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Asian Journal of Public Affairs

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The Asian Journal of Public Affairs (AJPA) publishes policy-relevant research written by and for scholars and practitioners around the world who are interested in the Asia-Pacific region. The journal encourages both young and senior scholars and practitioners to reflect on and study the Asian public sphere from an interdisciplinary lens.

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Note from the Editor-in-Chief

Dear Readers,



Welcome to the third issue of the revamped AJPA. This issue is characterised by the diversity of articles and aptly represents the interdisciplinary nature of public affairs. The first article is where International Politics meet Economics in Giacomo Bagarella's analysis of United Nations economic sanctions, specifically its economic and trade costs to target countries. By focusing on sanctions imposed by the United Nations Security Council on 11 states between the end of the Cold War in 1990 and 2014 and using a panel data regression methodology and controlling for socioeconomic, political, sanctions-related, financial, and governance factors, Giacomo finds no link between UN sanctions and decreased imports by target states and contrasting evidence for different trade patterns with advanced and emerging economies for other sanction types. These, coupled with the costs and externalities sanctions have on both senders and targets, led Giacomo to suggestively conclude that sanctions yield unclear results in target states and that policymakers should weigh these considerations seriously before using sanctions.

The second article is a comparative institutional study on public service delivery of Vietnam and OECD. Võ Thị Hải Minh & Karl Löfgren noted the autonomisation efforts in Vietnam to enhance efficiency and flexibility despite going against the official socialist 'ideology'. This paper assesses that Vietnamese autonomisation was predominantly intended to promote social resource mobilisation and reduction of government expenditures and was implemented against weak institutional foundations in such formal governance structures and informal norms and values.

Next, three book reviews on Asian history, environment and social policies. Si Ying Tan reviewed a biography of General Gerald Templer who was pivotal in British Malayan administration during the Malayan Communist insurgency period of 1952-54. Through Comber's subjective lenses, substantiated with thorough archival research, the characteristics, policies, visions, strengths and foibles of General Templer's two years pro-consulship in Federation of Malaya were poignantly articulated. Templer had a two pronged strategy to launch counterinsurgency campaigns to subdue the guerrilla wars that was initiated by the Malayan National Liberation Army (MNLA) (evolved from Communist Party of Malaya (CPM)) and to lay the path in preparing the Federation of Malaya toward eventual self-governance.

Nihit Goyal reviewed *Climate Change and the Bay of Bengal: Evolving geographies of fear and hope*. Authors Chaturvedi and Sakhujia argue that due to the multiscale, transborder challenge posed by climate change, traditional state-centric notions of security and sovereignty, while not obsolete, are losing relevance. The authors posit that state-centric, military-strategic responses to climate change will result in 'geographies of fear' in the Bay of Bengal. Hence, effective climate change adaptation and mitigation require a

transnational response. This book addresses the processes and problem areas emerging in the geographic space as a consequence of, or linked to climate change.

Jimin Ha reviewed *Strengthening Social Protection in East Asia*. The evergreen trade-off that policy makers consider when it comes to strengthening social protection: building a fiscally sustainable and yet a fair system for all. This book surfaces those challenges by grouping countries into four themes: (1) managing fiscal sustainability of pension and healthcare system in a depopulating and aging society (Japan and Korea); (2) arranging payout phase in a defined contribution scheme (Australia, New Zealand, and Singapore); (3) rethinking civil servant pension arrangement (India, the Philippines, and Thailand); and (4) extending service coverage to rural areas (China) and informal sector (India and Indonesia) in populous countries. All contributors agree on the next steps: (1) an *integrative and collaborative approach* in addressing social protection; (2) highlight efforts to remedy country's *vulnerable groups* such as promoting coverage extension and participation for various target groups and enhance the design of pension payouts. In other words, to create market demand for products that would account for longevity risks and to create the right

Lastly, Francesco Mancini's commentary looks into the fragility and resilience of Asian cities. He investigated the drivers of urban fragility and sources of urban resilience, with a particular focus on three Asian megacities: Bangkok in Thailand; Dhaka in Bangladesh; and Mumbai in India. All cities are fragile in different ways. Urban fragility depends on the extent to which urban systems—including not only infrastructure and ecological systems but also social, economic, and political systems—are susceptible to damage incurred by shocks. Three common features include: socioeconomic and spatial segregation, rapid population growth, and suboptimal governance systems. Mancini adds four guiding principles to strengthen urban resilience: (1) adopt dynamic and scenario-based urban planning for a long-term perspective on uncertainties, independent from changes in government leadership; (2) optimise urban governance to integrate populations across economic divides with clear lines of authority and responsibility; (3) add voices to decision making through community-led initiatives and facilitate community participation—from planning to implementation; (4) focus on spatial segregation to enhance inclusiveness.

Phua Chao Rong, Charles
Editor-in-Chief, Asian Journal of Public Affairs
President, Association for Public Affairs
Jul 2016

RESEARCH ARTICLE

Assessing United Nations Economic Sanctions: The Relationship between Sanctions and Imports in Eleven Targeted States from 1990 to 2014

*Giacomo Bagarella*¹



Keywords: United Nations, economic sanctions, trade

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ABSTRACT

While scholars have conducted ample studies of sanctions' policy effectiveness, there has been a limited effort so far in determining their economic and trade costs to target countries. By focusing on sanctions imposed by the United Nations Security Council on 11 states between the end of the Cold War in 1990 and 2014, this analysis seeks to determine whether UN sanctions are associated with a decrease in target state goods imports and whether there are differential relationships for imports from advanced as opposed to emerging economies. Using a panel data regression methodology and controlling for socioeconomic, political, sanctions-related, financial, and governance factors, this study finds no link between UN sanctions and decreased imports by target states and contrasting evidence for different trade patterns with advanced and emerging economies for other sanction types. These findings, coupled with the costs and externalities sanctions have on both senders and targets, suggest that sanctions yield unclear results in target states and that policymakers should weigh these considerations seriously before using this tool.

INTRODUCTION

The use of sanctions, both by international organizations and individual states, has spread significantly since the end of the Cold War in the early 1990s (Drezner, 2011). These tools of economic and foreign policy offer advantages over the use of force, particularly in that they can be used in more circumstances (Baldwin, 2000). However, despite extensive

¹ The author would like to thank Prof. Thomas Biersteker and the Targeted Sanctions Consortium for kindly sharing their data on United Nations Security Council sanctions regimes, Prof. Ramkishen Rajan and Dr. Sasidaran Gopalan for their research guidance, and an anonymous reviewer for their helpful suggestions.

efforts to study the effects and effectiveness of sanctions, scholars have so far devoted little attention to the economic and trade impact of sanctions. While studies have linked United Nations sanctions to reduced gross domestic product growth or general decreases in trade, there has been no effort in determining the trade costs to target states of United Nations sanctions so far. Similarly, while there has been extensive research on whether sanctions obtain their ultimate political and diplomatic objectives, existing literature lacks a clear understanding of sanctions' intermediate economic effects.

This paper uses data from a combination of sources and a quantitative approach in order to estimate the relationship between sanctions and target state imports from advanced as well as emerging and developing economies. The samples studied include 11 state actors or governments that were subjected to United Nations Security Council sanctions between 1990 and 2014. While the results offer no clear verdict on the usefulness of sanctions in reducing target countries' imports, these findings have implications

both for the state of scholarship in this field and international policymaking. There is no statistically significant decrease in target state imports associated with United Nations sanctions. At the same time, contrasting results for other sanction types run contrary to some expectations. Given these results, policymakers should be aware that using sanctions as a foreign policy instrument does not guarantee results, while producing a series of externalities that should make sender states wary of imposing sanctions without extensive consideration.

The research develops as follows: Section two provides a background on Security Council sanctions. Section three discusses the debate surrounding sanctions and empirical results on their use, particularly in trade. Section four elaborates the methodology for the analysis, and Section five presents the results and discusses policy implications. A brief conclusion follows.

BACKGROUND

Sanctions: what, how, why?

Sanctions are tools of economic statecraft. They are one of the instruments policymakers have at their disposal in international relations, along with other sticks such the threat of force and carrots like various forms of aid. Economic sanctions in particular aim to disrupt the target state's trade, aid, finance, currency, and assets (Kirshner, 1997). They seek to leverage a state or an individual's economic interests to induce behavior change within an actor. Individual states, groups or states, or international organizations can impose sanctions on a wide range of targets, giving this policy the potential for great

Similarly, while there has been extensive research on whether sanctions obtain their ultimate political and diplomatic objectives, existing literature lacks a clear understanding of sanctions' intermediate economic effects.

versatility. The entities that impose sanctions are known as the sender, while those at which they are directed are the targets.

The United Nations Security Council (UNSC) can enact sanctions against states, non-state entities, and individuals in order to uphold its mission of promoting global peace and security. For the Security Council, sanctions are tools to leverage economic relations and processes in order to resolve conflicts, prevent nuclear proliferation, combat terrorism, promote democratization, and protect civilians (Security Council Report, 2013). To accomplish these ends, the UNSC uses sanctions to coerce a change in behavior in, constrain the behavior of, signal to, and/or stigmatize a target entity. The same sanctions regime can pursue one or more of these purposes concurrently (Biersteker *et al.*, 2013).

A state can petition the UNSC to impose sanctions if diplomatic means have failed to resolve a conflict or dispute and United Nations (UN) involvement is perceived to be beneficial. The Security Council then deliberates on the matter and votes on whether to pass a sanction resolution. For this measure to be approved, it requires the support of nine out of 15 members of the UNSC and that no permanent member—China, France, Russia, the United Kingdom, and the United States— could use its veto power against it (American Center for Law and Justice, 2011).

There are virtually as many types of sanctions as there are areas of economic activity. When imposing sanctions on states, the UNSC can choose to influence industrial sectors, exports and imports, or financial activity. Sectoral sanctions can prevent the target state from accessing international shipping and commercial aviation, acquiring industrial or other technology, and obtaining or selling weapons. With regard to exports and imports, sanctions might prevent trade of certain commodities (e.g. oil, gas, diamonds, timber) or curtail general commerce in goods and services. Financial sanctions, which can have repercussions on both industry and trade by affecting the flow of funds within and across states, can ban investments or credits, freeze assets, or prevent the target from conducting transactions in the global financial system. As every case is unique, the UNSC tailors its sanctions regime to the target's economic characteristics to achieve maximum effect (American Center for Law and Justice, 2011).

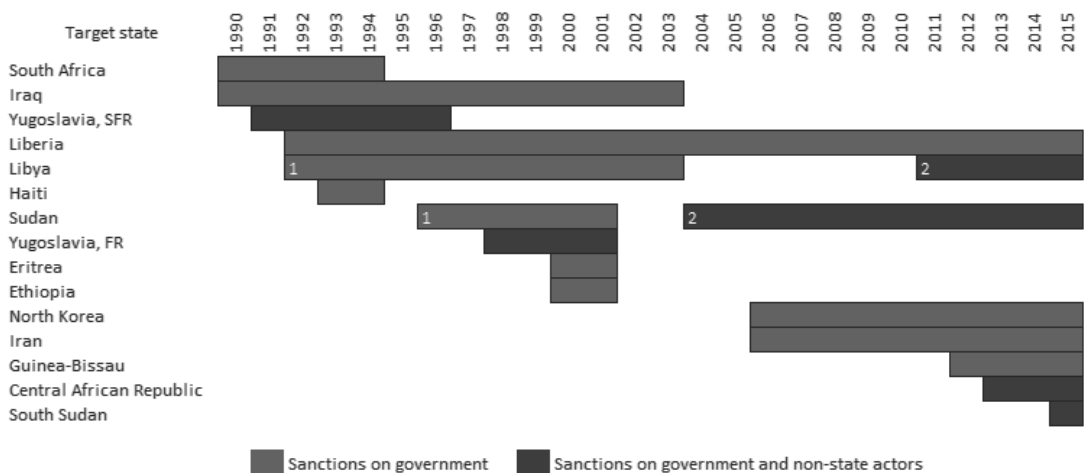
UNSC sanctions since the end of the Cold War

Although the United Nations is just one of many actors in the field of sanctions—these can be put in place by individual states or other international organizations—it is particularly significant as it is the hub of global conflict resolution. It offers a forum on setting policy relating to international or domestic disputes, and confers both visibility and legitimacy to the international community's responses to these disputes. Furthermore, as its actions are the product of joint decisions by the members of the UNSC, it offers the opportunity to study decisions that are taken in concert and that, at least nominally, require implementation by all UN members. Consequently, looking at UNSC sanctions offers the most high-level view of this policy tool.²

² I refer to United Nations Security Council sanctions as UN or UNSC sanctions interchangeably.

Since 1990, the Security Council has increasingly used sanctions to pursue international peace and security. During the Cold War, the UNSC enacted sanctions regimes only twice—against Rhodesia in 1966 and South Africa in 1977. However, after the collapse of the Soviet Union, the UNSC has imposed sanctions on 16 cases, targeting 14 different countries (see Figure 1). In total, the UNSC has passed 31 sanctions resolutions, of which 12 targeted governments, 13 non-state actors, and 6 both of these groups (Grusell, 2015). In Libya and Sudan, the UNSC imposed sanctions again after having lifted them.³ This does not include multiple other instances when sanctions were imposed on non-state actors.

Figure 1. Timeline of sanctions cases against states, 1990-2015



Note: Yugoslavia (Socialist Federal Republic of) broke up in 1991. Yugoslavia (Federal Republic, consisting of Serbia and Montenegro) existed from 1992 to 2003. Sudan was partitioned between Sudan and South Sudan in 2011.

Source: Special Program on the International Targeted Sanctions, Uppsala University (2015).

Predictably, sanctions target the regions of the world that have exhibited the most conflict in the last quarter century. If one considers Sudan and South Sudan as part of Sub-Saharan Africa, then this part of the world has witnessed nine sanctions regimes at work in eight countries. Similarly, the UNSC has targeted three countries with individual sanctions regimes in the Middle East and North Africa region. Outside of Africa and the Middle East, there have been two sanctions regimes in the Balkans, one in the Americas, and one in East Asia.

The Security Council has lifted sanctions regimes in seven cases, though it subsequently reinstated two. On average, lifted sanctions had been in place for just nearly 85 months. Sanctions that are currently in force have been in effect for an average of 92 months. Altogether, UNSC sanctions last on average for almost 89 months. The shortest instance targeted Ethiopia and Eritrea and lasted just under a year. The longest case is that of Liberia, which has been subjected to sanctions since November 1992.⁴ Presently, eight countries are subjected to UNSC sanctions. Five countries were being sanctioned in any given year in the 1990s. In the 2000s, the number of targeted states ranged between two and five. The present spike in countries under UN sanctions began in 2011: the Security Council has

³ This analysis considers Yugoslavia as a distinct entity from its successor state, the Federal Republic of Yugoslavia.

⁴ Author's elaborations of SPITS and Targeted Sanctions Consortium data.

instated one new sanctions regime per year in addition to the four that existed in that year.

Sanctions are a complex tool, used to confront some of the most pressing challenges of international relations and security. They are imposed by the highest international decision-making body and have the power to affect entire sectors of a country, or its economy as a whole. Once enacted, they tend to stick for many years. The next section shifts from description to analysis as it breaks down the key literature on this subject.

LITERATURE REVIEW

Although sanctions are primarily an economic instrument, the vast majority of analyses of sanctions' effects have focused on their political and security effects. This approach treats the direct impacts of sanctions—reduced trade and financial flows, for example—as an intermediate step: the means through which to pursue the geopolitical ends of a sender, such as the Security Council. This literature review centres on the economic and trade aspects of sanctions in order to provide a background for the successive analysis.

The first issue that arises in the study of sanctions is the choice of an appropriate sample. The instances when sanctions are imposed—both multilaterally and unilaterally—are just a subset of the cases when international organizations or states consider or threaten their use. Sampling inevitably muddies the waters: as some scholars note, a credible threat of sanctions might be enough to lead the would-be target to comply (Kaempfer and Lowenberg, 2007). Empirical findings suggesting that the likelihood of sanctions decreases as their potential effectiveness increases support this view (Blake and Klemm, 2006). Others specify several ways that researchers might define the “universe of cases” it would be necessary to study. These include cases when sanctions were used or threatened, those when they were considered, or even instances where they could have been considered—regardless whether this happened or not (Baldwin, 2000). Despite efforts to study threat cases (Hufbauer *et al.*, 2009), sampling problems inherently make information collection more difficult, affect the data points available for research, and lead to selection bias that hampers efforts to study sanctions empirically.

For cases in which sanctions are applied, however, scholars have modeled and estimated the economics and welfare effects of sanctions regimes. Sanctions disrupt both domestic and international markets, impose costs on senders and targets, and spur adjustments whereby actors pass the costs to others or use other strategies to avoid these costs (Kaempfer and Lowenberg, 2007). Besides, sanctions are welfare-reducing — such as reducing the gains from trade—and have redistributive effects in both the sender and target country. In addition, wherever there is economic dislocation, there is room for actors to capture rents. It is possible for the governments of target countries to use sanctions to gain control of critical sectors, and thereby increase their authority. Alternatively, private actors—such as smugglers or trans-shippers—can exploit the fact that induced scarcity of goods leads prices to increase in target countries to establish profitable trading relations. Inevitably, the bans and constraints that sanctions impose create opportunities for corruption and black-market activities (Kaempfer and Lowenberg, 2007; Hufbauer *et al.*, 2009; Drezner, 2011).

However, the scale of sanctions' effects depends on how able targets are to find alternative suppliers (in the case of import bans) or consumers (in the case of export bans) for their goods and services. The size of the target country—and of states willing to step in to replace former trade partners—also matters. Large countries, *ceteris paribus*, feel lower costs of sanctions both as senders and as targets owing primarily to their sizable domestic market relative to the proportion of trade to gross domestic product. Large alternative trade partners can nearly nullify the effects of sanctions for target countries. Size effects might bias the analysis as Western, developed countries—which tend to have large economies—are both more likely to be senders of sanctions and to enforce UNSC sanctions (Hufbauer *et al.*, 2009; Kirshner, 1997; McLean and Whang, 2010). Greater international cooperation in imposing sanctions also increases their effects on the target state, in turn enhancing the likelihood that they accomplish their objective (McLean and Whang, 2010).

Various studies attempt to quantify the magnitude of sanctions' effects. An analysis of both United Nations and United States sanctions in the last 40 years suggests that the former can, by curtailing trade and other economic activities, reduce gross domestic product (GDP) growth by between two to five percentage points depending on the severity of the measures. Sanctions imposed by Washington, on the other hand, appear to reduce GDP growth by one-half to nearly one percentage point. United Nations Sanctions also tend to cause more long-lasting effects: they reduce GDP growth over the course of ten years as opposed to seven for U.S. sanctions (Neuenkirch and Neumeier, 2015). Other research on U.S. sanctions between 1960 and 2000 estimates that, in the absence of such policies, bilateral trade between the U.S. and the target would have been 56 to 82 percent greater, depending on the extensiveness of the sanctions. At the same time, there is evidence for trade diversion to other G-7⁵ countries in the case of limited and moderate sanctions. These states would have traded 17 percent less with the target without U.S. sanctions, suggesting there was redirection of commerce from the sender to other trading partners. This effect disappears with extensive sanctions, which also reduce trade between the target and other G-7 states (Caruso, 2003).

With regard to how regimes combine different types of measures, trade and financial sanctions have generally been used together. Among trade sanctions, export controls—constraining a target country's access to the sender's goods or services—occur more frequently than import controls.⁶ In a study of 204 cases between World War I and the early 2000s, the two are used together a third of the time. However, where only one is used, this tends to be almost exclusively export controls (Hufbauer *et al.*, 2009). In addition to these tools, financial sanctions were used in 153 out of 204 cases, either alone or in combination with the aforementioned trade controls. Financial sanctions are likely to have stronger effects than pure trade controls since trade itself relies on the ability of financial flows—e.g. payments, credits, loans—to take place. Financial sanctions are also easier to enforce since financial markets are more regulated—and thus controllable—than goods markets and because there are fewer larger players that control key nodes in financial flows.

⁵ These are Canada, Japan, France, Germany, Italy, and the United Kingdom.

⁶ A note on terminology is in order. Export controls refer to measures by entities that enact sanctions to reduce or prevent exports to a target country. These measures therefore show up in the target country's import balances. Import controls seek to reduce or prevent trade from the target country to the sender entities. Hence, these measures affect the target's export balances.

Some scholars also argue that while market forces can weaken trade controls through the effects that incentivize smuggling, financial sanctions may be self-reinforcing as financiers do not experience increased rewards to compensate increased risks in dealing with target states (Hufbauer *et al.*, 2009). The power of financial constraints, especially in limiting the access to and use of U.S. dollars, is evident in the cases of U.S. sanctions towards Iran and Russia in 2012 and 2014, respectively (The Economist, 2012; The Economist, 2014).

Finally, when it comes to policymaking, there is a need to translate the elements discussed so far into a decision as to whether sanctions should be imposed. When thinking about sanctions, both scholars and diplomats should distinguish between arguments on whether sanctions work all the time or whether they should be used in a particular situation. The former process requires defining dimensions of success. Policymakers should identify their true objective and estimate the sanctions' effectiveness (the extensiveness of sanctions' impact), costs to the user and target, and stakes (importance of the goals) for the sender and target (Baldwin, 2000; Dashti-Gibson *et al.*, 1997). A determinant of success is also what individuals or groups the sanctions affect, not just the size of their burden on the target. For instance, sanctions wishing to induce a state to change policies should seek to have the greatest effect on a government or its core supporters (which will vary depending on the target state) as opposed to the general population (Kirshner, 1997; Dashti-Gibson *et al.*, 1997). Sanctions' costs and benefits should not be understood simply in monetary terms as sanctions are also signalling tools and possess a clear expressive purpose beyond their purely instrumental one (Kaempfer and Lowenberg, 2007). Yet signalling can also be an objective in itself if the primary purpose of sanctions is not to harm the target state but to display resolve to domestic or international audiences (Dashti-Gibson *et al.*, 1997), though others find that sanctions can be an ineffective signalling tool (Whang and Kim, 2015). Whether sanctions should be imposed, on the other hand, depends on what alternatives policymakers have. A method for assessing the usefulness of sanctions is to establish a potential counterfactual. Though this exercise is not straightforward, it allows policymakers to determine what the world would look like if no action—or a different action—were taken. This establishes a baseline on which they can then weigh the expected gains from using sanctions (Baldwin, 2000).

While the study of economic sanctions has elaborated on a large number of characteristics of this policy tool, the attempts made to quantify sanctions' direct economic effects fall short of the efforts aimed at estimating the presumed policy effectiveness of this instrument. Thus, while numerous studies code whether sanctions succeeded in coercing, constraining, or stigmatizing a target state, few investigate their dollar-value repercussions. This is especially true of UNSC sanctions. Sanctions have an intermediate goal—to inflict economic pain on the target—that may or may not lead to fulfillment of the ultimate goal, influencing that target's behavior. By studying economic costs on targets, one of the components of sanction effectiveness, the present research attempts to clarify this important area.

As the discussion above has illustrated, multiple factors affect sanctions' outcomes. These can be grouped into the type of sanctions package itself, socioeconomic and political domestic variables in the target state, the characteristics of the sender(s), and the responses

by the target and international community. Disaggregating these features for UNSC sanctions permits a finer-grained analysis of what factors determine the results of such policies. In addition, removing the subjective element inherent in studying sanctions with policy “success” as the dependent variable, conducting an entirely quantitative analysis of their effects can establish an objective, measurable basis on which future determinations of sanctions’ effectiveness can be constructed. Lastly, sanctions offer an experiment in the study of interruptions of international trade. A better understanding of this relationship matters insofar as most countries become increasingly open to growing international trade concurrently with a surging emphasis on sanctions as a foreign policy tool. The increasing frequency with which both the UN and other actors use sanctions consequently requires improving our knowledge on the economic effects of sanctions. With the understanding of existing models and empirical findings pertaining to sanctions discussed in this review, the following sections analyse the relationship between sanctions and trade in order to gain a clearer understanding of sanctions’ effects on their intermediate objectives.

METHODOLOGY

Hypotheses and econometric approach

This study utilises panel data regression in order to examine the relationship between sanctions and international trade for target countries. It employs entity and time fixed effects, together with a series of control variables, to derive a more precise estimate of the relationship of interest. The expectation is that sanctions have a negative relationship with imports. Consistent with other literature, further anticipated results should show differential relationships for imports from advanced versus emerging economies, with the former reducing by a greater amount. The following hypotheses are derived from the discussion above.

Hypothesis 1: United Nations sanctions on a target state are associated with the decrease in that state’s imports from other countries.

Hypothesis 2: Target country imports from advanced economies decreases more than those from emerging and developing economies.

The range of controls included in the model seek to distinguish the link between sanctions and imports from that of social, economic, and political factors (a complete list is provided below). These include population; GDP and GDP growth; inflation; whether a country is experiencing inter- or intrastate conflict; and indicators of governance and financial development. The model also controls for different types of sanctions (see below). Lastly, country fixed effects (FE) control for factors that are constant over time but vary across states (e.g. distance to trading partners). Time fixed effects control for factors that vary across time but are constant for all countries (e.g. the state of the global economy). Hausman tests comparing fixed effects and random effects models with all variables for both advanced and emerging economies yielded results significant to the one percent level, substantiating the choice of FE models for this analysis. Standard errors are clustered by country to yield a heteroscedasticity-robust and autocorrelation-consistent model.

Thus, the model takes the form of

$$imports_{it} = \beta_1 sanctions_{it} + \gamma_{it} + \alpha_i + \lambda_t + u_{it}$$

Where γ_{it} is a vector of control variables and α_i is the entity FE and λ_t is the time FE. The error term is u_{it} . For the purposes of this model, the dependent variable is imports from a country grouping as a share of total global trade. Variance inflation factor (VIF) tests conducted on baseline regressions without fixed effects suggest the absence of dangerous multicollinearity as all VIF values were below 4.00 and the mean VIF did not exceed 1.99.

Data and variables

The Uppsala University Special Program on the International Targeted Sanctions (SPITS) dataset provides the list of sanction target country cases and duration of sanctions on the government. The data available permit an analysis of sanctions regimes in 11 countries. These are the Central African Republic, Ethiopia, Guinea-Bissau, Haiti, Iran, Iraq, North Korea, Liberia, Libya, South Africa, and Sudan. No data exists for Eritrea and South Sudan, while partial data for Yugoslavia and the Federal Republic of Yugoslavia mean these are excluded as well. This study examines the relationship between UN sanctions and imports in these countries by running the aforementioned model on a balanced panel of 175 countries.⁷ The panel covers each year from 1990 until 2014; with 25 observations per state, there are 4,375 total country-years.

The variable selection follows that of previous empirical analyses of sanction effects. Socioeconomic controls appear in virtually all of the previously cited studies; as described, the size of the economy affects sanction results, as does the level of economic development. Other shocks, such as high inflation, poor or negative GDP growth, and internal or external conflict likewise have effects from trade distinct from those of sanctions. Where these occur simultaneously, the variation associated with each factor must be disentangled. As discussed, different sanction types influence the target differently; as more fine-grained data is available, it becomes possible to account for this as well. Finally, governance and financial characteristics affect the extent to which the target country can cope with trade restrictions; as noted previously, the likelihood with which alternative trade networks can form—both private and state-run—depends on both the capacity of the state to suppress such activities and its own ability to maintain adequate resources to pay for imports.

As discussed above, export controls are a much more widespread type of sanction that import controls. Therefore, the dependent variable of interest is the target country's imports measured as a share of global GDP, which implicitly controls for changes in the world economy. Trade data on goods imports was obtained from the International Monetary Fund's Direction of Trade Statistics database. To study differential effects, imports data is broken down by the type of economy, with advanced economies in one group and emerging and developing economies in the other.⁸

The model regresses imports from these groups on a dummy variable, *Sanctions*,

⁷ This sample excludes most small island-nations, for which no trade data was available.

⁸ For a definition of these groupings, refer to World Economic Outlook (2015).

indicating whether UNSC sanctions were present in a given year. This is the principal independent variable of interest. There are 102 UNSC sanction-years in the 4,375 observations (see Table 1). The dummy is coded as one for each year in which the SPITS dataset lists UN sanctions on the target country's government.

Population, GDP, GDP growth, and Inflation are the socioeconomic controls measuring basic aspects of the target country. These are all provided by the World Bank's databases. Gross domestic product and GDP per capita are measured in constant 2005 U.S. dollars. These variables seek to account for changes in trade volumes deriving from domestic economic or population shifts. The World Bank also provides data for *Trade openness*, measures as the sum of exports and imports of goods and services as a percentage of GDP.

Conflict is a dummy variable equal to one for each year in which the government of the target country was engaged in either interstate or intrastate conflict, defined as any year in which there were 25 or more battle-related deaths. This control is derived from the Uppsala Conflict Data Program–Peace Research Institute Oslo dataset on armed conflict.

Multilateral sanctions, Unilateral sanctions, Commodity sanctions, and Financial sanctions are dummy variables that control for a range of sanctions-related conditions. The first two take a value of one when multilateral (e.g. African Union, European Union) or unilateral (e.g. United States, United Kingdom) sanctions accompanied UNSC sanctions. The other dummies indicate with value one whether there were commodity or financial sanctions, respectively. The Targeted Sanctions Consortium's dataset on UNSC sanctions (Biersteker, n.d.) furnished control variables on sanction details for countries targeted after 1990. Other sources provided details on UN sanctions on South Africa (Hefti and Staehelin-Witt and, 2013; Levy, 1999; Riding, 1991; South African History Online, 1993). Clifton *et al.*'s (2014) "Threat and imposition of economic sanctions" dataset provided information on sanctions for all other states. There are 791 observations in which at least one type of sanction is present (18.1 percent of the total). Table 1 presents the relative frequency of each sanction type. Multilateral organization sanctions accompany nearly all cases of UNSC sanctions, while unilateral sanctions occur in two thirds of cases. Commodity and financial sanctions occur in two fifths and less than one fifth of UNSC sanctions cases, respectively. On the other hand, unilateral sanctions occur the most frequently in the data, in one in six observations and in 95 percent of all sanction-years.

Table 1. Frequency of sanction-years by type

Sanction types	UN sanction-years N = 102		All sanction-years N = 791		All observations N = 4,375	
	N	%	N	%	N	%
UN	102	100.0	102	12.9	102	2.3
Multilateral	97	95.1	268	33.9	268	6.1
Unilateral	67	65.7	754	95.3	754	17.2
Commodity	44	43.1	445	56.3	445	10.2
Financial	17	16.7	123	15.5	123	2.8

Central bank assets, measured as a percentage of target country GDP, controls for the fact that target governments may rely on these resources to pay for imports if sanctions constrain regular funding mechanisms (Hufbauer *et al.*, 2009). The World Bank's Global Financial Development dataset provides the relevant information.

Rule of law and *Voice and accountability* control for factors relating to the target country's political and legal systems. Due to the high correlation between *Rule of law* and other governance indicators (see Table 2), this variable was chosen as a control for governance factors. *Voice and accountability*, on the other hand, has a lower correlation and indicates a different component of the relationship between the government and its citizens and businesses. These data are taken from the World Bank's World Governance Indicators dataset. The World Bank compiles its governance measures by surveying business people, citizens, and experts and analyzing information provided by other organizations for advanced and developing countries. These data are available for 1996, 1998, 2000, and from 2002 to 2014.

Table 2. Correlation matrix for governance indicators

Variable	Corruption	Government effectiveness	Political stability	Regulatory quality	Rule of law	Voice accountability
Corruption	1					
Government effectiveness	0.9395	1				
Political stability	0.7388	0.7163	1			
Regulatory quality	0.8789	0.9347	0.6781	1		
Rule of law	0.9431	0.9494	0.7826	0.9122	1	
Voice accountability	0.7962	0.8088	0.6754	0.8281	0.8265	1

Observations = 2784

It should be noted that not all indicators are available for each country and each year; where this is the case, the observation is coded as missing. This is particularly true for the financial indicators and, as discussed, for the governance indicators.

Additional considerations

An obvious issue with studying sanctions regimes is that data is partial at best, absent at worst, and oftentimes likely inaccurate. Sanctions tend to target governments that are secretive (e.g. Iran, North Korea) or countries with poor data availability (e.g. Haiti). Sometimes, even data from international organizations is incomplete as certain databases do not cover the entire period under study. Furthermore, the fact that sanctions induce black-market activity means that a significant component of their effects will be quantified only with great uncertainty and difficulty, or not at all.

Therefore, while all data used is provided by reputable sources or acknowledged experts, results may be subjected to measurement error. Insofar as this is random, attenuation bias will reduce the coefficients of interest. If it is systematic, the results as a whole might not be valid. On the other hand, results from this study may be considered more reliable as the dependent variable—the volume of target country imports—is measured objectively and not assessed subjectively, as is the case in analyses of sanction success in achieving policy goals. Lastly, selection bias is also a concern as the cases on which the UNSC acts are determined by the politics of the five permanent members, who hold veto power. A more elaborate study might also include cases where the UN threatened but did not impose sanctions, where sanctions resolutions did not pass a vote, or where a member state's petition to consider sanctioning a particular country was never even discussed in the Security Council.

ANALYSIS

Results

The various specifications lead to mixed indications about the effectiveness of sanctions on trade. No specification yields a significant coefficient for the United Nations Security Council sanctions variable. P-values for this variable unfailingly exceed 0.40 under all specifications and thus strongly refute Hypothesis 1 that UNSC sanctions are associated with decreased imports in target countries. Nevertheless, coefficients on other sanctions variables do reach significance. Though this provides some indication of how sanctions interact with target country imports, reading these results is not straightforward (see Table 3).

Unilateral sanctions display a significant relationship with target country imports in all four specifications in which they appear. The negative sign of the relationship between unilateral sanctions and imports from advanced economies (specifications [3] and [7]) conforms to expectations. Interestingly, specifications (4) and (8) display a positive relationship between this type of sanctions and imports from emerging and developing countries. A decrease in imports from advanced economies and a larger increase in imports from emerging trade partners lends some support to Hypothesis 2 insofar as the results show the expected differential between trade partner groupings. The coefficients might also provide circumstantial evidence for trade diversion: as target states exchange fewer goods with advanced economies, their commerce with emerging countries increases instead. The negative relationship between financial sanctions and imports from advanced economies in specification (3) and positive association between such sanctions and trade with emerging economies in specification (4) presents a similar pattern (This is also the case in specifications [7] and [8], though in those cases the coefficients are not significant).

However, the signs on coefficients for multilateral and commodity sanctions reverse these results. Multilateral and commodity sanctions are associated with fewer imports from emerging economies and higher imports from developed states. Although coefficients for multilateral sanctions reach significance only in specification (8), their signs are consistent with this pattern. Commodity sanctions, which exhibit significant coefficients in three out of four cases, also present findings opposite to the ones described in the preceding paragraph. That sanctions are associated with less trade with emerging economies and more with

advanced ones turns the expected relationship on its head and contradicts Hypothesis 2. Thus, the findings for the second hypothesis are ambiguous and prevent any firm conclusion in this regard.

Apart from these results, it appears that both stronger rule of law and a higher percentage of central bank assets to GDP are linked to a significant degree with more imports from developed economies and fewer ones from emerging nations. This appears logical if firms in advanced economies seek to trade with countries with stronger governance and financial development. Yet it is surprising that good performance on governance and financial indicators would actually be associated with lower imports from emerging economies unless companies were unwilling to set up commercial ties with this type of partner due to the greater risks of trading with these markets.

For the significant coefficients, a seemingly weak relationship between sanctions and imports in target countries conceals a potentially large economic effect. As the imports variable was defined as imports from advanced or emerging and developing as a percentage of world trade, the results indicate that the presence of sanctions is associated with a decrease in imports as a share of global trade of between two and seven hundredths of a percentage point. With total international trade slightly exceeding \$18.5 trillion in 2014 (International Monetary Fund, 2015), this amounts to a reduction of between \$3.7 and nearly \$13.0 billion. However, countervailing increases in imports from other partners appear to match and even exceed these losses with corresponding gains of between three and eight hundredths of a percent of global trade, or between \$5.6 and \$14.8 billion. Hence, the end result of sanctions is unclear.

These results shed little light on our primary variable of interest, UNSC sanctions. At the same time, the possible effects of other types of sanctions are inconsistent with expectations. At face value, it would appear that UNSC sanctions have no significant relationship with target country imports. In turn, this raises questions about how effective these measures are in practice and whether the Security Council might need to re-evaluate its approach. Multilateral sanctions are not far behind in weak relationships to the desired outcomes. Other sanction types, especially unilateral ones, show a stronger association with their objective of curtailing target country imports.

Unfortunately, the data available are not sufficient to smooth out kinks in the analysis. Gaps in financial indicator and governance data—this information is not available for all countries in all years—reduces the number of observations in specifications (5) through (8), thus potentially skewing their results. Additionally, by relying exclusively on yearly data it is not possible to focus on the association between sanctions and imports in the same way as if quarterly data were available. This means that the panel data cannot exploit the higher granularity of sanctions indicators, which break down different “episodes” with different characteristics by date. Furthermore, the relatively low number of UN sanction-years limits the analysis. Others appear to have included all UN sanctions regimes—not just ones targeted at governments—in their data (see, for instance, Neuenkirch and Neumeier, 2015), which might help the regression results but might not adequately capture the effects of regimes targeted at states as opposed to those aimed at individuals and firms.

Table 3. Regression analysis of the relationship between sanctions and imports in target countries

Variable	Baseline model		Sanctions controls		Financial development and governance controls		All controls	
	(1) ADV	(2) E&D	(3) ADV	(4) E&D	(5) ADV	(6) E&D	(7) ADV	(8) E&D
UNSC sanctions	-0.03	0.03	-0.02	0.02	0.00	-0.01	0.01	-0.02
Population	0.00	0.00	0.00	0.00	0.00	0.00**	0.02*	-0.02*
GDP	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00***
GDP growth	0.00*	-0.00*	0.00*	-0.00*	0.00	0.00	0.00	0.00
Inflation	0.00	0.00	0.00	0.00	-0.00**	0.00***	0.00	-0.00*
Conflict	0.00	0.00	00.00	0.00	0.02*	-0.02*	-0.00**	0.00**
Multilateral sanctions			0.01	-0.03			0.02	-0.04*
Unilateral sanctions			-0.03*	0.04**			-0.02**	0.03***
Commodity sanctions			0.03*	-0.03			0.04**	-0.03*
Financial sanctions			-0.07*	0.08**			-0.02	0.05
Central bank assets (% of GDP)					0.00	0.00	0.05**	-0.05***
Rule of law					0.05**	-0.06***	-0.02	0.02
Voice and accountability					-0.02	0.02	0.00	0.00
Constant	0.73***	0.26***	0.73***	0.26***	0.67***	0.29***	0.67***	0.30***
Observations	3,629	3,629	3,629	3,629	2,101	2,101	2,101	2,101
Adjusted R2	0.54	0.55	0.55	0.56	0.5	0.52	0.5	0.53

Legend:
 ADV: advanced economies. E&D: emerging and developing economies
 * p<0.05; ** p<0.01; *** p<0.001

DISCUSSION

As discussed above, the study could not address some of the issues it had set out to analyze. Without the possibility of teasing out the link between UNSC sanctions and imports, and with contradictory results for the additional sanction types, attempting to explain the mechanisms that make these measures more or less effective would be an exercise in conjecture. However, it is still possible to draw some conclusions about UNSC sanctions' trade consequences and the role these play in international economics.

If the link between sanctions and target country imports are vague, this weakens the notion that sanctions are—or can be—effective because they inflict significant economic losses on their targets. Consequently, the ultimate outcomes of sanctions might be ascribed to other dynamics in the international arena. It is telling that other multilateral or unilateral sanctions and Security Council threats of sanctions always preceded UNSC sanctions (Biersteker, n.d.). This is a consequence of the fact that, on average, it takes the UNSC 14 months to impose a sanctions regime (Biersteker *et al.*, 2013). By this time, target states may have had time to stockpile necessary imports or devise trading arrangements to circumvent the sanctions. This results in sanctions producing mixed results. If sanctions do not work consistently, international actors may thus opt for alternative measures—for instance, the threat of force—to achieve their objectives. Yet the political outcomes of these additional actions could get confused as the product of sanctions.

Understanding what it is about sanctions that induce a target to acquiesce to senders' requests gives policymakers a better grasp on the tools at their disposal. It may be that it is the threat of sanctions, more than sanctions themselves, which achieves results (Drezner, 2011). However, studies have also reported sanctions' flaws as signaling devices (Whang and Kim, 2015). This suggests policymakers should invest in making their threats credible rather than in devising elaborate sanctions regimes. Alternatively, because sanctions are also costly on the entities that impose them (Hufbauer *et al.*, 2009) policymakers would be well advised to use sanctions with discretion rather than unquestioningly implement a policy that matches uncertain outcomes to definite costs.

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The broader economic implications of sanctions also suggest that, by preventing “business as usual”—complicating the usual commerce if not decreasing it significantly—they may produce negative externalities through trade diversion, the creation of rent-seeking opportunities, and the generation of inefficiencies in international goods markets.⁹ Hence, even if they do not cause clear reductions in targets' imports, sanctions can prove disruptive to general economic activity and degrade the rule

⁹ *The data analysed in this study does not cover trade in services.*

of law in both the target and its trade partners (Drezner, 2011). (There may also be reverse causality, whereby poor rule of law in a state is associated with a higher likelihood of it being subject to sanctions.) Economics, which teaches us to take seriously the welfare effects of policies, therefore also suggests leaders consider the repercussions of sanctions beyond their narrow target and objective.

Finally, it is interesting to note the inconsistencies in the sanctions coefficients of advanced countries as well as emerging and developing countries. While larger countries have been shown to suffer smaller costs from sanctions and impose larger ones in turn, the fact that advanced countries with their large economies do not consistently hold large sway on imports challenges expectations. These results may be due to problems with the data, and suggest that additional research is required to understand how trade shifts among partners after a sanction is imposed.

CONCLUSION AND POLICY IMPLICATIONS

Altogether, this study has produced mixed results on the link between UNSC economic sanctions and trade in target countries. While no specification yielded significant coefficients displaying the expected negative relationship, significant coefficients for other types of sanctions displayed patterns that evade a straightforward analysis, thereby limiting the implications that can be drawn from this research. The key lesson, however, is that given sanctions' uncertain link to trade and their unambiguous negative externalities, policymakers should be careful in choosing to implement these measures. Their potential repercussions on sender countries—the members of the Security Council and United Nations as a whole—should not be neglected, and leaders should weigh carefully the outcomes they expect to derive from sanctions.

Nonetheless, these results highlight a series of gaps in the existing data on sanctions and their effects, and suggest several directions for further study. One main area is to produce finer-grained and more reliable data with which to assess sanctions below the yearly level. Another is to study the effects of economic sanctions on target state exports and, potentially, financial rather than goods flows. Finally, the differential effects of sanctions on trade with countries of varying economic size and level of development constitutes an additional area for greater exploration.

Ultimately, sanctions' welfare effects percolate to citizens of target and sender countries, with potentially harmful humanitarian consequences (Drezner, 2011). In an effort to devise more and more effective foreign policy tools, the economic effects of economic sanctions should be a matter of careful analysis among diplomats and scholars.

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RESEARCH ARTICLE

Autonomy of Public Service Delivery Agencies in Vietnam and OECD: A Comparative Institutional Perspective

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ABSTRACT

This paper analyses the underpinning institutional foundations of autonomy in public service delivery in Vietnam compared to the OECD countries. These include formal institutions such as governance structures, and informal institutions such as norms and values. Vietnam embarked on autonomisation to enhance efficiency and flexibility, in line with the OECD countries, as part of a broader reform in response to a critical socio-economic crisis in the 1980s. Paradoxically, Vietnam's autonomisation goes against the official 'socialist' ideology, and is predominantly promoted to mobilize social resources, and to cut back on government expenditure. While autonomous agencies in the OECD countries have been established within institutionalized performance management and accountability backdrops, automisation in Vietnam is implemented against weak institutional foundation. Considering the wide gap in automisation outcomes between these jurisdictions, the

paper seeks to prescribe some policy advice for Vietnam's future autonomy reforms in terms of building institutions.

INTRODUCTION

Globally, autonomisation has been one of the key components of New Public Management (NPM) reforms. It is a reform approach that confers more autonomy to subordinate public sector bodies regardless of whether they remain legally part of a parent ministry, or acquire a distinct legal status. The prospective benefits of autonomisation

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include enhanced efficiency and innovation, improved service outcomes and more tailored services to fulfil the users' needs.³

Although the basic idea of autonomisation originates from developed countries, many developing countries have been embracing it for the past two decades.⁴ As a developing country, Vietnam has undergone a radical transition from a centrally planned economy towards a market-oriented one and represents no exception in this respect. With the launch of the 2002 Government Decree 10/NĐ-CP stipulating the rights of financial autonomy of public non-business units, Vietnam formally embarked on the

implementation of the autonomy policy in public service delivery (autonomy had already been conferred to the Vietnamese state-owned enterprises in the 1990s). The Government Decree 43/NĐ-CP in 2006 further expanded the autonomy of public non-business units to include such dimensions as task performance, organizational arrangements and personnel management.

Hitherto, the effects of the autonomy policy implementation on service delivery performance and accountability in Vietnam have been mixed. Positive outcomes so far include expansion of the range of services, an increase in the utilisation of services, a significant growth in agencies' total revenues, increased capital investment in facility, equipment, and services and a substantial growth in staff incomes.⁵ However, a number of unintended effects have been observed, including low effectiveness of service provision, a widening gap in access to quality services between socio-economic groups, and an

The experiences of autonomisation reforms in developed countries show that the reforms often are based on underpinning sets of rationales, principles and values which still are absent in developing countries, and often also incompatible with the existing structures in developing countries.

³ OECD, *Distributed Public Governance* (OECD Publishing, 2002); Per Lægreid and Koen Verhoest, *Governance of Public Sector Organizations: Proliferation, Autonomy, and Performance* (Houndmills, Basingstoke, Hampshire, UK; New York, NY: Palgrave Macmillan, 2010); Koen Verhoest et al., "The Study of Organizational Autonomy: A Conceptual Review," *Public Administration and Development* 24, no. 2 (2004); Christopher Pollitt et al., *Agencies: How Governments Do Things through Semi-Autonomous Organizations* (Palgrave Macmillan, 2004).

⁴ Donald P. Moynihan, "Ambiguity in Policy Lessons: The Agencification Experience," *Public Administration* 84, no. 4 (2006); Christopher Pollitt and Colin Talbot, *Unbundled Government: A Critical Analysis of the Global Trend to Agencies Quangos and Contractualisation* (New York: Routledge, 2004); Koen Verhoest et al., *Government Agencies: Practices and Lessons from 30 Countries* (New York: Palgrave Macmillan, 2012); Rob Laking, "Agencies: Their Benefits and Risks," *OECD Journal on Budgeting* 4, no. 4 (2005).

⁵ Jonathan D. London, "The Promises and Perils of Hospital Autonomy: Reform by Decree in Viet Nam," *Social Science & Medicine* 96, no. 0 (2013); World Bank, *Lessons for Hospital Autonomy Implementation in Vietnam from International Experience* (Washington, DC: World Bank, 2011); Vietnam: *Higher Education and Skills for Growth* (Washington, DC: World Bank, 2008); Anwar Shah and World Bank., *Public Services Delivery, Public Sector Governance and Accountability Series* (Washington, D.C.: World Bank, 2005); Scott H. Jacobs and Jacqueline G. Coolidge, *Reducing Administrative Barriers to Investment: Lessons Learned*, vol. 17. (Washington, D.C: World Bank, 2006).

increasing rent-seeking and corrupt behaviour within public non-business units.⁶ In many respects, these unintended consequences are examples of failing to transfer reforms from developed to developing jurisdictions. The experiences of autonomisation reforms in developed countries show that the reforms often are based on underpinning sets of rationales, principles and values which still are absent in developing countries, and often also incompatible with the existing structures in developing countries.

This paper compares the governance structures, and the rationales, principles, norms and values associated with autonomisation of public services in Vietnam with the experiences from the OECD countries. The approach taken here is based on the new institutionalist theory defining institutions not only as formal rules and regulations, but also as a system of informal norms and values that influence how individuals and organizations behave.⁷ While formal rules and regulations are codified and entrenched in written documents and enforced by the state with sanctions against non-compliance, informal norms and values are often self-asserting and self-enforcing through the process of socialisation and internalisation of such norms and values by individuals.⁸ At present, there is plenty evidence suggesting that the different goals and aspirations of autonomisation within the OECD countries largely have been achieved. Although we acknowledge that there are substantial constitutional and institutional differences between the different OECD member states, the development pattern and underpinning objectives have largely been comparable. These include increased efficiency and innovation, bringing services closer to citizens, more effective partnership between levels of government; increased participation from citizens, private sector and civil society organizations in the management of agencies, increased focus of central ministries on policy-making, improved management processes and more focus on results and user needs.⁹ Recently, many OECD countries have expressed increased concerns about issues of policy fragmentation and a loss of coordination arising from the proliferation of agencies and as a result have carried out numerous whole-of-government initiatives (e.g. joined-up government in the UK, horizontalism in Canada, connecting government in Australia, reviewing the centre in New Zealand) to reassert the role of the central government in coordination and control and

⁶ World Bank, *Lessons for Hospital Autonomy Implementation in Vietnam from International Experience; Vietnam: Higher Education and Skills for Growth*.

⁷ James G March and Johan P Olsen, "Elaborating the "New Institutionalism"," *The Oxford handbook of political institutions* 5 (2006); James G. March and Johan P. Olsen, "The Institutional Dynamics of International Political Orders," *International organization* 52, no. 04 (1998); "The New Institutionalism: Organizational Factors in Political Life," *The American Political Science Review* 78, no. 3 (1984); Richard W. Scott, "Approaching Adulthood: The Maturing of Institutional Theory," *Theory and Society* 37, no. 5 (2008).

⁸ Wolfgang Streeck and Kathleen A Thelen, "Introduction: Institutional Change in Advanced Political Economies," in *Beyond Continuity* (Oxford University Press, 2005); D. Buhari-Gulmez, "Stanford School on Sociological Institutionalism: A Global Cultural Approach," *International Political Sociology* 4, no. 3 (2010); Scott, "Approaching Adulthood: The Maturing of Institutional Theory.," Sjamsuddin Sjamsiar and Irwan Noor, "Decentralisation: A Question for Developing Countries," *Viesoji Politika ir Administravimas* 11, no. 1 (2012).

⁹ OECD, *Distributed Public Governance*; Sorin Dan, "The Effects of Agency Reform in Europe: A Review of the Evidence," *Public Policy and Administration* (2014).

to increase collaboration between agencies.¹⁰ Nevertheless, these changes are believed to be about supplementing and adjusting rather than replacing NPM-informed measures.

The objective of this paper is to highlight the institutional challenges that Vietnamese institutions are confronted with when autonomy is conferred to public service delivery agencies. Our comparison is based on a review and analysis of the existing body of research, as well as other forms of legal and documentary sources from Vietnam. Although Vietnam's public services cover a wide range of areas, this paper particularly focuses on tertiary education and health care, the two sectors that probably have been strongest exponents to the reforms. The comparative examples from the OECD countries are based on the rich literature on reforms in these jurisdictions since the 1990s. Although these countries demonstrate variety, the institutional backdrops have been similar, and the reforms have been based on the same causality rationales around autonomy and efficiency.

This comparative approach has both academic and practical values. Academically, this paper further substantiates the importance of context (i.e. formal and informal institutions) in shaping policy design. Autonomisation in Vietnam that carries the same identifying label as in the OECD countries may exhibit a distinction in the understanding, and the motivation for the adoption of the reform. Further, studying Vietnam's autonomy reform helps partially address wide gaps in understanding why autonomisation is undertaken, and how it is shaped by the distinct historical path of political and administrative institutions. These gaps especially become more significant when they are applied in markedly different contexts, as the OECD puts it succinctly: "Overall, it is poorly defined territory... there is no general overview of agency creation in developing countries or transitional economies comparable to the OECD [country] work".¹¹ Practically, by highlighting the institutional challenges associated with the autonomy reform in Vietnam, the paper is hoped to offer a better understanding of what kind of institutions autonomisation requires.

The paper is divided into four sections. Following this introduction, the paper presents the theoretical framework for our comparison in section two. In section three, there is an empirical comparison of autonomy reforms between the OECD countries and Vietnam based on a) agencies, b) internal governance structure, c) government control, d) performance management, and e) underlying rationales, principles, values, and norms. Finally, in section four, we present some general policy implications.

AN INSTITUTIONAL PERSPECTIVE ON AUTONOMY AND AGENCIES

It is probably not wrong to make the claim that the UK Conservative Government's 'Next Step agencies' in the 1990s had a huge impact on the research agenda on agencification and autonomy, and the subsequent 'international wave of agencification'.¹² In terms of

¹⁰ Lægveid and Verhoest, *Governance of Public Sector Organizations: Proliferation, Autonomy, and Performance*; Pollitt and Talbot, *Unbundled Government: A Critical Analysis of the Global Trend to Agencies Quangos and Contractualisation*.

¹¹ OECD, *Distributed Public Governance*, 4.

¹² Christopher Pollitt et al., "Agency Fever? Analysis of an International Policy Fashion," *Journal of Comparative Policy Analysis: Research and Practice* 3, no. 3 (2001).

definitions, we can conclude that there is no consensus on how to perceive the concepts. Beginning with agency, Thynne provides us with a rather broad generic one:

They are all public law, non-ministerial organizations which relate to ministers or the government as agents to a principal. Their roles usually include the provisions of services, the regulation of social and economic affairs and/or the facilitation of various kinds of socio-economic activity, with most, if not all, of their finances being appropriated from state revenue¹³.

Regarding autonomy, most writers adhere to credence that the conceptualization has to go beyond the pure formal and legalistic definitions, as the concept of autonomy is multidimensional.¹⁴ The formal status of an agency does not equal to actual autonomy, and “there is no one-factor explanation for variance in agency autonomy”.¹⁵ One of the more comprehensive attempts to encapsulate the various concepts of autonomy comes from Verhoest and associates. Based on a distinction between a) *autonomy as the level of decision-making competences of the agency* and b) *autonomy as the exemption of constraints on the actual use of decision-making competencies of the agency*, they present a list of dimensions of autonomy, which includes managerial, policy, structural, financial, legal and interventional indicators.¹⁶

Furthermore, whilst the definition of these concepts may be discussed, it is much easier to identify why many governments see the merit in the agency model. Pollitt and associates presented a lengthy list of reasons including minimizing political interference, increasing managerial discretion to act, enhancing flexibility and adjusting to customer needs¹⁷.

Finally, the advent of agencies has also implicated the creation of new accountability arrangements. In managerial systems that encourage managerial discretion, the traditional accountability systems which emphasizes compliance with rules and procedures have become outdated, and are increasingly supplanted with the new accountability system which is more concerned with achieving targets and responding to clients.¹⁸ Although traditional bureaucratic instruments such as official rules, codes of conducts, professional ethics, ministerial control still prevail,¹⁹ there is an increasing employment of new mechanisms such as user involvement, inclusion of interest groups and other stakeholders on boards, performance management, and externally oriented quality instruments such as

¹³ Ian Thynne, “State Organizations as Agencies: An Identifiable and Meaningful Focus of Research?,” *Public Administration and Development* 24, no. 2 (2004): 96.

¹⁴ Johan P. Olsen, “Change and Continuity: An Institutional Approach to Institutions of Democratic Government,” *European Political Science Review* 1, no. 1 (2009).

¹⁵ Per Laegreid, Roness G. Paul, and Rubecksen Kristin, “Autonomy and Control in the Norwegian Civil Service: Does Agency Form Matter?,” (Stein Rokkan Centre for Social Studies, 2005), 28.

¹⁶ Verhoest et al., “The Study of Organizational Autonomy: A Conceptual Review.”

¹⁷ Pollitt et al., *Agencies: How Governments Do Things through Semi-Autonomous Organizations*.

¹⁸ Owen E. Hughes, *Public Management & Administration: An Introduction* (New York: Palgrave Macmillan, 2003).

¹⁹ M. Shamsul Haque, “Limits of Public Accountability under the Reinvented State in Developing Nations,” *Public Administration Quarterly* 31, no. 3/4 (2007).

quality charters, certification, benchmarking and balanced scorecards.²⁰

Among these, performance management is arguably at the centre of all efforts.²¹ Performance management means that government specifies targets and formulates performance indicators to help identify whether the planned targets have been achieved, often through performance contracting.²² In these contracts, both the principal or 'procurer' and the agent or provider agree on performance targets and performance indicators to appraise expected results.

Overall, the autonomy reform represents a new set of institutions that aim to transform government from bureaucracy into a more efficient, responsive, transparent and accountable governing system. Accompanying delegation and devolution is the shift in the accountability system from an emphasis on legality, correctness, process, procedures and propriety towards one more focused on cost-effectiveness and results. Embedded in these institutional changes is a new system of rationales, principles and values associated with market mechanisms. Prior to the reform, the traditional public administration, largely underpinned by a Weberian bureaucracy, was characterised by hierarchy, seniority management and rule compliance. Due to a major concern over market failures, the traditional public administration placed a strong trust in government, making it the primary deliverer of public values.²³ Despite bringing about good qualities within the bureaucracy such as predictability, consistency and stability, this traditional model of administration created too much red tape and paper work and inhibited innovation and flexibility.²⁴ The global economic crisis in the 1970s triggered a widespread belief that government had become overloaded, unaffordable and ineffective.²⁵ A major concern over government failures contributed to a belief in the efficacy and efficiency of markets, in economic rationality and a move away from large and centralised governments towards devolution and privatisation.²⁶ This belief also has been underpinned by a theoretical perspective assuming that bureaucrats act in their own interests rather than for public interests and thus may be guided by the incentive system within which they operate.²⁷ Following this

²⁰ Bram Verschuere et al., "Accountability and Accountability Arrangements in Public Agencies," in *Autonomy and Regulation: Coping with Agencies in the Modern State*, ed. Tom Christensen and Per Laegreid (Edward Elgar Publishing Limited 2006).

²¹ Koen Verhoest, *Autonomy and Control of State Agencies: Comparing States and Agencies* (Palgrave Macmillan, 2010); Gavin Drewry, Carsten Greve, and Thierry Tanquerel, eds., *Contracts, Performance Measurements, and Accountability in the Public Sector*, Conference Proceedings vols., vol. 25 (Amsterdam; Washington, DC: IOS Press, 2005).

²² *Contracts, Performance Measurements, and Accountability in the Public Sector*; Pollitt and Talbot, *Unbundled Government: A Critical Analysis of the Global Trend to Agencies Quangos and Contractualisation*; Verhoest et al., *Government Agencies: Practices and Lessons from 30 Countries*.

²³ John M. Bryson, Barbara C. Crosby, and Laura Bloomberg, "Public Value Governance: Moving Beyond Traditional Public Administration and the New Public Management," *Public Administration Review* 74, no. 4 (2014).

²⁴ Hughes, *Public Management & Administration: An Introduction*.

²⁵ Christopher Pollitt and Geert Bouckaert, *Public Management Reform: A Comparative Analysis* (Oxford: Oxford University Press, 2000).

²⁶ Bryson, Crosby, and Bloomberg, "Public Value Governance: Moving Beyond Traditional Public Administration and the New Public Management."

²⁷ Hughes, *Public Management & Administration: An Introduction*.

line of argument, the theory informs a set of principles that underline the NPM reform: (i) economic markets should be the model for relationships in the public sector; (ii) policy and implementation functions should be separated; and (iii) new management technologies such as performance-based contracting, competition, market incentives, and deregulation.²⁸ Following these principles comes a set of core values, most of which are largely drawn from the private sectors. For example, there have been advocates that government should be run like a business, with market-like arrangements and competition within units of government and between sectors being utilized as the most efficient and effective way of delivering services to recipients seen as customers, not citizens.²⁹ Instead of rowing, government should be steering by defining objectives and creating mechanisms and incentive structures to achieve policy objectives.³⁰

Suffice it to say that all these NPM principles, values and practices demonstrate a profound transformation in the role of government in society and the relationship between government and citizens. Once preoccupied with command and control, governments across many countries have increasingly transitioned themselves to act as catalysts to unleash market forces. Governments are no longer merely accountable to political elites through hierarchical structures, but are becoming directly accountable to the public for their performance.

It should be noted that these NPM principles, values and practices take shape in many public sectors in which some principles, values, norms and practices of traditional public administration have been firmly established and remain relevant to changing needs. One is the rule of law, a principle of governance in which all individuals and entities, public or private, including the State are subject to and accountable to laws.³¹ The rule of law encompasses certain principles and values, for example legality, procedural transparency, predictability, and equal application of the law.³² It often is supported by the presence of institutions to sustain the rule of law including administrative courts, ombudsmen, independent agencies such as anti-corruption commissions, and impartial tribunals.³³ Another is the idea of professional service in which public servants are recruited and appointed based on merits and are politically neutral.³⁴ Both qualities are believed to help create a civil service system that is professional, efficient and non-partisan.

²⁸ Janine O'Flynn, "From New Public Management to Public Value: Paradigmatic Change and Managerial Implications," *Australian Journal of Public Administration* 66, no. 3 (2007).

²⁹ Bryson, Crosby, and Bloomberg, "Public Value Governance: Moving Beyond Traditional Public Administration and the New Public Management."

³⁰ Robert B Denhardt and Janet Vinzant Denhardt, "The New Public Service: Serving Rather Than Steering," *Public Administration Review* (2000); Denhardt and Denhardt, "The New Public Service: Serving Rather Than Steering."

³¹ Per Bergling, Erik O Wennerström, and Richard Zajac Sannerholm, "Rule of Law in Public Administration: Problems and Ways Ahead in Post-Conflict Peace-Building," *Hague Journal on the Rule of Law* 2, no. 2 (2010).

³² *Ibid.*

³³ *Ibid.*

³⁴ Hughes, *Public Management & Administration: An Introduction*.

COMPARING AUTONOMISATION IN THE OECD COUNTRIES AND VIETNAM AGENCIES IN THE OECD JURISDICTIONS AND VIETNAM

Governments of most OECD countries have since the 1990s experimented with new forms of public sector agencies. Functions delegated to these agency-type organizations include public services, regulation, adjudication, advice and policy development, information and research.³⁵ Although these reforms are the product of similar recommendations and policy diffusion, there are considerable variations between the OECD countries. In some of them, for example New Zealand, the Netherlands and the United Kingdom, the proliferation of agencies has involved the reshuffle of a large number of civil servants from parent departments to agencies.³⁶ Meanwhile, in jurisdictions such as Finland, Sweden and the US, central government agencies detached from their core ministries have existed as important categories of public bodies for centuries (albeit recently becoming more performance oriented, economical and customer-focused).³⁷ Agencies in some states, for example the executive agencies in the United Kingdom, the Danish agencies and some of the Crown entities in New Zealand, are formally located within the remit of their parent ministry, and staff are employed under general civil service rules.³⁸ Meanwhile, agencies in others such as the Public law ZBOs in the Netherlands, the Independent Crown Entities in New Zealand, agencies and boards in Sweden are positioned outside their parent ministries and the occupational status of staff differs from mainstream civil servants.³⁹

In Vietnam, agencies are officially referred to as public non-business units. Law 58/2010/QH12 on Public Employees defines public non-business units as an organization established by a competent state agency, a political organization or a socio-political organization, having the legal status and providing public services and serving state management work. So just the definition shows that Vietnamese public non-business units are slightly different from agencies in the OECD countries. Vietnamese public non-business units do not only pertain to the State as political and socio-political organizations (e.g. Ho Chi Minh Communist Youth Union, Vietnam Women's Union), they can establish subsidiary public non-business units as well.

Based on the definition, public non-business units are engaged in two functions: public services and state management work (i.e. regulation). However, according to the Government's Decree 181/2005/QĐ-TTG on the classification and ranking of public non-business units under the management of the Vietnamese government, public non-business units also include entities dealing with research, media and broadcasting. Table 1 below entails a list of these public non-business units.

³⁵ Geert Bouckaert and Guy B. Peters, "What Is Available and What Is Missing in the Study of Quangos," in *Unbundle Government: A Critical Analysis of the Global Trend to Agencies, Quangos and Contractualisation* ed. Christopher Pollitt and Colin Talbot (London and New York: Routledge, 2004).

³⁶ Laking, "Agencies: Their Benefits and Risks."

³⁷ Pollitt et al., "Agency Fever? Analysis of an International Policy Fashion."

³⁸ S Van Thiel, "Quangocratization: Trends, Causes and Consequences" (Radboud University Nijmegen, 2000).

³⁹ Ibid.

Table 1. Public non-business units under Vietnamese government's management

Sectors	Public non-business units
Education and Training	Universities, colleges, vocational training centres, continuing education centres, primary, secondary and upper secondary schools, day care institutions
Health	Hospitals, health care centres, preventive health care centres, research institutes
Culture and Communication	Public libraries, museums, theatres, cultural and artistic centres, radio and television broadcasting stations, news agencies
Labour, Veterans, Social Affairs and Social Insurance	Job centres, social security centres, veterans nursing centres, rehabilitation centres.
Science and Technology	Research and development organizations
National Resources and Environment	Meteorological centres, geological and mineral centres, environmental consultation centres
Agriculture and Rural Development	Agricultural extension centres, forestry extension centres, forest management units, clean water supply and hygiene centres
Transport	Vehicle inspection centres, register, port management units
Sports	Sport centres
Justice	Legal support organizations
Finance	Finance management units regarding land, property
Investment	SMEs support centres
Telecommunication	Information centres
Population, Family and Children	Propaganda centres
Fishery	Fishery extension centres

Source: Vietnamese Government's Decree 181/2005/QĐ-TTG on the classification and ranking of public non-business units.

Based on this list, we can easily conclude that it is mainly public service delivery that is delegated to public non-business units (which is a major difference between Vietnam and the OECD countries). In Vietnam, regulatory functions still rest with state administrative bodies (i.e. ministerial bodies). Consequently, the objective of making regulatory decisions impartial in OECD states is not in line with the policy of the government and the Communist Party of Vietnam.

INTERNAL GOVERNANCE STRUCTURE

Although the OECD agencies have not converged to one single model, a study by OECD shows that agencies in the OECD member states differ from the classical bureaucratic model with agencies at the bottom of top-down governed chains of command with the

Minister at the top.⁴⁰ The heads of the agencies, i.e. the chief executive (CE), are in most cases appointed through a procedure that differs from those applied in the traditional civil service. These can be nominated by the line minister or by governing boards when they exist. The CE is normally responsible for the overall organization, management, staffing, and financial and other procedures of the agency. The CE reports directly to the Minister, in some cases to the Prime Minister, or the Cabinet. Agencies are often in these jurisdictions directed by a governing board, or a management board. The governing board usually includes high-level civil servants appointed by central government, and representatives from the private sector and civil society. The governing board holds strategic decision-making competencies, including developing policies and strategies, providing information about objectives and their achievement, and ensuring commitment to core values and compliance with legal and financial requirements. A management board comprises officials from the agency, from the parental ministry, usually the Treasury/Ministry of Finance, and even external members.

In contrast to the appointment procedures of CEs in OECD countries, the appointment of heads of public non-business units in Vietnam is generally a non-transparent process, through which higher-level positions are filled almost exclusively from within the government or the party, and selection criteria at these levels are largely political.⁴¹ Heads of public non-business units are required to be civil servants, and according to Law 22/2008/QH12 on Cadres and Civil Servants, they are obliged to be loyal to the Party and the State. Meanwhile, staff of public non-business units are public employees, required to give regard to the guidelines of the party and the laws of the state under Law 58/2010/QH12. Although the merit principle has been considered in staff recruitment, appointment, appraisal and payment within public non-business units, these processes are predominantly career-based, which tends to award seniority and educational qualifications above professional expertise and practical skills, emphasize character traits and compliance with general principles over job-specific target achievement, and focus on equality of income instead of performance-based pay.⁴²

Unlike the agencies in the OECD countries, governing councils are not mandatory for public non-business units in Vietnam. Rather, the establishment of a governing council is, under Law 58/2010/QH12, subject to the government stipulation depending on specific conditions and management requirements of each type of public non-business units. So far only universities are mandated to establish their own governing councils, but they have been established without much enthusiasm.⁴³ This is probably because the establishment, which the governing councils has produced, blurred line of commands, since there is to date no legal document prescribing a clear separation of power between the governing council and the university party branch ('the party cell'). In practice, the party branch can

⁴⁰ OECD, *Distributed Public Governance*.

⁴¹ SP Bruynooghe et al., "Implementation of Civil Service Legislation in Vietnam: Strengthening Elements of a Position-Based System Service" (paper presented at the Princeton University: Graduate Policy Workshop Final Reports, 2008).

⁴² Ibid.

⁴³ Martin Hayden and Lam Quang Thiep, "Institutional Autonomy for Higher Education in Vietnam," *Higher Education Research & Development* 26, no. 1 (2007).

veto any decision taken by the governing council, since the Constitution mandates that the Communist Party of Vietnam is the force leading the state and society.⁴⁴

GOVERNMENT CONTROL

A number of comparative studies on the governments of the OECD countries demonstrate that an increasing number of their agencies have acquired significant managerial autonomy. This means that agencies have the ability and discretion to make decisions regarding the overall organization, financial and personnel management without the involvement or need for approval by the line minister or ministry.⁴⁵ The United Kingdom and Sweden are two notable examples. In the United Kingdom, agencies have formally received a great deal of autonomy on personnel and financial matters, although in some cases this authority is constrained by some informal forms of central control and guidance.⁴⁶ Compared with agencies in the United Kingdom, agencies in Sweden have enjoyed much greater constitutional autonomy where parental individual ministers are prevented from giving agencies any detailed instructions on actions pertaining to managerial issues.⁴⁷

Meanwhile, Vietnam's public non-business units remain subject to a highly centralised system of control.⁴⁸ This despite the fact that greater autonomy has been granted to service providers, especially in terms of management of service access and quality of services, fee collections, revenue generation and recurrent expenditure.⁴⁹ A good example stems from tertiary education where the Ministry of Education and Training controls tertiary education institutions' enrolment quotas and tuition fees. This mode of control, established to ensure greater quality by setting the caps, has limited the expansion of tertiary education systems, and resulted in negative effects on the quality.⁵⁰ Curriculum adherence is also strictly controlled.⁵¹ At present, tertiary education institutions have to follow the Ministry of Education and Training's uniform frameworks which prescribe for each discipline objectives, minimum knowledge requirements, content structures, allocations of time to theory, practice and internship and recommending textbooks. In particular, this concerns

⁴⁴ Ibid.

⁴⁵ OECD, *Distributed Public Governance*; Verhoest, *Autonomy and Control of State Agencies: Comparing States and Agencies*; Verhoest et al., *Government Agencies: Practices and Lessons from 30 Countries*.

⁴⁶ Pollitt et al., "Agency Fever? Analysis of an International Policy Fashion."

⁴⁷ Jon Pierre, "Central Agencies in Sweden: A Report from Utopia," in *Unbundled Government: A Critical Analysis of the Global Trend to Agencies, Quangos and Contractualisation* ed. Christopher Pollit and Colin Talbot (Routledge, 2004).

⁴⁸ Thomas J Vallely and Ben Wilkinson, "Vietnamese Higher Education: Crisis and Response," *Memorandum: Higher Education Task Force, Harvard Kennedy School* (2008); Hue Dung Doan, "Centralism - the Dilemma of Educational Reforms in Vietnam," in *Rethinking Vietnam*, ed. McCargo Duncan (London and New York: Taylor & Francis Group, 2004); Hayden and Thiep, "Institutional Autonomy for Higher Education in Vietnam."; Samuel S Lieberman and Adam Wagstaff, *Health Financing and Delivery in Vietnam: Looking Forward* (World Bank Publications, 2009).

⁴⁹ Le Thanh Forsberg, "The Political Economy of Health Care Reform in Vietnam," in *Oxford Symposium on Urbanisation, Health and Human Security: Challenges for Emerging Markets* (Green Templeton College, Oxford 2011); Lieberman and Wagstaff, *Health Financing and Delivery in Vietnam: Looking Forward*; World Bank, *Vietnam: Higher Education and Skills for Growth*.

⁵⁰ *Vietnam: Higher Education and Skills for Growth*.

⁵¹ Doan, "Centralism - the Dilemma of Educational Reforms in Vietnam."

mandatory ideological courses such as Marxist-Leninist Philosophy, the history of the Vietnamese Communist Party, and 'Thoughts of Ho Chi Minh'. The restricted academic freedom is claimed to have had a negative impact on the ability of tertiary education institutions to establish their own training curriculum based on local market needs.⁵²

Similar examples of centralised input control is visible within the health care sector. For example, the mechanism of assigning plans and distributing state budget to hospitals is currently determined by population norms, bed norms and staff norms. This norm-based system has constrained hospitals' flexibility in management including budgeting and recruiting, retaining and managing staff.⁵³

While both OECD countries and Vietnam share a legal base for the agencies autonomy, the autonomy of public non-business units in Vietnam is not as straightforward and consistent as in the OECD equivalents. First, the autonomy of public non-business units is not perceived as an indisputable right. Instead, the notion of 'earned autonomy' better applies to Vietnamese agencies. As public non-business units become less reliant on state budget and demonstrate good performance, they will eventually be rewarded greater deregulation and autonomy.⁵⁴ Under Law 58/2010/QH12, the levels of autonomy of public non-business units are based on their ability to be autonomous in task performance, finance, apparatus organization, personnel and scope of operation. Particularly, under Decree 43/2006/ND-CP, the levels of autonomy of public non-business units are contingent upon their relative dependence on state budget. This means the more revenue sources public non-business units have to finance their regular operations, the more autonomy they are granted. This also explains why, under Decree 43/2006/ND-CP, public non-business units are classified into three categories (fully self-financing units; partially self-financing units; and units wholly funded by the state budget) and granted different levels of autonomy according to the classification.

The fact that Vietnamese ministries often argue for capacity, quality standards and accreditation as criteria for granting autonomy to institutions also helps support this argument. A Deputy Minister of Education and Training claimed in an interview in 2011 "there needs to be a pathway that only institutions with adequate capacities are to be granted autonomy. The Ministry of Education and Training will grant autonomy to individual institutions based on accreditation results. If a school lacks capacity or violates rules, its autonomy will be withdrawn".⁵⁵ This position, according to the Deputy Minister, "takes account of the diversity of the tertiary education system with universities and colleges with different tiers and capacities and if autonomy is delegated to all institutions, there will be

⁵² World Bank, Vietnam: *Higher Education and Skills for Growth*.

⁵³ Samuel Lieberman, Joseph J. Capuno, and Minh Van Hoang, "Decentralizing Health: Lessons from Indonesia, the Philippines and Vietnam," in *East Asian Decentralizes: Making Local Government Work*, ed. World Bank (Washington DC: World Bank, 2005); Lieberman and Wagstaff, *Health Financing and Delivery in Vietnam: Looking Forward*.

⁵⁴ Pollitt and Talbot, *Unbundled Government: A Critical Analysis of the Global Trend to Agencies Quangos and Contractualisation*.

⁵⁵ Huan Van Dang, "A New Approach to Explain Policy Reforms in Vietnam During Doi Moi by Developing and Validating a Major Policy Change Model for Vietnam" (Portland State University, 2013), 139-40.

‘chaos’ within the system”.⁵⁶

Second, autonomy of public non-business units is subject to the will of central government. Decree 43/2006/ND-CP, while identifying a range of rights to autonomy of different public non-business units, stipulates that the immediate management bodies have the authority to classify agencies based on their revenue sources, and to award them the rights to autonomy according to the classification. The tertiary education sector represents a good example. While many rights to autonomy of tertiary education institutions are clearly specified in the Law on Tertiary Education, others are still subject to the approval of the Ministry of Education and Training (or other forms of legal and regulatory sources such as e.g. decrees). For instance, tertiary educational institutions can design their own curriculum, but they must comply with the curriculum frameworks set up by the Ministry. Equally, while institutions are entitled to establish new university programmes, these new programmes must be on the government list of permitted programs.⁵⁷ Finally, institutions may establish their own admission quota and set their own fees, but this must not contravene ministerial caps.

PERFORMANCE MANAGEMENT

The relationship between agencies and their line minister/ministry within the OECD countries is often manifested under some kind of performance-contracting frameworks in which the chief executive is accountable for the achievement of the targets.⁵⁸ The focus is not really on the input-side, but increasingly on output/outcome-oriented budgeting and management.⁵⁹ Some OECD member countries exemplify this. The Swedish Government launched in the 1990s ‘management by result’ or ‘management by objective’ whereby the Government’s steering of agencies is maintained through the specification of performance targets and performance requirements, and where the agencies independently decide their strategy.⁶⁰ In the Australian federal system, performance reporting is balancing the devolution of responsibility for resource management from the Commonwealth to the state and service delivery agencies.⁶¹

While the OECD members’ performance management mechanisms gradually have become a routine element, Vietnam’s accountability systems are still embryonic. In the Vietnamese language, accountability does not deviate from the global definition of accountability, as it denotes the responsibility to explain, present and justify. Nonetheless, this term is often mistakenly interpreted as self-responsibility in practice.⁶² In Decree 43/2006/ND-CP, ‘self-responsibility’ juxtaposes the term ‘right to autonomy’ in every provision regarding autonomy. There is reason to believe that accountability in practice becomes synonymous to autonomy.

⁵⁶ Ibid.

⁵⁷ Ibid.

⁵⁸ Drewry, Greve, and Tanquerel, *Contracts, Performance Measurements, and Accountability in the Public Sector*.

⁵⁹ Lægveid and Verhoest, *Governance of Public Sector Organizations: Proliferation, Autonomy, and Performance*.

⁶⁰ Pierre, "Central Agencies in Sweden: A Report from Utopia."

⁶¹ Linda McGuire, "Contractualism and Performance Measurement in Australia," in *Unbundled Government: A Critical Analysis of the Global Trend to Agencies, Quangos and Contractualization* ed. Christopher Pollitt and Colin Talbot (Routledge, 2004).

⁶² Doan Dai Ngo, "Vietnam," in *Higher Education in South-East Asia*, ed. UNESCO (Thailand: UNESCO, 2006).

At present, planning and reporting are largely the main tools immediate management bodies use to hold public non-business units to account for their performance. However, the way they conduct planning and reporting is mostly against inputs and processes, which is invariably due to the inputs- and processes-based control of their immediate management bodies. In general, a system of performance management such as the one employed by the OECD countries is lacking within the Vietnamese service delivery sector. This argument is evidenced in a report by the Ministry of Health & Health Partnership Groups which states that “most hospitals have not yet developed a plan for quality assurance, which means that they have not developed goals for quality improvement, nor do they present projects, programs or policies for quality management”.⁶³ The report furthermore claims that “Vietnam has no specialized instruments or indicators to measure and assess the quality of medical services provided by hospitals and other facilities”.⁶⁴

Although public non-business units have not yet achieved their own standards for measuring performance against missions and goals, a national quality assurance system for self-assessment is a positive step towards improving performance and accountability of public non-business units. To date, the health care and tertiary education sectors have both developed their national quality standards for self-assessment. Specifically, the quality standards entailing varying numbers of criteria for self-assessment of universities extend to mission and goals, organization, curriculum, training, managing cadres, faculty and staff, students, research and technology development, international cooperation, library, learning equipment and facilities, and financial management. Equally, a set of standards for self-assessment among hospitals include 83 criteria categorized into five sections: patients, hospital staff, professional activities, quality improvement activities, and specialized criteria applied to maternal care. According to Ministry of Health and Health Partnership Group, this is an instrument for measuring hospital quality, with concrete indicators to help hospitals improve their quality, and for monitoring by state management bodies and by citizens.⁶⁵

UNDERLYING RATIONALES, PRINCIPLES, VALUES, AND NORMS

The rationales, principles and values underpinning autonomisation in Vietnam and the OECD countries share a few commonalities, but mainly display many divergences. Autonomisation in both Vietnam and the OECD countries is aligned with decentralisation, which involves the devolution of power and responsibility from central government to subordinate public bodies. The objective is to bring public services closer to the citizens and to enhance effectiveness and efficiency through increased expertise and flexibility. Autonomisation in the OECD countries particularly goes beyond this objective, because it also is aimed at distancing agencies from political intervention in order to allow them to manage their operations in a more impartial and professional way. This explains why the reforms in most OECD countries are not confined to autonomisation, but encompass agencification whereby a range of functions is delegated to non-departmental public bodies. This objective is not clearly spelled out in the Vietnamese reform initiatives.

⁶³ Ministry of Health & Health Partnership Groups, "Joint Annual Health Review: Improving Quality of Medical Services," (Hanoi, 2012), 72.

⁶⁴ Ibid., 87-88.

⁶⁵ Ibid.

Rather, according to Decree 43/2006/ND-CP, autonomisation is promoted so that the state management mechanisms applicable to public non-business units can be distinguished from that applicable to the ministries' departments. This objective is actually to create a differentiated control environment applied to public non-business units from the core of the ministry, rather than to enhance impartiality through separating public non-business units from political intervention. This explains why autonomisation primarily takes place in public service delivery, leaving regulation and adjudication - functions that require the most impartiality - to remain within the state administrative bodies.

Both the OECD countries and Vietnam initiated the restructuring reforms as a reaction to socio-economic strains, albeit in differing degrees. In the OECD countries, global economic crisis in the 1970s diminished the ability of government to run large welfare-state systems and provide public services of quality standard, thus leading to a decline in citizen trust in government institutions.⁶⁶ Governments of the OECD countries have therefore sought ways to cut back and to 'do more with less'. This is where NPM-inspired reforms that involve agencification come in. In Vietnam, autonomisation and decentralisation were implemented as part of a broader reform to counter the widespread socio-economic crisis resulting from the central economic planning system in which the party-state set detailed targets and fully subsidized for all sectors. The state sector here suffered from a serious scarcity of resources, which subsequently compromised the quality of public service delivery. To supplement this shortage of resources, the Vietnamese government adopted a user-fee principle transferring some of the costs to the citizens. In addition, public non-business units were enabled to raise accumulative revenues to become less dependent on government spending schemes. Consequently, Vietnam's autonomisation is thus not purely about improving management, but about compensating stage budget shortage, especially in terms of securing incomes for staff. This objective is stated in Government Decree 43/2006/ND-CP, which stipulates that non-business units be given the rights to autonomy and self-responsibility to increase revenues to ensure staff income. Accordingly, at least 25 per cent of the difference between revenue and expenditure is used for facility upgrade and the remaining 75 per cent could be allocated for the staff reward fund, the welfare fund and the reserve fund for income stabilisation.

In the absence of an effective accountability system, these policies have created strong incentives among Vietnam's public non-business units to maximise revenues to improve staff incomes. Such rent-seeking behaviour is especially evident in the healthcare sector where most hospitals have increased their price ranges to include 'on demand', 'selected doctor', 'after official hours' and 'service on Saturdays/Sundays'.⁶⁷ There is also a tendency among hospitals to provide more services and therapies, overuse tests and high-tech equipment, and overprescribe drugs for maximising revenue, rather than to see to the patients' needs.⁶⁸

Autonomisation in most OECD countries is aligned with increasing deregulation, privatisation, marketisation and contractual arrangements rather than traditional

⁶⁶ Pollitt et al., "Agency Fever? Analysis of an International Policy Fashion."

⁶⁷ Lieberman and Wagstaff, *Health Financing and Delivery in Vietnam: Looking Forward*.

⁶⁸ Ibid.

governmental hierarchical control mechanisms. Conversely, autonomisation in Vietnam takes place in a single-party state which pursues the dual vision of market and socialist orientation. Whilst the 'market-led' vision indicates freedom, competition and choice, the 'socialist-oriented' one implies the centralized control of one single political force. In addition to this dichotomy, we can add the dual system of the Party and the State. Both these strongly influence the policy of autonomisation. On the one hand, the party and the state promote the delegation of power to public non-business units, providing them the discretion to provide services and to maximize revenues to supplement deficits in state budget. On the other hand, the party and the state continue to reinforce its political ideology and the determination to maintain the socialist orientation of the country. Consequently, changes in autonomisation have been incremental and conditional.

Noteworthy, most of the OECD countries are liberal democracies that have installed an open, robust market sector and established effective mechanisms for enforcing market transactions. Moreover, with the long-time experiment with the traditional model of public administration, public sector organizations in most OECD countries have internalized the principles of legality and rule of law together with political neutrality and merit-based occupational principles. In general, prior to the reform in light of the NPM doctrine, most OECD countries have installed a formal and transparent civil service system void of procedures and conventions based on 'informality'. While a formal system is characterised by rule-based management, an informal one often includes "widespread invasion of civil service rules and other control, the time and resources spent in beating the system, distrust of government, routinized corruption, and inattention to the outputs and results of public programs and the performance of government agencies and officials".⁶⁹ It was against this background that the autonomy reforms were initiated in the OECD countries. They are far-reaching because they are driven by markets, freedom and competition, and also because they are built on formal civil service systems imbued with integrity, justice, neutrality, impartiality and trust.

Unlike the OECD countries, Vietnam embarked on the autonomisation bandwagon only shortly after the country had made a transition from central planning towards market economy. Regulatory and financial frameworks are thus not well-prepared for autonomisation⁷⁰ and the culture of centralized planning and bureaucracy is still well entrenched in the public sector.⁷¹ Subsequently, ministerial departments still continue to intervene in the managerial matters of public non-business units. These in turn, are themselves uncertain about how their gained autonomy should be conceived, what is required of the new accountability frameworks, and how to effectively manage the agency with scarce state resources and limited expertise.⁷² Meanwhile, 'informality'

⁶⁹ Allen Schick, "Why Most Developing Countries Should Not Try New Zealand's Reforms," *The World Bank Research Observer* (1998): 128.

⁷⁰ Martin Painter, "Governance Reforms in China and Vietnam: Marketisation, Leapfrogging and Retro-Fitting," *Journal of Contemporary Asia* 44, no. 2 (2014).

⁷¹ Hayden and Thiep, "Institutional Autonomy for Higher Education in Vietnam."

⁷² Scott Fritzen, "The 'Foundation of Public Administration'? Decentralisation and Its Discontents in Transitional Vietnam," in *Governance in Asia: Culture, Ethics, Institutional Reform and Policy Change* (Hong Kong 2002); Hayden and Thiep, "Institutional Autonomy for Higher Education in Vietnam."

reigns in Vietnam's public sector system, creating favourable conditions for nepotism, patronage, and corruption. Gainsborough finds that nepotism and the trade of positions are common in the appointment and promotion within the Vietnamese public sector.⁷³ In both the healthcare and tertiary education sectors, the practices of demanding, or accepting, bribes and 'envelope payments' from service users is widespread.⁷⁴ In healthcare, a study by the Medical University of Hanoi shows that about 70 per cent of the medical staff interviewed admitted sometimes or often asking for, or accepting, informal payments, although some consider these payments as gifts.⁷⁵ Another study by Towards Transparency in 2011 states that 29 per cent of urban residents who had been in contact with the health service in the last 12 months had to pay bribes.⁷⁶ In tertiary education, the 'purchase' and 'sale' of examination marks and the production of fake diplomas and certificates are popular.⁷⁷

POLICY IMPLICATIONS

Our comparison encapsulates a snapshot of the actual difference between the actual 'practice' of autonomisation in the OECD countries and Vietnam. We believe it is possible to make a few general conclusions regarding the aspiration to yield similar benefits in Vietnam as in more developed jurisdictions. First, autonomy of any kind of subordinate public sector entity requires not only the existence of some kind of formal institutional framework, but also informal institutionalized cultures, if we wish to avoid rent-seeking and arbitrary behaviour. In most developed jurisdictions, the path-dependency of the legalistic, hierarchical and merit-based public administration has survived the transition to newly established, and independent, agencies. Second, whereas autonomisation in the OECD jurisdictions involved serious attempts to actually devolve power and competence to make managerial decisions, the Vietnamese attempts were only half-hearted to create more flexibility and to increase revenue, and where the 'centre' did not wish to get slip of their control. Finally, although autonomisation and agencification are concepts, which are aligned to the same global way of neo-liberal theoretical thinking, the actual embodiment of them reveal completely different outcomes. While the OECD countries' new agencies demonstrate more discretion and flexibility, and ultimately more efficiency and better outcomes, the same way of thinking in the Vietnamese service delivery primarily reveals corrupt and rent-seeking behaviour.

Major differences in the autonomisation experiences of Vietnam and the OECD countries on the one hand implies the need for Vietnam and similar countries to build institutional frameworks to fit in well with the reform ideas, especially when such are originally formulated in developed countries. The Vietnamese case suggests that reforms aligning with a market logic are only viable when they are based on formal, rule-based, honest and fair systems. In other words, reforms in light of NPM fare well on the foundations

⁷³ Martin Gainsborough, "Present but Not Powerful: Neoliberalism, the State, and Development in Vietnam," *Globalizations* 7, no. 4 (2010).

⁷⁴ The World Bank, *Vietnam Development Report 2010: Modern Institutions* (Hanoi: World Bank, 2009).

⁷⁵ Taryn Vian et al., "Confronting Corruption in the Health Sector in Vietnam: Patterns and Prospects," *Public Administration and Development* 32, no. 1 (2012).

⁷⁶ *Ibid.*

⁷⁷ Valley and Wilkinson, "Vietnamese Higher Education: Crisis and Response."; Doan, "Centralism - the Dilemma of Educational Reforms in Vietnam."

of a stable Weberian bureaucracy. As S Van Thiel and Homburg succinctly put it: “NPM can have very negative effects when injected into situations where the civil service is highly politicised, the public service ethic is unknown, budgets are unstable and accountability is weak. The paradox, then, is that the NPM needs its enemy—traditional bureaucracy—in order to succeed”.⁷⁸

The differences on the other hand show that reforms may result in less optimal outcomes if reformers interpret the reform ideas to fit with their local motivations. In the Vietnamese case, past norms and practices shape the autonomy reform, but local tailoring is prompted by political actors who are primarily concerned about their resource and power gains. To some extent, such tailoring signifies a departure from the NPM version of the autonomisation idea. In many respects, this helps explain for the lack of a coherent institutional framework for the autonomy reform, leading to many perverse consequences in the country’s public services.

The Vietnamese case suggests that reforms aligning with a market logic are only viable when they are based on formal, rule-based, honest and fair systems. In other words, reforms in light of NPM fare well on the foundations of a stable Weberian bureaucracy.

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⁷⁸ S Van Thiel and V Homburg, “New Public Management in Europe: Adaptations and Alternatives,” (Basingstoke, Palgrave/Macmillan, 2007), 6.

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BOOK REVIEW

Templer and the Road to Malayan Independence: The Man and His Time

Si Ying Tan¹

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Dr Leon Comber- a former British officer of the Malayan Special branch (i.e. Malayan security services) and an expert of the old Malayan and Singapore history, constructed this comprehensive accounts about General Gerald Templer's two-year pro-consulship from 1952-1954 in British Malaya. The backdrop was set in the turbulent era of Malayan's Communist insurgency, with an insightful personal touch that revolves around General Templer's life, his ideas and policies. It was through Comber's subjective lenses, substantiated with sweeping and thorough archival research, that the characteristics, policies, visions, strengths and foibles of General Templer's two years pro-consulship in Federation of Malaya were poignantly articulated.

General Templer were recruited by the British Secretary of State for the Colonies, Oliver Lyttelton, to replace Sir Harold Gurney, his predecessor who was

murdered by the Communists insurgents on a trip to Cameron Highlands. He was endowed with duties and responsibilities as both a British High Commissioner and the Director of Operations. General Templer had held an esteemed career prior to his appointment. He had been the youngest Lieutenant General in the British Army in World War II who was later promoted to full General before hailing to Malaya. During his two-year appointment, his missions were two pronged- to launch counterinsurgency campaigns to subdue the guerrilla wars that was initiated by the Malayan National Liberation Army (MNLA), which was essentially evolved from Communist Party of Malaya (CPM); and to lay the path in preparing the Federation of Malaya toward eventual self-governance.

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In the early days of his appointment, he placed great emphasis in reforming the government information services to make them more visible to the public, and attempted to restructure the Federal government administration. He was entrusted to explore the possibility of merger between Federation of Malaya and Singapore, even though he did not show much interest in pursuing this plan and there was no documentation of his active involvement in this aspect of his mission.

Within the Malayan territory, General Templer was depicted as progressive in his political visions and bold in his endeavour. In his early days, he tabled and announced his visions through his Political Directives which laid out the road map for the political and economic development of Malaya. He took a firm decision to proceed with the establishment of Kinta Valley Home Guard – an all-Chinese home guard, which was warned to be dangerous, due to the Communist link with the Chinese New Villagers community. Against all odds, he proposed for citizenship rights to all ethnic groups - regardless of whether one was native born or immigrants - to be granted. He also voiced the importance of correcting a single-ethnic dominant police force and army at that time. He favoured a national education policy whereby every single citizen was to be educated in a common language. He thought highly of national leaders who championed for political union that was based on multi-ethnic ideals, one of them being Dato Seri Onn' Bin Jaafar- founder of United Malays National Organisation (UMNO), who later left UMNO to found Independence of Malaya Party (IMP). General Templer was also actively encouraging the formation multiracial youth movements which was important in forming the pillars of the country's leadership. His multiracial centred policies, nonetheless, did not appear to be in entire consonance with the colonial policies that were deliberately engineered to perpetuate ethnic segregation and minimize opportunities for ethnic interaction in British Malaya at that time (Hirschman 1986).² In addition, the pre-independent Malaya was apparently not ready for a far-reaching ethnic integration that was perceived to be a threat to each ethnic group in espousing strong ethnic identities and retaining respective cultural roots. More than five decades now, the post-colonial young generations seem more receptive toward rendering support to political parties that package themselves to be more progressive and possess a more

More than five decades now, the post-colonial young generations seem more receptive toward rendering support to political parties that package themselves to be more progressive and possess a more multi-ethnic outlook, even though genuine ethnic integration is far from reality in Malaysia.

² The British colonial government's 'divide and rule policy' in old Malaya was intended to systematically promote ethnic division among the three major ethnic groups- Malay, Chinese and Indian. There were dual intentions to promote Malay aristocracy as junior officials in the government while encouraging the rural Malays to remain in the agriculture sector, allowing the Chinese elites to enjoy the economic freedom in mercantile and business but without much representations in the political arena, and facilitate the Chinese and Indian laborers to flock the mining and plantations by discouraging them to enter the agricultural sector (Hirschman 1986).

multi-ethnic outlook, even though genuine ethnic integration is far from reality in Malaysia.

General Templer was not a man without controversies. One of his decisions that drew criticism at that time was his forceful quarantine of the New Villagers who were alleged to have supported the CPM with food and medicinal supplies. His resistance to look into requests to speed up state and federal elections ahead of the government's timeline, resulted in the pulling out of the local Alliance Party members from the Executive and Legislative council shortly after his departure upon the end of his two-year appointment. Another colonial policy that instigated public furor was the handling of a judiciary case that involved the Court of the Perak state passing of death penalty to a 26-year-old young female, a cadre of the CPM who was caught in possession of hand grenade. This case exposed the double standard upheld in the legal system of Malaya at that time whereby the two-person assessor system that was adopted in the Malay states (which include Perak state) was perceived to be bias and unfair to plaintiffs, relative to the jury system, adopted in the British Straits Settlement of Penang, Malacca and Singapore, that was seen to be more just and encompassing. This high profile legal trial sparked global attention. It warranted active lobbies not only from pro-independence Malayan nationalists and leaders,³ but also interventions from politicians in Britain.⁴ However, General Templer's view on the unsuitability of a jury system to be instituted in the Malay states was largely due to his perception of most old Malayan people as lacking in political consciousness. His view was not agreed by many of the Malayan national leaders at that time and was criticised to be condescending. His insistence of passing a bill favouring a two-person assessor system over the jury system was highly contentious.

Character wise, General Templer was notoriously known for his brusque personality and his authoritarianism. He would not hesitate to lash out at journalists whom he thought were censorious, and suppress dissidents who had attempted to make critical public comments with regard to the policies of the British colonial government at that time. He spared no courtesy to even his own country man, Dr Victor Purcell, a Cambridge professor who visited Malaya upon the invitation by the Malayan Chinese Association (MCA), whom he thought to be pro-Chinese.⁵

Dr Comber, armed with his extensive knowledge and vast personal experience during the communist insurgency era in Malaya, had given General Templer a place in history. His narratives of the Templer's years in Malaya were overall highly critical, at times personal,

³ A high profile prosecution of Lee Tien Tai alias Lee Meng, a 26-year-old female, cadre of the CPM, who was sentenced to death, garnered active lobbies from prominent pro-independence Malayan nationalists at that time. They included Tunku Abdul Rahman- who would later become the first Prime Minister of Malaysia upon the independence of the Federation of Malaya in 1957, and Tun Tan Cheng Lcok, the founding member of Malaysian Chinese Association (MCA). After the failed attempts in appealing to the Malayan Court of Appeal in Kuala Lumpur and Privy Council in London, Lee Tien Tai alias Lee Meng was eventually granted clemency by the Sultan of Perak after tireless appeal by her counsel- S.P. Seenivasagam. She was later deported to China.

⁴ Some of the prominent British politicians who filed a petition for clemency to the Sultan of Perak was Harold Wilson, who would become the Prime Minister of Britain.

⁵ The cause championed by the MCA-UMNO alliance at that time was perceived to be misaligned with the colonial government's policy to promote a common identity among the different ethnic groups at that time.

yet mostly impartial. Dr Comber had highlighted Templer's visions and achievements as well as dissecting his policy drawbacks and political inadequacies, albeit his short but impactful stint in pre-independence Malaya- which was quintessential in intensifying the struggles of pro-independence nationalists toward proclamation of Malayan's independence in 1957.

General Templer's policies and ideologies stipulated clearly in the Templer's plan are still of high relevance to modern Malaysia and Singapore, as well as other pluralist societies in the world that aspire to transit from an ethnically entrenched colonial pluralism to a more dynamic postcolonial multi-culturalism (Goh 2008). Today's Malaysia and Singapore are somewhat different in terms of the way each country's multicultural ideologies are espoused officially. Despite making great strides in ethnic relations management since independence, both countries continue to encounter different conditions of social polarisation. While Malaysia has not been able to wean itself off from having to deal with the issue of ethnic stratification and different degrees of ethnic tensions - a result of long standing institutionalisation of ethnic-based policies and very much an inherited colonial legacy; Singapore has to deal with a new phenomenon of pluralism pertaining to the acculturation of new immigrants and naturalised citizens into an even more diverse multicultural diaspora (Noor & Leong 2013). Besides, the dominance of ethnic identity as opposed to common national identity remains sensitive in Malaysia (Liu, Lawrence, Ward & Abraham 2002). This book is a reminder of the complexity of ethnic management in multiracial societies and offers substantial historical reflections. Perhaps, Templer's plan and the historical lessons that were derived from this book, could enable all of us, especially policy makers, to rethink and reconfigure ways to better manage multiculturalism in order to build a more cohesive society that encourages genuine ethnic integration.

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BOOK REVIEW

Climate Change and the Bay of Bengal: Evolving Geographies of Fear and Hope

Nihit Goyal¹

Climate Change and the Bay of Bengal: Evolving Geographies of Fear and Hope, by Sanjay Chatuverdi and Vijay Sakhujā. Singapore, Institute of Southeast Asian Studies, 2015, vii + 239 pp., US\$29.90 (softcover). ISBN 978-981-4459-58-7



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Effective climate change adaptation and mitigation require a transnational response. The failure of countries to reach an international agreement on specific strategies to avoid "dangerous climate change" has renewed interest in the geopolitics of climate change. Bosnjakovic (2012) has identified two approaches that are employed in the literature: "the actor-related approach analyses the positioning of states and interest groups, which develop strategies on coping with climate change; the other approach addresses processes and problem areas emerging in the geographic space as a consequence of, or linked to climate change" (p. 629). In *Climate Change and the Bay of Bengal: Evolving geographies of fear and hope*, Chaturvedi and Sakhujā (2015) further our understanding of the geopolitics of climate change through the latter approach.

Chaturvedi and Sakhujā contend that while numerous studies have the impacts and geopolitics of climate change on land, few have examined it from the perspective of the seas. Even within research focusing on maritime spaces, the geopolitics of the Arctic Ocean has probably received most attention (Bennett, 2015; Dalby, 2013; Dittmer, Moisiso, Ingram, & Dodds, 2011; Ebinger & Zambetakis, 2009; Johnson, 2010). In this book, they turn the spotlight on the Bay of Bengal – a semi-enclosed sea bordering Bangladesh, India, Indonesia, Malaysia, Maldives, Myanmar, and Thailand. With a coastal population of over 450 million people in area over 6 million km², the Bay of Bengal Large Marine Ecosystem (BOBLME) is one of the largest and most populous LMEs in the world (Vivekanandan, Hermes, & O'Brien, 2016).

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Due to the multiscale, transborder challenge posed by climate change, traditional state-centric notions of security and sovereignty, while not obsolete, are losing relevance.

Chaturvedi and Sakhujia argue that due to the multiscale, transborder challenge posed by climate change, traditional state-centric notions of security and sovereignty, while not obsolete, are losing relevance. The authors posit that state-centric, military-strategic responses to climate change will result in 'geographies of fear' in the Bay of Bengal. Instead, they call for reconceptualization of the Bay of Bengal as a semi-enclosed sea under the United Nations Convention on the Law of the Sea (UNCLOS III), which

demands regional cooperation from states bordering an enclosed or semi-enclosed sea. According to the authors, this vision of the bay, anchored in 'geographies of hope', can lead to a scenario in which the bordering states respond to the opportunities and threats posed by climate change in a 'proactive, pre-emptive, and humane' manner.

The book is reasonably comprehensive in its scope, covering geographies, climate impacts, national response strategies, and regional organizations concerning the Bay of Bengal. It draws on scholarly literature, relevant documents, and speeches from world leaders to present its case. The authors use numerous examples to illustrate the existing vulnerabilities and challenges posed by climate change in the Bay of Bengal ecosystem. Further, the argument is taken to its logical conclusion by making specific recommendations for promoting regional cooperation in the Bay of Bengal. The intended audiences of the book are practitioners and scholars in the field of geopolitics, especially those with an interest in the bay or in climate change. While the book's message is equally relevant for those in the field of climate policy, its slightly technical style may reduce accessibility for a wider audience.

The six chapters of the book (apart from the conclusion) build the argument gradually. The introductory chapter analyzes the prevailing metanarratives of climate change and finds that they privilege the global and local scales over the regional and the local in an effort at consensus building, even though climate change is multiscale and considerable uncertainty is associated with its complex spatio-temporal pattern. Positioning the Bay of Bengal as a semi-enclosed sea under UNCLOS III, the chapter makes a case for regional cooperation amongst its littoral states to ensure 'human security' during this transition.

The second chapter maps the Bay of Bengal, describing the complex ecosystem of geography, topography, rivers, deltas, seasons, marine life, people, and institutions in which it is embedded. The communities of this region depend heavily on their ecosystem, relying primarily on fishing, forestry, offshore oil and gas exploration, and tourism for livelihoods. The chapter finds that communities of the bay are exposed to coastal erosion, river flooding, and tropical cyclone activity, which cause significant loss of lives and livelihoods. For example, though Bangladesh and India experience only 5 percent of the tropical cyclones in the world, they account for 76 percent of the deaths due to cyclones (53 percent and 23 percent,

respectively). Climate change will act as an impact multiplier, increasing vulnerabilities caused by various ecological unsustainability and further threatening human security.

The following chapter argues that, in the absence of effective planning, climate change-induced displacements will multiply as human insecurities of Bay of Bengal communities rise, making the boundary between South Asia and South East Asia 'increasingly porous and blurred' – seen during the 2004 Indian Ocean tsunami and the 2013 cyclone Viyaru. Under such circumstances, a lack of trust amongst states bordering the Bay of Bengal may cause 'securitization' of the bay and result in the geopolitics of fear. Thus, the chapter calls for a dialogue amongst the littoral countries on the ethical, legal, and geopolitical issues surrounding climate change-induced displacement.

The fourth chapter classifies climate change as a transnational non-traditional security (NTS) threat and analyzes the scope for military-strategic responses to it. The chapter argues that countries may be forced to rethink the role of their armed forces in responding to climate change. It is proposed that maritime forces should build capacity in humanitarian assistance and disaster response as the risks of natural disasters and climate change-related contingencies increase – this would also serve as a 'potent tool of diplomacy.' Illustratively, the Indian Navy performed this role in 2008 during cyclone Nargis in Myanmar.

The next chapter analyzes various national action plans for climate change drafted by states bordering the Bay of Bengal and finds that they pay limited or no attention to regional cooperation within the Bay of Bengal. Without undermining the importance of the global or the national scale, the chapter seeks to re-emphasize the criticality of action at the regional and the local scale, for example, in creating appropriate data, building capacity, and conducting climate change related research. A discussion of any local/sub-national plans for climate change in the region, for example the state action plans in India, would have added further depth to the chapter.

The sixth chapter examines the existing fora for multilateral cooperation in the region, such as the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) and the Bay of Bengal Large Marine Ecosystem (BOBLME) project under the Food and Agriculture Organization (FAO). It argues that while these initiatives have resulted in efforts towards regional capacity building, knowledge sharing, and technological cooperation, the region lacks intra-regional coordination, integrated planning, and stakeholder participation to deal with climate change.

The chapter proposes strengthening the BIMSTEC by drawing on experiences of the Association of South East Asian Nations (ASEAN) and the South Asian Association for Regional Cooperation (SAARC), the two regional groupings to which countries bordering the Bay of Bengal belong. Concretely, it recommends: i) development of a databank for the Bay of Bengal, to identify and reduce knowledge gaps on issues pertaining to climate change; ii) creation of a communication system for local, national, and regional coordination for disaster preparedness and response; iii) capacity building amongst the Bay of Bengal countries by addressing common problems and pooling resources; and, iv) involvement of multiple stakeholders, such as local communities, the media, and the corporate sector to

both complement and further regional cooperation.

While the chapter provides relevant and actionable interventions, the discussion on existing regional initiatives appears a little late into the book. Although the build-up to this chapter hints at a major lacuna in the governance of the Bay of Bengal, we are then informed of multiple fora that already exist for regional cooperation, including on climate change – climate change was added as a sector within BIMSTEC under the leadership of Bangladesh in 2008. Thus, an analysis of the successes and failures of BIMSTEC on this front would have been illuminating and could have informed the recommendations. Also, pertinent examples of best practices followed by other regional seas programmes of the United Nations Environment Programme (UNEP) – to which the authors allude in the conclusion – would have strengthened this chapter.

On the whole, *Climate Change and the Bay of Bengal: Evolving geographies of fear and hope* is an informative and insightful perspective that challenges us to question the popular framings of climate change and rethink the traditional notions of security and sovereignty in an era of transition and transformation. Chaturvedi and Sakhuja envision a Bay of Bengal community, supported by a strengthened cooperation within BIMSTEC and a new regional seas programme for the bay under the auspices of UNEP. Given that the BIMSTEC region is home to nearly a quarter of the world's population with a combined gross domestic product (GDP) of USD 2.7 trillion (BIMSTEC), the authors remind us that this may not be “a matter of choice but rather necessity, given the scale and magnitude of climate change and its unfolding consequences” (p. 200).

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BOOK REVIEW

Strengthening Social Protection in East Asia*Jimin Ha*¹

Strengthening Social Protection in East Asia, edited by Mukul G. Asher and Fukunari Kimura, Economic Research Institute for ASEAN and East Asia (ERIA), London and New York, Routledge and Singapore, 2015. ix + 258 pp., £95.00 (hardcover). ISBN 978-113-8817-14-2



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INTRODUCTION

In many Asia-Pacific countries, social security systems – which include pension and healthcare systems – are weak in terms of its coverage and benefits, with a significant proportion of the population left out of the system. These systems are now being challenged in the face of rapid population aging, which is compounded by the 2008 global financial crisis, with tighter budgetary and fiscal constraints in place despite greater needs for higher level of old-age related expenditure and better social safety net. Re-examination of the social protection system at the country level is needed. On that note, this new book *Strengthening Social Protection in East Asia* is timely as it investigates each system through a handful of distinct issues relevant to the region, along with some policy prescriptions and feasible reform measures.

BRIEF OVERVIEW OF THE BOOK

The book comprises nine chapters covering ten countries faced with various social security challenges. It is a collaborative piece of work joined by eleven contributors, mostly with economics training, painting a comprehensive picture of social protection schemes in each country. While each country's social protection schemes are largely based on domestic realms taking into account country-specific context and institutions, some countries seemed to face rather similar challenges.

This book surfaces those challenges by grouping countries into four themes: 1) managing fiscal sustainability of pension and healthcare system in a depopulating and aging

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society (Japan and Korea); 2) arranging payout phase in a defined contribution scheme (Australia, New Zealand, and Singapore); 3) rethinking civil servant pension arrangement (India, the Philippines, and Thailand); and 4) extending service coverage to rural areas (China) and informal sector (India and Indonesia) in populous countries. As reflected in the selected group of countries, it is apparent that the scope of this book is geographically broader, unlike what the title suggests.

CONCEPTUALIZATION OF SOCIAL PROTECTION

Despite ‘social protection’ being the core of the content, the term is used quite loosely and widely throughout to include old age income and health protection. A common thread, however, is the fact that the state has an important stake in addressing the social protection issue: the word ‘social’ itself underscores the fact that “market alone cannot take care” of the issue (p221). As a way for strengthening it, both pension and healthcare system are closely examined.

There is a trade-off that policy makers consider when it comes to strengthening social protection: building a fiscally sustainable and yet a fair system for all.

While others take the term as given, only its last chapter on Indonesia conceptualizes the term, adopting the definition of ‘social security’² from the International Labor Organization (ILO): definition includes “nine core contingencies leading to cessation, or substantial reduction, of earnings. These include benefits in cases of sickness, maternity, employment injury, unemployment, invalidity, old age and death, as well as the provision of medical care and subsidies for families with children” (p221). The chapter argues that the concept of social protection should go beyond that of ILO – which largely focuses on formal schemes – by including “the idea of productive employment and poverty reduction” and prevention. This is especially the case in developing countries where informal sector is large. For instance, 70 percent and 90 percent of labor force lies in informal sector in Indonesia and India, respectively, while over 50 percent of the population lives in rural area in China.

POLICY IMPLICATIONS

Each of the respective themes essentially points to policy gaps for countries to address. At the risk of over-simplification given different country contexts, there is a trade-off that policy makers consider when it comes to strengthening social protection: building a fiscally sustainable and yet a fair system for all. Nearly all cases include discussion on reforms that have taken place, mostly parametric ones; however, the extent of the problem posed illustrates the persistent need for strengthening the current social security arrangement.

² The term ‘social security’ should not be confused with the U.S. public pension scheme, as it is used much broadly in this book.

Despite the trade off and binding factors in each country, there are a few aspects that nearly all contributors agree on in terms of the next steps. First of all, an *integrative and collaborative approach* in addressing social protection is very much emphasized and advocated. For instance, in the case of Japan and Korea, managing the fiscal cost of old age-related programs is one of the biggest challenges. Although management of pension and healthcare system can be different in terms of the expertise and technical skills required, administrative cost could be saved and spending decisions could be made more effectively with policy and organizational coherence within and between sectors. The need for it can also be referred from the lack of coordination between institutions managing pension and health benefits in Indonesia, and poor collaboration between ministerial agencies on pension-related issues in China. Moreover, this point is applicable beyond the public boundary. With the rising importance of private savings in Australia and New Zealand's pension arrangement, cooperation between public and private sectors would be critical going forward.

Secondly, efforts to remedy country's *vulnerable groups* are highlighted. Means of doing so include promoting coverage extension and participation for various target groups. In the case of Korea, the most vulnerable group seemed to be the non-regular workers in small businesses. Japan is in a similar suit, which they termed it to be atypical, irregular workers. For other countries with much weaker social security system, the scope of coverage expansion called for is much broader. For China, the vulnerable population group is mainly concentrated in the rural areas; while for India and Indonesia, it lies in the informal sector. Another means introduced is to enhance the design of pension payouts, especially for the case of Australia, New Zealand and Singapore. Given that these three countries rely on mandatory defined-contribution pension arrangement, putting in place options for annuitization is helpful especially when more elderly outlive their retirement income. For instance, in 2009, Singapore implemented such measure under CPF Lifelong Income Scheme (CPF LIFE), which provides a stream of retirement income from accumulated savings through means of risk pooling among members. In Australia and New Zealand, annuity purchase from the market is encouraged in an effort to enhance consumer demand for longevity products and to secure better retirement income adequacy. In other words, it is important to create market demand for products that would account for longevity risks and to create the right incentive structure.

SHORTCOMINGS

One of the distinct features of this book lies in its comparative aspect of organizing country-level analyses, especially on issues that were largely overlooked in the literature. However, the comparative component in the analysis is weak as it is only apparent in the overview chapter, with the rest of the chapters being presented as separate entities. While the book justifies the comparability of countries for selected issues based on characteristics such as income level, demographic features and financial sector development, this could be further elaborated to strengthen the narrative of the book as a whole by including the process in identifying the grouping.

CONCLUSION

Overall, I find the book to be informative and recommendable. However, given that the terms and language used are rather technical, the book implicitly assumes some knowledge about the subject matter from the readers. A group of audience that could benefit most from this book include policy makers, academics and researchers who intends to gain more insight into the health care and pension systems in specific countries' contexts in Asia: not only the current state and challenges are highlighted but also a review of reform measures and future policy direction being considered are discussed. An important contribution of this edited book is the rich details about the social security and healthcare system and programs that are offered at the country level. It is a very useful and insightful reference in grasping specific common challenges and issues among countries apparent in Asia-Pacific region, serving as a gateway for further empirical research.

COMMENTARY

Asian Cities: Fragility and Resilience*Francesco Mancini*¹

Keywords: Urbanisation, urban fragility, resilience, governance.

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Urbanisation is a global trend. Already more than half of humanity lives in cities, and in 2050, this number is projected to rise to nearly three-quarters, with the size of urban populations tripling in Asia. This trend is, indeed, particularly pronounced in Asia,² where already 45.5 percent of the population lives in cities, and where seven of the 10 most populous cities of the world are located.³

Urbanisation leads economic growth in Asia, since urban dwellers contribute 80 percent of the region's gross domestic product. In fact, Urbanisation enhances productivity, increases gross domestic product per capita, and offers higher standards of living and opportunities for millions of people. For instance, 74 percent of the 230 million people lifted out of slum conditions in the past decade were in Asia, primarily in China and India. At the same time, rapid Urbanisation can also come at a cost:

cities that are unable to respond to the needs of their growing populations face rising poverty, inequality, and crime. Lack of infrastructure, for example, can lock cities into unsustainable patterns of development. Main environmental issues include poor quality of air, lack of clean water supply, and mismanagement of waste and sanitation. At the same time, Asian cities remain highly vulnerable to natural disasters, "with many informal settlements located in fragile environmental areas on shorelines and major river basins."⁴ As a result, urban fragility has emerged as a key issue for national and municipal public policy in Asia.

It is with this backdrop in mind that the International Peace Institute (IPI) and the

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² These and following urban data come from the United Nations Department of Economic and Social Affairs, *World Urbanisation Prospects: The 2014 Revision* (New York, 2014), and United Nations Economic and Social Commission for Asia and the Pacific, *Urbanisation Trends in Asia and the Pacific* (November 2013).

³ These are Tokyo, Delhi, Shanghai, Mumbai, Beijing, Dhaka and Kolkata.

⁴ United Nations Economic and Social Commission for Asia and the Pacific, *Op.Cit.*, p. 3.

National University of Singapore's Institute of South Asian Studies (ISAS) conducted a project to investigate the drivers of urban fragility and sources of urban resilience, with a particular focus on three Asian megacities: Bangkok in Thailand; Dhaka in Bangladesh; and Mumbai in India.⁵ This article summarizes the key findings of the study, which can be read in full in the recently published report, *Building Resilience in Cities under Stress*.⁶

WHAT BANGKOK, DHAKA, AND MUMBAI TELL US ABOUT FRAGILITY

Looking at three cities so diverse as Bangkok, Dhaka, and Mumbai, it is clear that the concept of fragility cannot be meaningfully generalized. In fact, as with states, all Asian cities are fragile in different ways. An intricate mix of factors connected to a city's geographical features, historical heritage, and current political and socioeconomic dynamics creates urban fragility. Still, it can be said that urban fragility depends on the extent to which urban systems—including not only infrastructure and ecological systems but also social, economic, and political systems—are susceptible to damage incurred by shocks.

Within the diverse spectrum of fragility, three common features emerge from the above-mentioned cities examined in the report: socioeconomic and spatial segregation, rapid population growth, and suboptimal governance systems. So, what can the cases of Bangkok, Dhaka, and Mumbai tell us on these sources of fragility?⁷

Bangkok is a clear case of spatial inequality, in which fragility is unequally distributed across the different socioeconomic groups and neighborhoods. For example, those living in the informal settlements along the Chao Phraya River and its canals are overexposed to daily health hazards from waste, pollution, and periodic flooding. The increasing inequality in Bangkok is manifested in physical segregation of urban space through exclusive urban development projects that make it difficult for social cohesion to develop. This lack of social cohesion undermines the city's capacity to build collective

The lack of social cohesion undermines the city's capacity to build collective resilience, such as by developing robust governing institutions and providing adequate and efficient public services, as the richest segments of society opt for club goods within their walls of gated communities.

resilience, such as by developing robust governing institutions and providing adequate and efficient public services, as the richest segments of society opt for club goods within their walls of gated communities. In addition to inequality, it is important to cite other sources of fragility for Bangkok, such as rapid demographic changes (e.g., aging,

⁵ The study also includes the cases of Lagos in Nigeria, and Medellín in Colombia.

⁶ Francesco Mancini and Andrea Ó Súilleabháin (eds.), *Building Resilience in Cities under Stress* (New York: International Peace Institute, June 2016), available at: <https://www.ipinst.org/2016/06/building-resilience-in-cities-under-stress>

⁷ In the report *Building Resilience in Cities under Stress*, the authors of the three cases are Apiwat Ratanawaraha (Bangkok), Imtiaz Ahmed (Dhaka), and Chandrani Sarma and Amitendu Palit (Mumbai).

rural migration, and the influx of foreign workers) and uncontrolled urban development. Inequality also emerges as a key source of fragility in Dhaka. The state of public toilets and waste management are just two examples that show the skewed development of the city in favor of the elite. However, mismanagement and a continuation of bad public policy choices seem to be at the roots of Dhaka's fragility. One example is the ill-conceived policy of using embankments to control floods and the commercially-motivated encroachment into flood flow zones and river foreshores. These policies have led to the destruction of 80 percent of the capital's conservable floodplains and water retention zones, making it more vulnerable to flooding. Political violence, extrajudicial killings, and the politicisation of religion also affect the daily physical security of Dhaka's population. Violence against women is a particular scourge of the city. The highly dysfunctional governance system, with a proliferation of agencies that have overlapping jurisdictions and do not coordinate, only aggravates Dhaka's fragility. This is similar to Bangkok, where inefficiency in governance and urban planning stems in large part from the division of authority and responsibility to manage the city among multiple agencies.

Finally, Mumbai represents one of the most complex manifestations of urban fragility in the modern world. With an estimated 21 million people, Mumbai is the sixth largest metropolitan area in the world. Mumbai's geography and history compound its various sources of fragility; surrounded by water on three sides, which makes its border porous, Mumbai has a history of organized crime, communal violence, and terrorism. Rates of rape and property crime are among the highest in India. One of Mumbai's main sources of fragility is its continually growing population; more than 43 percent of inhabitants are migrants. This growth strains the city's capacity to provide public services. Education is a case in point: while Mumbai has a relatively high literacy rate, it does not have enough secondary schools to absorb children exiting primary schools.

Housing is a massive challenge in Mumbai; the city's limited geographical space has led to the highest real estate prices in the developing world. Rising prices have perpetuated the growth of slums, where about 40 percent of Mumbai's population lives. The living conditions in most of these slums remain appalling. Sanitation, garbage disposal, and waste management are almost nonexistent, and insufficient drainage systems lead to the mixing of sewage and water flows during seasonal flooding. The rates of building collapse and accidental fires are among the highest in the country, leading to huge losses of life and property.

The structure of government in Mumbai constitutes another source of fragility. Administration of the city is split between the Municipal Corporation of Greater Mumbai and several state-level agencies, whose overlapping jurisdictions generate institutional conflicts and rivalries between competing political parties.

FOUR GUIDING PRINCIPLES TO STRENGTHEN URBAN RESILIENCE

Focusing on a small number of cities cannot provide the same robust insights of large-sample analysis of urban fragility.⁸ This commentary simply seeks to add qualitative

⁸ See, for example, the Rockefeller Foundation's "100 Resilient Cities" initiative, <http://www.100resilientcities.org>

inputs to the vast existing literature on how to build resilient cities. However, it is reassuring that what emerges from these cases is consistent with much of the research undertaken so far. More generally, the exploration of the cases of Bangkok, Dhaka, and Mumbai suggests a number of considerations that can help guide policymakers in developing multifaceted approaches to strengthen urban resilience in the areas of planning, governance, decision-making, and policy development. These ideas can be summarized in four guiding principles:

1. *Adopt dynamic and scenario-based urban planning.* Scenario-based urban planning is a dynamic process that enables city planners to prepare the urban system to deal with internal and external shocks and different potential futures. This practice also allows for a long-term perspective on uncertainties, independent from changes in government leadership.
2. *Optimise urban governance.* The dynamic planning capacity needs to be matched by adequate urban governance. When urban areas expand, jurisdictions overlap, and planning fails to integrate populations across economic divides, new models of metropolitan governance are needed with clear lines of authority and responsibility.
3. *Add voices to decision making.* To achieve more effective governance, urban decision makers can learn from community-led initiatives and facilitate community participation—from planning to implementation. New approaches could also include participatory budgeting processes, in which communities can express their proposals, make comments, and assign preferences to policy ideas.
4. *Focus on spatial segregation.* Inclusiveness is a policy principle central to urban resilience. Segregation remains a key factor of urban fragility, and some critics are justly concerned with the tendency to build safe and fully serviced neighbourhoods for the benefit of the wealthy few.

An intricate mix of factors connected to a city's geographical features, historical heritage, and current political and socioeconomic dynamics creates urban fragility. But, urban fragility can be generally seen as the extent to which urban systems are susceptible to damage incurred by shocks, with urban systems including not only infrastructure and ecological systems but also social, economic, and political systems. This broader definition of fragility is a crucial step in turning toward urban resilience, to determine how cities can manage, adapt, and recover from internal and external stresses and crises.

