Good governance policies for sustainable development - examples from Vietnam and Germany

Presentation
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Overview

1. Introduction: What is governance?
2. Example: Social protection in Vietnam
3. Example: Labour inspection in Germany
4. Conclusions
1. What is governance?

...the manner in which power is exercised in the management of a country’s economic and social resources for development

[The World Bank 1992]
1. What is governance?

<table>
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<tr>
<th>Process</th>
<th>Mechanism</th>
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<tbody>
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<td>The process by which authority is conferred on rulers, by which they make the rules, and by which those rules are enforced and modified.</td>
<td>The mechanisms thought to be needed to promote it, for example, democracy, good civil rights, transparency, the rule of law, and efficient public services.</td>
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2. Example: Social protection in Vietnam
2. Social protection in Vietnam

The “set of policies and programs designed to reduce poverty and vulnerability” by means of:

- active labour market,
- social insurance and
- social assistance,
Active labour market policies:

Labor market policies and programmes designed to promote employment, the efficient operation of labor markets, and worker protection. Examples:

- occupational training, further training,
- preferential credits / conditional grants,
- labour mobility support,
- public work / temporary employment,
- labour market information.
Social assistance policies:

Social assistance and welfare service programs for the most vulnerable with no means of support, including single mothers, the homeless, or physically or mentally challenged people. Examples:

- basic social services, such as water, electricity, sanitation, health and education,
- benefits in cash or in kind related to individual needs and
- child protection or support for people with disabilities.
Increased access to basic social services for the poor including healthcare, education, housing, water supply and legal aid.

500,000 poor households have received favorable credits in 2011.

Health insurance cards have been provided to 14 million poor persons.

2.5 million poor pupils have had their school fees reduced or waived.

20,000 poor households have been supported with housing.
Social insurance policies:
Programmes to cushion risks associated with unemployment, catastrophic out-of-pocket health costs, disability, occupational accidents, and the growing ranks of the elderly. Examples:

- health insurance,
- unemployment insurance,
- pension insurance and
- long-term care insurance.
3. Example: Labour inspection in Germany

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„Shadow economy“ or „illegal employment“ in Germany

According to estimations each year around 344 billion Euro are (illegally) not subject to tax in Germany.

Around 4-5 Millionen people work in households or on construction areas without appropriate registration or taxation and without paying contributions to social insurance authorities (e.g. health insurance oder pension insurance).

This means a loss of taxes and social insurance contributions up to 65 billion Euro in 2012!
Niveau der Schattenwirtschaft in den OECD-Ländern 2012
Im Verhältnis zum offiziellen Bruttoinlandsprodukt in Prozent

1. Griechenland
2. Italien
3. Portugal
4. Spanien
5. Belgien
6. Norwegen
7. Schweden
8. Dänemark
9. Finnland
10. Deutschland
11. Durchschnitt
12. Irland
13. Kanada
14. Frankreich
15. Großbritannien
16. Australien
17. Niederlande
18. Neuseeland
19. Japan
20. Österreich
21. Schweiz
22. USA

Quelle: IAW

Spiegel Online vom 24.01.2012
Governance approach

1. Special laws and provisions
to avoid illegal employment and
to disburden legal employment.

2. Inspection and control
in order to supervise implementation of law.

3. Imprisonment and penalties
for prevention and punishment.
Example: Special provisions

• Provisions to avoid illegal employment
  – Obligation to register employees in certain sectors immediately (construction, restaurants, cleaning services etc.): first day!
  – Duty of employees (in certain economic sectors) to carry their documents for identification.

• Provisions to disburden legal employment
  – Easy procedure for private households in order to disburden registration of employees and support payment of contributions.
Examples: Inspection and control

• Inspection via auditors from tax administration
  – (Announced) check of accounting.

• Inspection via auditors from social security admin.
  – (Announced) check of accounting.

• Inspection via auditors from customs authority
  – Unannounced spot check of construction areas, restaurants etc.
Examples: penalties

• **Criminal Code**
  – For tax evasion or evasion of social insurance contributions offenders expect imprisonment up to 5 years.

• **Order of illegal employment**
  – Penalty up to 300000 Euro.

• **Employment of foreign workers**
  – Penalty up to 500000 Euro.

• **Provision of services without work permit**
  – Penalty up to 5000 Euro.
4. Conclusions

The examples from Vietnam and Germany demonstrate the wide range of good governance policies.

Internationally, there are different process and mechanisms for good governance implemented (direct or indirect democracy; federal states or central states with provinces; transparency of representatives; effectiveness of administration, etc.).
4. Conclusions

Internationally there is no blueprint for the processes and mechanisms of good governance.

Because of that each country has to find its own and individual approach – acknowledging its specific needs, its agreed goals and its respective legal, economic, social, cultural and historic context.
Thank you very much for your attention!