.

At the same time, society is now opened to numerous opportunities for individuals and communities to actively participate in economic, social and political affairs. Also increasingly, the government has come to realise its changing role and the importance of having a strong third sector to provide (partly) alternate services which used to be the government's sole responsibility although hesitation in delegating full power to this sector is still prevalent because of the concerns of political instability.

The decentralisation programme and the sanction of 'grassroots democracy' have created an enabling environment that significantly increased non-state organisations' involvement in various economic, social and political affairs at different levels in Vietnam. The governments need to develop a state with a 'rule of law', social equality and equity, wide participation and sound governance clearly require

the contributions from civic organisations and the private sector. In addition, challenges of regional and international integration (e.g. to participate in the ASEAN, the AFTA and the WTO) also reinforce the third sector necessity. Finally, growing involvement of international organisations and donors has given more impetus for the growth of this sector.

As a result, since the 1990s there has been a mushroom growth of TSOs. The recently issued relevant legal documents, notably the Decree Nos. 29, 35 and 177 provide necessary, though still insufficient, legal framework for the establishment and operations of the TSOs.

Thanks to their increasing collaboration with foreign partners in different development projects, many TSOs are now capable of performing their works independently and effectively. Such progress offers an optimistic view of future development of the sector. Still very often the TSOs' reliance on the government funds is excessive and unjustifiable, especially when the government emphasises the financial independence of these organisations. The more the TSOs become financially independent the more TSOs governance in terms of accountability and performance monitoring will improve.

In any case, as it seems, the TSOs will continue to demonstrate their necessity in socio-economic and political development of the country. Being backed up by macro processes, together with government's growing recognition, the TSOs are firmly on their way to become professional. Thus, though at present the TSO governance have a weak performance record, with the people's demand and vigilance, and the government's need to create a well performing third sector, the TSO governance in Vietnam will keep on improving gradually.