

INNOVATION IN THE PUBLIC SECTOR AND SUGGESTIONS FOR VIETNAM

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OVERVIEW OF INNOVATION IN THE PUBLIC SECTOR

Presenting the conceptual framework related to innovation and providing an overview of innovation in the public sector in the world and in Vietnam

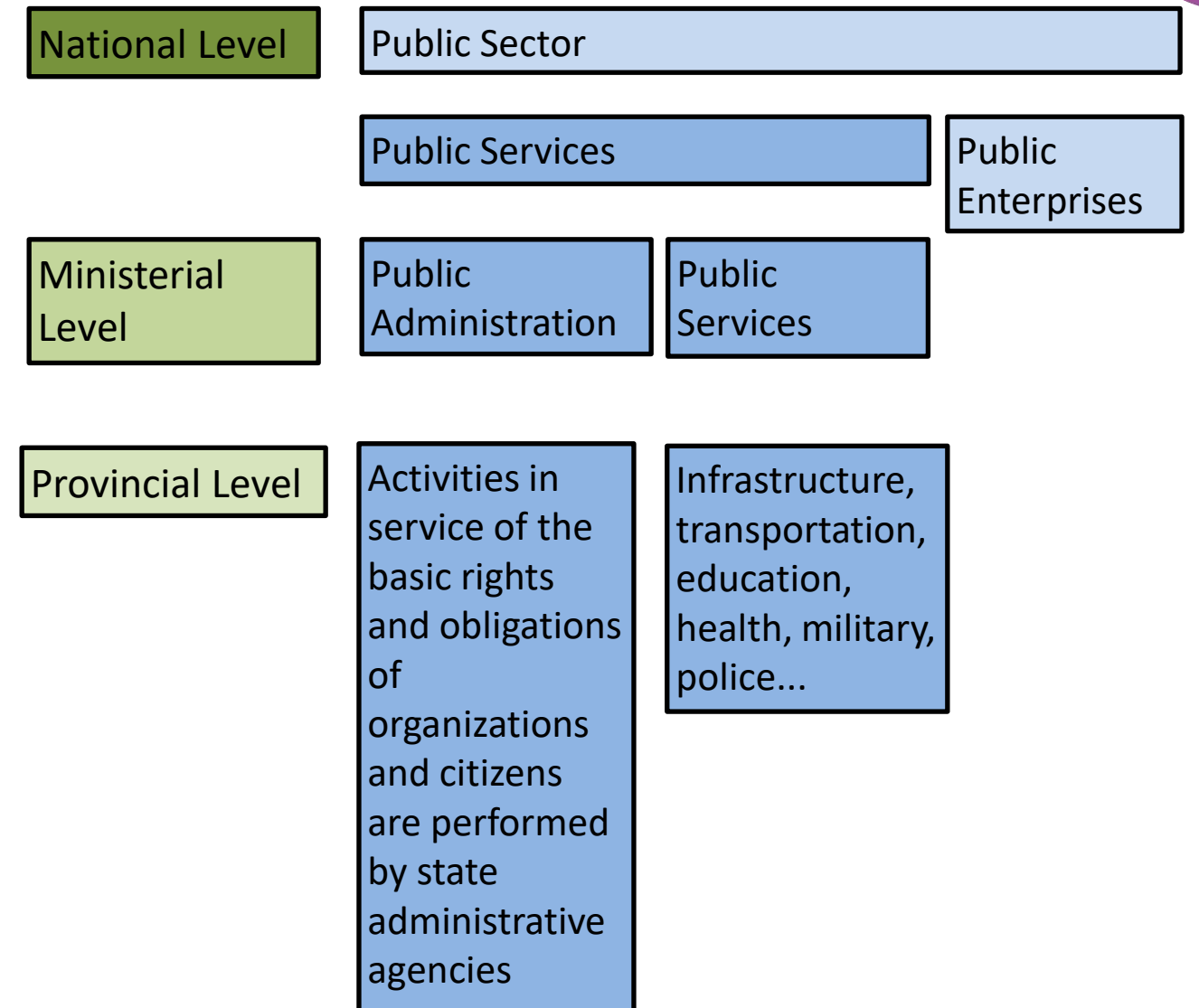
PART 1



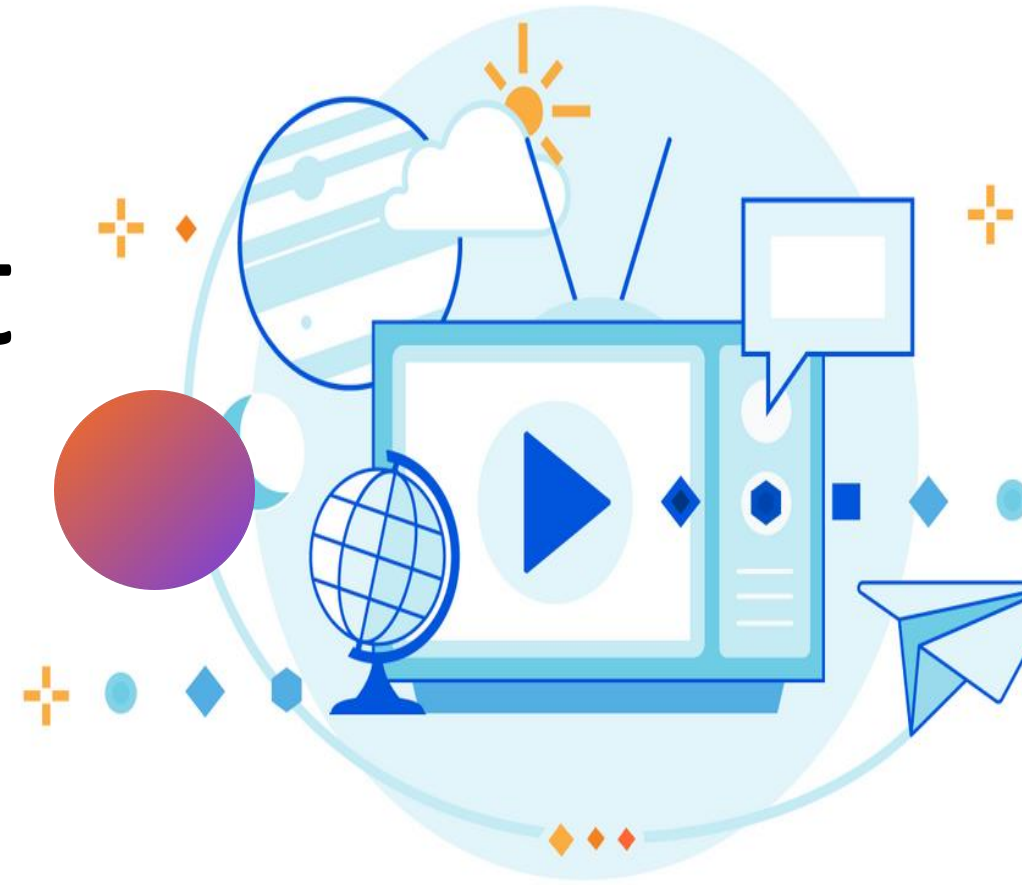
1.1. The concept

Public sector

Public sector (PS) is comprised of the following entities: public authorities (central state agencies and ministerial level), local government, and public enterprises.



1.1. The concept



OECD (2018)

Innovation is a new or improved (or combined) process or product that is markedly different from the organization's previous products or processes and is offered to potential users or to be approved by the organization user.

European Commission _ Europe - EC (2013)

Innovation in the public sector (PS) can be defined as the process of generating new ideas and implementing those ideas to create value for society.

1.2. Characteristics of innovation



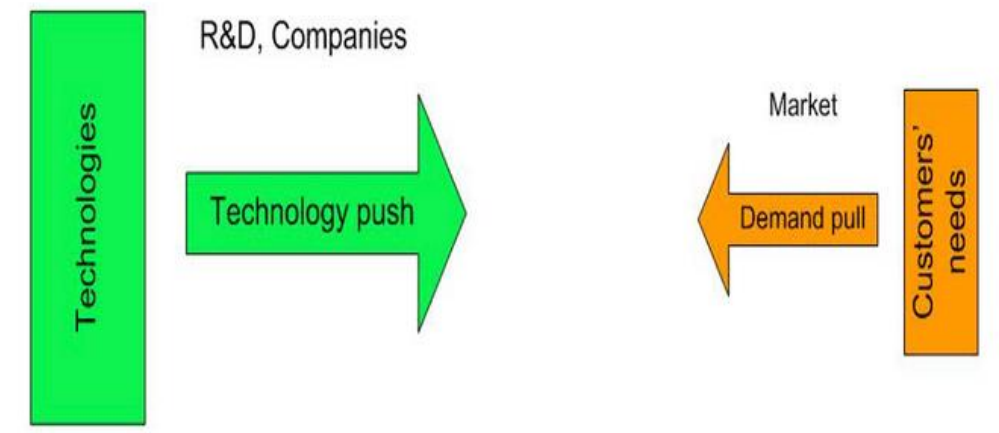
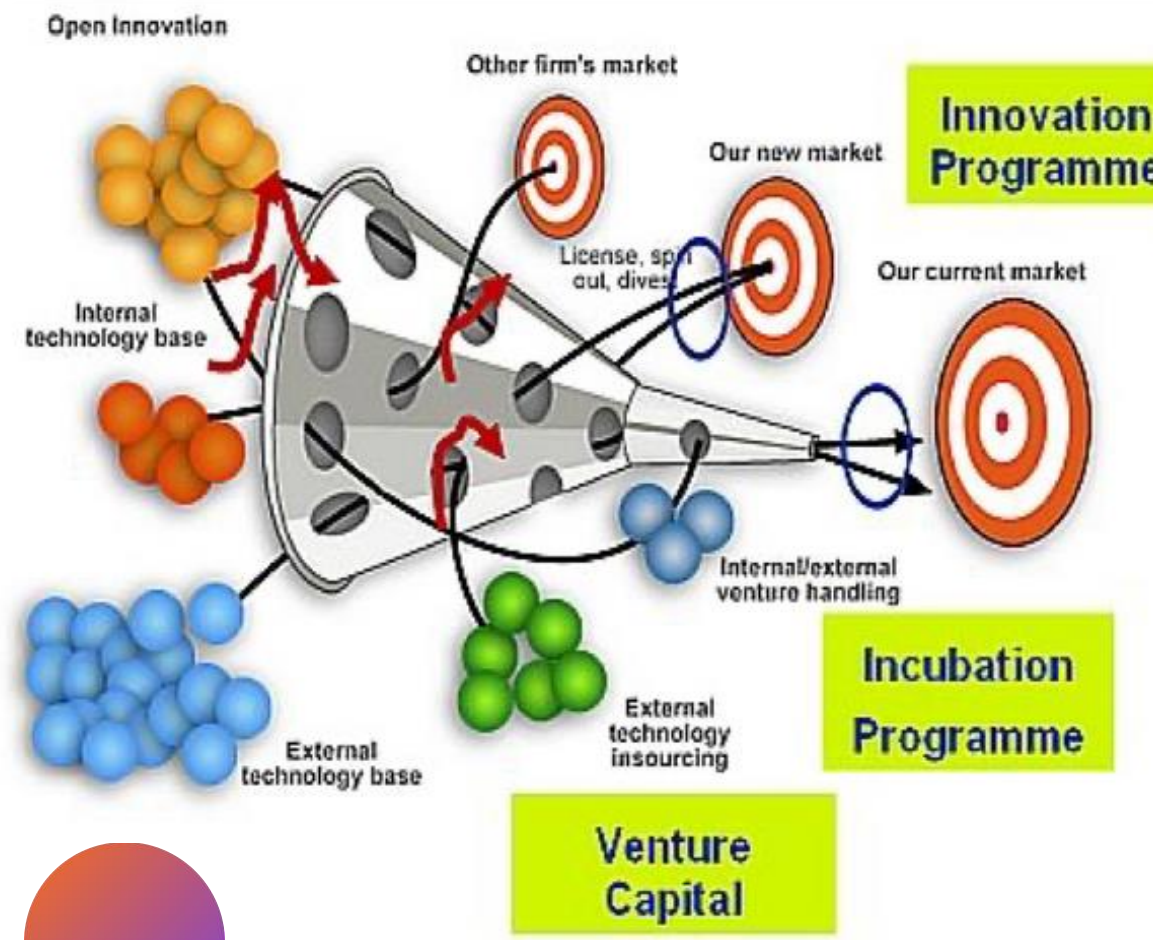
New characteristics

- Compared to the world
- Compared to the market
- Compared to business

Practicality

- Put products on the market
- Implement new manufacturing processes

1.3. Innovation models



Linear Model

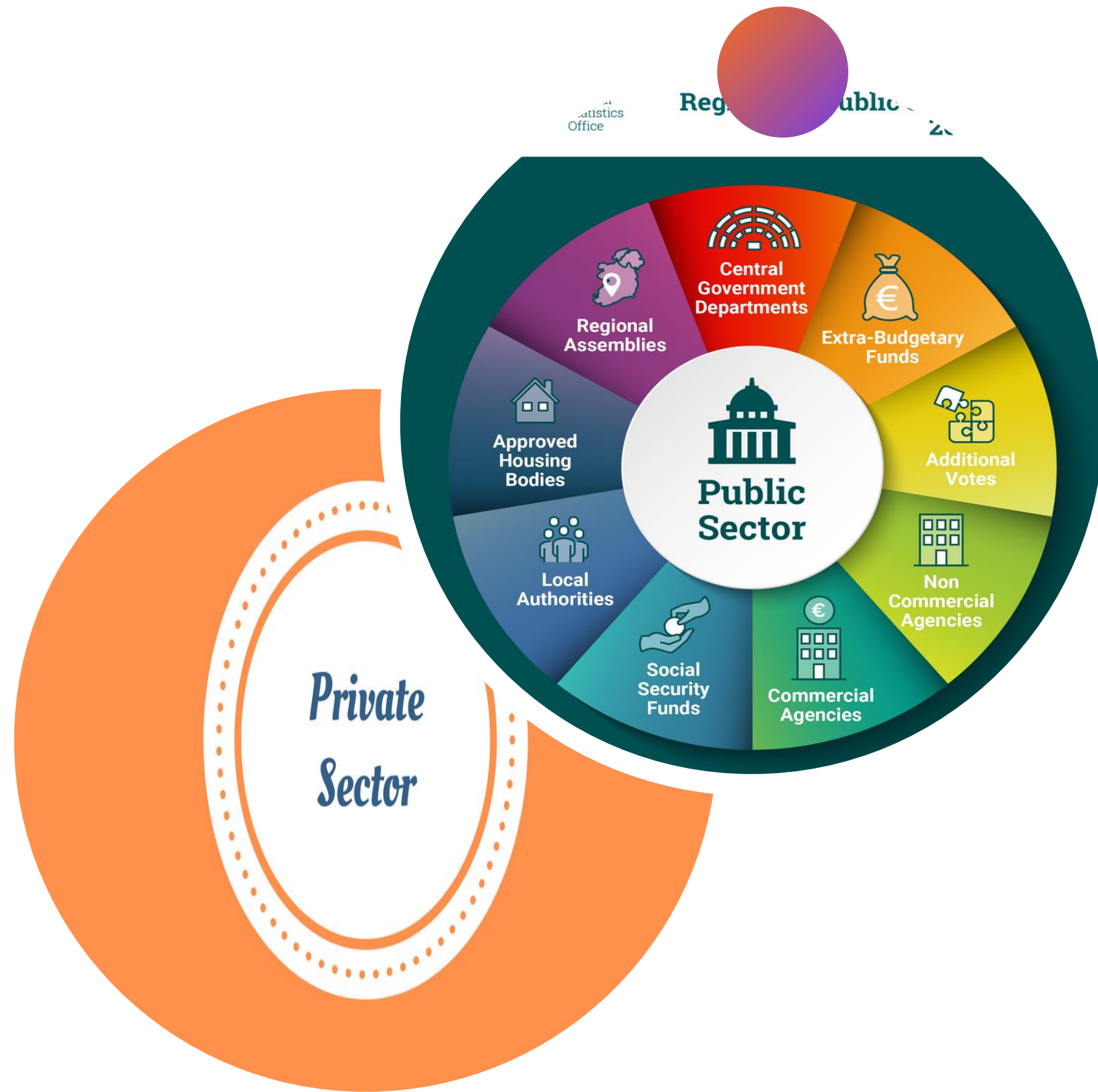
The linear model considers innovation to be the final stage of a chain of activities from basic research (with research outputs promising commercialization) to applied research, implementation, and production. That's the market's reception going last.

Demand-Pull Model

Demand-Pull suggests that innovation is driven by the needs of potential users and manufacturers develop products in an effort to satisfy customer problems or requests.

Open Innovation Model

Open Innovation focuses on large, flexible and customizable networks and hybrid systems, innovating continuously.



1.4. Separate innovation in the public and private sector







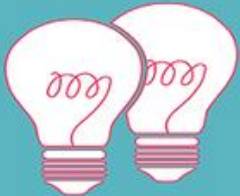








The public sector operates according to political logic and conducts budget-funded activities (taxes) aimed at creating politically defined public goods or serving the needs of citizens. The main drivers of innovation in the public sector are the non-profit spillovers of innovation, collaboration, political decision-making, employee initiative, and citizen needs.

For the business sector, innovation aims to gain a competitive advantage and generate profits: Market logic.



1.4. Separate innovation in the public and private sector

OECD (2015): Innovation in the public sector aims to solve the challenge of public policy, and successful public innovation is innovation that achieves the desired results. Accordingly, new innovation in the public sector involves significant improvements in the services the government is responsible for providing, including those provided by third parties. including the content of these services and the tools used to deliver them.

Public vs. private sector innovation	Public	Private
 Logic	 Politics	 Market
 Purpose	 Public good	 Competitive advantage
 Copying	 Free	 Copyright
 External collaborations	 Predominantly horizontal	 Predominantly vertical
 Risk propensity	 Low	 High



1.5. Innovation environment in the public sector



Implementation Level

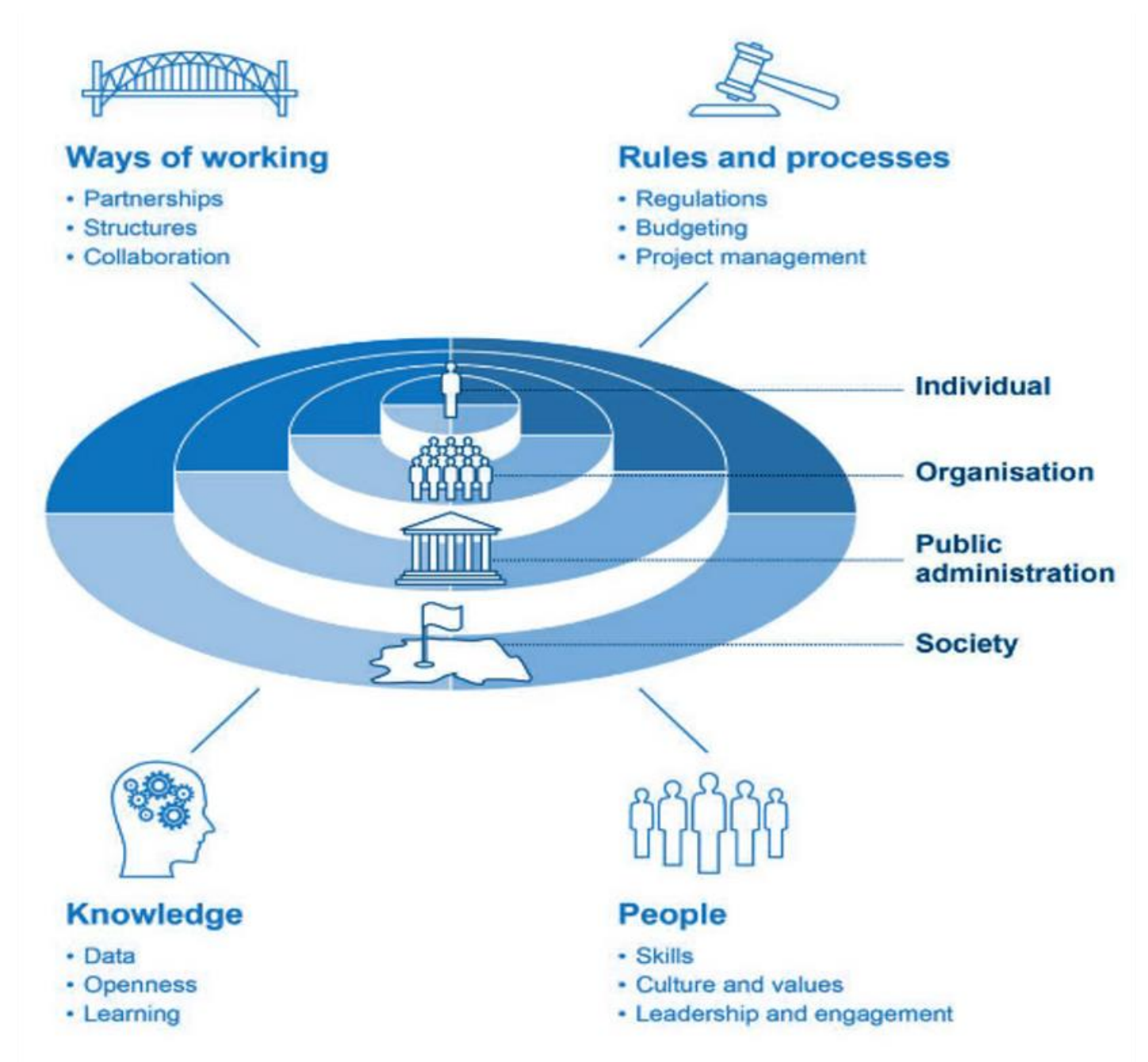
- Individual;
- Organisation;
- Public administration;
- and
- Society.

Innovation factors in the public sector

- People;
- Knowledge;
- Ways of working;
- Rules and processes.

Fields should be recommend by the government

- Suggestion and idea sharing;
- Human resource development;
- Orientation of laws and administrative procedures; and
- Organizational restructuring.



IMPORTANCE OF INNOVATION IN THE PUBLIC SECTOR

Present the impacts and driving forces that are affecting the innovation environment in Vietnam. Part 2 will also present the opportunities and challenges of innovation works in the public sector, thereby showing the importance of these works.

PART 2



2.1. Impacts of innovation



- Contributing up to 95% to the competitive level of the economy
- Contributing up to 91% to the green economy
- Contributing up to 86% to the partnership
- Contributing up to 88% in new collaborative jobs
- Contributing up to 87% towards bringing value to the whole society
- Contributing to changing people's lives in the next 10 years: 90% for communication, 87% for health quality, 84% for labor market, 84% for environmental quality

Source: The author builds on the basis of [K. Melissa Kennedy, Infographic: What is the impact of innovation? What drives innovation? <http://www.48innovate.com/infographic-what-is-the-impact-of-innovationwhat-drives-innovation/>]

2.2. Driving forces of innovation



- 66% of innovation value will affect people's lives.
- 65% of schools and research institutes will participate in innovation
- 62% of patents will promote innovation
- 58% of private investors will support implementing innovation
- 48% of the budget allocation will focus on supporting innovation activities
- 43% are in favor of the government organizing and implementing innovation activities.


Source: The author builds on the basis of [K. Melissa Kennedy, Infographic:

What is the impact of innovation? What drives innovation?

[http://www.48innovate.com/infographic-what-is-the-impact-of-](http://www.48innovate.com/infographic-what-is-the-impact-of-innovationwhat-drives-innovation/)


[innovationwhat-drives-innovation/](http://www.48innovate.com/infographic-what-is-the-impact-of-innovationwhat-drives-innovation/)

2.3. Innovation opportunities in Vietnam's public sector

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- In Vietnam, the process of digital transformation has begun to take place, especially in industries such as finance, transportation, and tourism.
 - In the face of the crisis from the COVID-19 pandemic, the team of young entrepreneurs still strived for innovation and creativity.
 - The Global Innovation Index (GII) and Global Competitiveness Index (GCI) of Vietnam have both improved and are ranked high along with those of developed countries. In addition, contributions to science and technology and innovation in socio-economic development in our country have been recognized by international organizations.
 - Vietnam is considered one of the most promising venture capital markets in ASEAN. Specifically, Vietnam currently leads Southeast Asia in the growth rate of venture capital transactions.

Source : Summarized from Articles for Vietnam Innovation Challenge

2.4 . Innovation Challenges in Vietnam's public sector

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- Human resources for digital transformation are lacking, especially in the public sector. The quality of training is uneven; institutions still lack equipment and training methods up to international standards.
 - Awareness of civil servants in public administrative units is still limited; Low income and wages compared to countries with digitalized public administration.
 - Public investment is still limited and unsynchronized, cyber security and confidentiality still have many holes. The management of public investment activities is still weak. The investor's capacity is still limited, not meeting the requirements of management, scale, and quality.
 - Laws and institutions are unsynchronized and have not encouraged the development of digital resources and digital assets.
 - Currently, the government still uses cash. This can lead to problems like corruption, waste of budget, and related problems. To promote innovation in the public sector, it is necessary to promote cashless payments.

Source : Summarized from Articles for Vietnam Innovation Challenge

MECHANISMS AND POLICIES FOR PROMOTING INNOVATION IN VIETNAM'S PUBLIC SECTOR

PART 3



3.1. Resolution No. 52-NQ/TW on guidelines and policies to actively participate in the Industrial Revolution 4.0



On September 27th, 2019, the Politburo issued Resolution No. 52-NQ/TW, clearly defining the role of innovation and affirming businesses are the focus in the innovation ecosystem as follows:

- Build and develop national innovation centers, focusing on core technologies of the Fourth Industrial Revolution.
- Improve the efficiency of public investment in scientific and technological research activities on the basis of applying a new governance model according to the world's best practices.
- Apply special and breakthrough mechanisms and policies to innovation centers.
- Develop the national innovation system in the direction of focusing on enterprises, universities and research institutes as strong research subjects.
- Encourage domestic and foreign universities, businesses and organizations to establish innovation centers in Vietnam.

3.2. Investment Law 2020 / Decree No. 31/2021/ND-CP on regulating details and guiding the implementation of some articles of Investment Law



- Article 15 of the Investment Law stipulates the subjects entitled to investment incentives: innovative start-up investment projects, innovation centers, and research and development centers.
- Article 20 of the Investment Law stipulates the subjects' obligations to apply special investment incentives and support: Investment projects to establish new innovation centers, research centers, and development centers with total investment capital of \$3,000 billion or more, etc.
- Decree 31/2021/ND-CP has clarified that the subjects entitled to investment incentives under the Investment Law including the National Innovation Center established under the Prime Minister's decision and other innovation centers established by agencies, organizations, and individuals to support the implementation of innovative start-up investment projects, the establishment of innovative enterprises, and the implementation of activities to promote innovation, research, and development at the centers; innovative start-up investment projects etc.

3.3. Decree No. 38/2018/ND-CP dated March 11th, 2018 of the Government detailing investment for innovative start-up SMEs



- Decree No. 38/2018/ND-CP established regulations for private capital investment in creative small- and medium-sized enterprises through the Innovative Startup Investment Fund.
- Decree 38 stipulates general principles in investment activities between investors and innovative start-ups: encourage and orient innovative start-up investment.
- Investment forms for innovative small and medium enterprises:
 - Form 1: Investment with contributed capital from private investors through the Innovative Startup Investment Fund as prescribed in Clause 2 and Article 18 of the Law on Support for Small- and Medium-sized Enterprises (specified in Chapter II Decree No. 38/2018/ND-CP).
 - Form 2: Investment by the state budget through the local budget according to the provisions of Clause 4 and Article 18 of the Law on Support for Small- and Medium-sized

3.4. Decision No. 569/QĐ-TTg dated May 11th, 2022 promulgates the Strategy for Science, Technology and Innovation Development to 2030



- The specific objective of the strategy is to enhance the contribution of science, technology, and innovation to economic growth through scientific research and technological development activities through research institutes and universities, technological innovation activities, improvement of management and organizational capacity in enterprises.
- At the same time, science, technology, and innovation play an important role in developing spearhead industries, with a focus on processing and manufacturing industries, making an important contribution to the economic restructuring in the current direction, transforming our country into a modern industrialized nation by 2030.
- Science, technology, and innovation contribute significantly to the development of Vietnamese cultural, social, and human values, as well as providing scientific foundations for the formulation of national development directions, guidelines, and policies.

3.5. Other policies

- The law on support for small- and medium-sized enterprises in 2017.
- Decree No. 94/2020/ND-CP dated August 21st, 2020 of the government stipulates preferential mechanisms and policies for the National Innovation Center.
- Decree No. 31/2021/ND-CP dated March 26th, 2021 of the government regulates details and guides the implementation of some articles of the Investment Law.
- Decree No. 80/2021/ND-CP dated August 26th, 2021, the government detailed and guided the implementation of a number of articles of the Law on Supporting Small and Medium Enterprises.
- Decision No. 2889/QD-TTg dated December 31st, 2020 of the Prime Minister on the National Strategy for the Fourth Industrial Revolution.
- Decision No. 749/QD-TTg dated June 3rd, 2020 of Government approves the "National Digital Transformation Program to 2025, with orientation to 2030".
- Decision No. 844/QD-TTg approves the project "Supporting the national innovation startup ecosystem towards 2025".
- Decision No. 2117/QD-TTg dated December 16th, 2020 of the Prime Minister promulgates the list of technologies prioritized for research, development, and application to actively participate in the Fourth Industrial Revolution.
- Decision No. 569/QD-TTg on May 11th, 2022 promulgates Strategy for Science-Technology Development and Innovation towards 2030.



SUGGESTIONS TO PROMOTE INNOVATION IN VIETNAM'S PUBLIC SECTOR

PART 4



4.1. Suggestions

- Develop mechanisms and policies to prioritize and promote innovation in the public sector in Vietnam;
- Mobilize financial resources to diversify resources for innovation activities in the public sector;
- Develop strategic programs to improve the quality of human resources working in the public sector in Vietnam;
- Invest synchronous infrastructure from the central to the local levels.



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