

# Legal Regulations Promoting Innovation in the Public Sector

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**Abstract.** This article summarizes and analyzes current legal policies and regulations that form the basis for innovation in the public sector in Vietnam today, aligning with the global trend of sustainable development in the context of globalization and the AI era. The author points out the achievements and shortcomings that need to be addressed in the future. Based on this, the author proposes several solutions to further improve legal policies to promote innovation in the public sector in the future.

## 1. INTRODUCTION

In the history, the public sector was considered a lagging area and relatively slow in the process of digital transformation and innovation, despite the Party and State's efforts to issue a series of policies and legal regulations to promote administrative reform and build e-government. However, under the impact of the Covid-19 pandemic, the application of science and technology in state management has become widespread and rapid. In the context of globalization and the strong digitalization of the economy taking place worldwide, the Politburo issued Resolution 57 on breakthroughs in the development of science, technology, innovation, and national digital transformation. This is the basis for a series of policies and laws issued to build a digital government, e-government, and promote innovation in the public sector in Vietnam today.

## 2. LITERATURE REVIEW

### 2.1. Concept

Innovation is the art of creating and implementing improvements to processes, systems, services, or ways of working in order to bring about positive changes and impacts. This can also include applying existing ideas or ways of working in a different way or in a different context. (UN, 2024)

Innovation is simply making things better. Regardless of the scale of effort, innovation involves transforming ideas into practical solutions that deliver value, solve problems, or meet specific needs (UN, 2024).

### 2.2. Characteristics

Innovation has the following characteristics:

- i. Innovation is not simply an idea; it needs to be applied to a practical solution that solves specific problems. • Innovation must be novel – novelty here doesn't necessarily have to be entirely new; it can be relative, such as applying existing ideas elsewhere in a different way or context, but new in terms of the organization and implementation of that idea.
- ii. Innovation needs to make things better.

### 2.3. Classification

- i. New public policies/services: designing and implementing new policies/services that help public sector organizations 'face' challenges, such as providing healthcare services, educating on plastic waste management to address serious environmental pollution problems in local areas.
- ii. Innovation in public administration processes: not simply introducing a new policy or service, but also involving changing the relationships between stakeholders. Examples include changes in organizational forms, the arrangement of planning and service delivery, or the involvement of the public sector and policy beneficiaries in the design and delivery of services.
- iii. Adapting policy implementation, services, and proposed solutions to different contexts, locations, or timeframes: this process requires incorporating feedback from citizens and stakeholders, and disseminating and applying best practices across organizations to improve the quality of public services and better meet community needs.

### 2.4. Trends in Public Sector Innovation

According to several recent international studies, public sector innovation has several common trends such as: the increasing provision of online public services, the increased application of digital technology in the operations of public sector agencies, the trend of eliminating outdated public services, the trend of public-private partnerships in providing public services, the trend of simplifying administrative procedures, etc. However, new trends are emerging in public sector innovation worldwide as follows:

- i. New forms of government accountability: With the increasing application of Artificial Intelligence in the design and provision of policies and services, governments need to be accountable for ensuring that underlying algorithms and data

are free from bias and discrimination, and that public sector officials understand ethical principles in data use. For example: transparency regulations in audio recording in the United Kingdom.

- ii. New approaches to patient care: transforming healthcare systems by applying empathy to support mental health care, while leveraging cutting-edge technologies to revolutionize healthcare processes. Examples include women's and family care centers in Colombia, mental health cafes in Australia, and the AI-powered virtual nurse Tucuvi in Spain.
- iii. Innovative approaches to enhancing indigenous participation in protecting cultural heritage towards greater equity and improved health for indigenous families and communities. Examples include efforts to support citizenship, participation, and access to justice for indigenous communities in Brazil and the Empowered Family Initiative in Singapore.
- iv. Developing and strengthening public participation coupled with empowerment in setting new standards for health and the environment.

*In Vietnam, some key trends in public sector innovation include:*

- i. Completing the e-government and digital government system in Vietnam: initiatives in this trend (mainly in digital transformation). (The implementation of public services) is moving towards a model of applying information technology and digital technology in the operation of the government system and interaction between state management agencies and citizens, applying the core technological achievements of the Fourth Industrial Revolution.
- ii. Public-private cooperation in the deployment and implementation of public works is a model that currently shows many clear benefits, especially when infrastructure needs are increasing and exceeding the capacity of the state budget. Examples in this trend include: developing urban transport infrastructure and inter-regional highways, restructuring the parties involved in providing public services, thereby reducing the level of direct service provision by state units.

## 2.5. The Role of Innovation in the Public Sector

Innovation is increasingly important for governments worldwide. Social, political, environmental, and technological changes are happening daily, making it impossible for the public sector to remain unchanged. Social issues are becoming increasingly complex, involving multiple factors and requiring the participation of many stakeholders, such as climate change or global pandemics. Society is also changing in ways never before seen. Globalization is driving migration worldwide, leading to shifts and changes in the world's population. In many developed countries, the population is aging rapidly, impacting public services and increasing the costs of social security and welfare. Furthermore, the exponential growth of data and technology has transformed every aspect of life.

These factors place significant pressure on governments to improve the quality of public services. If governments fail to innovate to keep pace with these changes, they will not only miss opportunities but ultimately face greater risks and challenges. Current solutions to problems will not be sufficient to meet new challenges in the future. In fact, the Covid-19 pandemic and global climate change have demonstrated that governments cannot solve complex problems on their own or through traditional methods. In other words, innovation helps the public sector keep pace with change, and especially anticipate change, react more quickly to change, and even stay ahead.

Public sector innovation contributes to building and strengthening public trust in government. Public trust in the socio-political system is vital, contributing to economic and social stability. Public trust in the government is based on the government's responsiveness to their expectations. However, public needs are increasingly high, and people expect the government to provide better, more personalized products and services. Furthermore, people expect the government to listen to and collaborate with them. Therefore, the public sector must innovate if it wants to meet expectations and ultimately build trust with those it serves.

Public sector innovation also plays a significant role in retaining and attracting talent. People are at the heart of innovation, and the public sector must innovate if it wants to attract talent. Creative and innovative individuals always want to work in organizations where they have the opportunity to demonstrate and develop this. If public sector organizations do not build a work environment that encourages innovation, they will not be able to retain or attract people with the capacity to develop creativity. Only by building an environment that encourages and invests in innovation can the public sector retain and attract talented people.

In addition, public sector innovation helps save costs and promotes economic growth. Promoting innovation in the public sector will help organizations improve the quality of products and services, refine processes, and improve working conditions. This will save budget resources while still meeting the needs of citizens and businesses, increasing public trust in state management agencies and public service providers. Many studies show that innovation in the public sector contributes a large proportion to economic growth. The European Commission demonstrates that the public sector plays a key economic role as a management agency, service provider, and employer. This sector accounts for more than 25% of total employment and a significant proportion of economic activity in member states of the European Union (EU)(10). K. Melissa Kennedy pointed out that innovation in the public sector contributes 95% to the competitiveness of the economy, 91% to the green economy, and 87% to bringing value to society as a whole, contributing to changing people's lives in the next 10 years, including communication, healthcare, labor market, environmental quality...

## 3. POLICIES AND LEGAL REGULATIONS FOR PUBLIC SECTOR INNOVATION IN VIETNAM

### 3.1. The 2024 Resolution 57 – NQ/TW

Resolution 57-NQ/TW of the Politburo in 2024 is an important document focusing on creating a strategic breakthrough for the development of Science and Technology (S&T). The national innovation and digital transformation (DMS) plan sets the goal for Vietnam to become a developed, high-income country with a digital economy accounting for 30% of GDP by 2030 and to be among the world's leading innovation nations by 2045. The resolution emphasizes improving institutions, removing barriers, developing digital infrastructure (5G, fiber optics, satellite), and attracting talent, considering these as the main drivers for enhancing productivity and competitiveness.

The strategic goal of Resolution 57-NQ/TW is to develop Vietnam into a strong, developed, high-income country by 2045, with a digital economy reaching at least 50% of GDP, and ranking among the top 30 countries in the world in innovation. The focus is on developing science and technology, with innovation and digital transformation being strategic breakthroughs and decisive factors for development.

*Resolution 57-NQ/TW also outlines the following solutions:*

- Improving institutions and policies to create a favorable environment.
- Developing a synchronized digital infrastructure (high-speed internet, 5G, 6G).
- Promoting the application of science and technology in all fields, especially agriculture.
- Attracting high-quality human resources and leading technology enterprises.

To implementation of Resolution 57-NQ/TW, the General Secretary directly heads the Central Steering Committee, demonstrating the highest level of determination.

*Significance of Resolution 57-NQ/TW:*

- Serving as a guiding principle and mandate for the entire society to participate in the digital transformation and development of science and technology.
- Creating a strong impetus for productive forces and enhancing national competitiveness.

### 3.2. The 2025 Law on Science, Technology and Innovation

The Law on Science, Technology and Innovation 2025 (Law No. 93/2025/QH15), effective from October 1, 2025, is a breakthrough that elevates "innovation" to the same level as science and technology, orienting development based on the market, with businesses at the center, accepting risks, and granting ownership of research results, aiming to promote sustainable growth, with many preferential tax policies, expenditure allocation, and financial support.

*Key new features of the Law:*

- Elevating Innovation: For the first time, innovation is included in the name of the Law, clearly defined as the activity of creating new or significantly improved products, services, processes, including innovative startups.
- Transforming management approach: Shifting from input control to output performance evaluation, linking science, technology, and innovation with market needs and socio-economic development goals.
- Enterprise-centric approach: Promoting the development of an innovation system with enterprises as the core, encouraging investment in R&D.
- Risk acceptance: Allowing exemption from liability (administrative, civil, criminal) if procedures are followed and objective risks are encountered, encouraging risky research.
- Financial and tax incentives: The state budget allocates at least 2% of total budget expenditure to science, technology, and innovation. Allowing flexible allocation of funds up to the final product. Science and technology personnel own research results, receive at least 30% of income from commercialization, and are exempt from/reduced personal income tax.
- Managing new technologies: Clearly stipulating that the development of AI, biotechnology, etc., must be under human control, ensuring safety and ethics.
- International Integration: Strengthening international cooperation and adopting advanced technologies.

The law takes effect from October 1, 2025, but some provisions take effect earlier, from July 1, 2025.

**Scope of Application:** Applies to all agencies, organizations, and individuals involved in science, technology, and innovation activities in Vietnam.

This law creates an important institutional foundation, helping Vietnam develop rapidly and sustainably in the digital age by promoting innovation in a more substantive and effective way.

### 3.3. The 2025 Law on Artificial Intelligence (AI)

On December 10, 2025, the National Assembly enacted the Artificial Intelligence Law. This is the first legal document that provides a comprehensive legal framework for the field of artificial intelligence – one of the core areas in the digital age and the new technological era.

Regarding the legal structure, the Artificial Intelligence Law is merely a concise framework stipulating the principles and framework for state management of artificial intelligence. Technical details will be regulated in decrees. This approach is appropriate for a rapidly developing technology sector.

Regarding regulations on promoting development and innovation in the field of artificial intelligence, the law outlines policies to promote development and transfer, including: developing artificial intelligence infrastructure, expanding access to shared data, supporting the testing of new models, providing incentives for artificial intelligence businesses, developing human resources, and supporting small and medium-sized enterprises in applying artificial intelligence. These policies aim to form a self-reliant artificial intelligence ecosystem and enhance national competitiveness.

The application of artificial intelligence in various industries and fields must comply with the risk management principles stipulated in this Law and be consistent with relevant laws. For essential sectors that directly impact human life, health, rights and legitimate interests, or social order and safety, the application of artificial intelligence must be subject to stricter risk management, tailored to the specific characteristics of each sector, including the following:

- Healthcare sector: ensuring safety of - For patients; reliability under real-world usage conditions; protection of health data in accordance with the law;
- In the field of education: ensuring suitability to the age characteristics and development of learners; preventing risks in assessment, classification, and impact on learners; ensuring data security and privacy.

The application of artificial intelligence in scientific research must ensure compliance with research ethics, scientific integrity, and prevent fraud and plagiarism during the research process and publication of results.

The Government, ministries, and ministerial-level agencies, within their functions, duties, and powers, shall specify in detail the requirements for safety, risk management, and conditions for the deployment of artificial intelligence applications in their respective sectors and fields of management, ensuring compliance with the Law on Artificial Intelligence.

The Law on Artificial Intelligence 2025 will take effect from March 1, 2026.

### 3.4. Government Resolution 04/NQ-CP on Promoting Decentralization and Delegation of Power in State Management

Following the proposal of the Minister of Home Affairs, on January 10, 2022, the Government issued Resolution No. 04/NQ-CP on promoting decentralization and delegation of power in state management.

The Resolution clearly states: Promoting and perfecting the mechanism of decentralization and delegation of power aims to clearly define tasks and powers, authority and responsibility between the Government and ministries and agencies; between the Government, the Prime Minister, ministries and agencies and local governments, in conjunction with perfecting a complete, synchronized, unified, timely, feasible, stable, open, transparent, and internationally competitive legal system, prioritizing the legitimate rights and interests of citizens and businesses, ensuring the promotion of initiative, creativity, and a high sense of responsibility at each level and in each sector, especially the heads of departments.

At the same time, strengthen inspection, examination, supervision, and control of the exercise of state power strictly through the regulations of the Party and the law, contributing to building a democratic, professional, modern, clean, effective, and efficient state administration that serves the people.

To build on the achievements and overcome the shortcomings and limitations in decentralization and delegation of power, the promotion of decentralization and delegation of power in the coming period needs to focus on implementing the following key tasks and solutions:

Firstly, review, amend, supplement, and perfect the regulations of specialized laws, in the direction of promoting decentralization and delegation of power, clearly defining responsibilities between the Government and ministries and agencies, and between the Government, ministries and agencies and local governments, ensuring compliance with the spirit of the Resolution of the 13th National Congress of the Party, the provisions of the 2013 Constitution, and the Law on Organization of the Government of 2015 (amended and supplemented in 2019). Specifically: The government focuses on macroeconomic management, institution building, policies, strategies, planning, and strengthening the capacity for forecasting, analysis, and policy recommendations; the Prime Minister leads the government's work; leads policy development and organizes the implementation of laws; Ministers and heads of ministerial-level agencies are responsible for state management in their assigned sectors and fields; and organizes and monitors the implementation of laws related to their sectors and fields nationwide. Accordingly, the government and the Prime Minister do not decide on specific issues under the responsibility of ministries and agencies as assigned by the government, nor on issues under the responsibility of local governments within the scope of delegated authority.

Improve the regulations on the delegation of state management authority between the government, the Prime Minister, ministries and agencies, and local governments by sector and field.

Improve the regulations on the decentralization of state management between the government and ministries and ministerial-level agencies by sector and field regulations on the decentralization of state management authority between the Government, the Prime Minister, ministries, ministerial-level agencies and local governments according to sectors and fields.

Secondly, review, amend, supplement, and perfect regulations on the functions, tasks, powers, and organizational structure of ministries, sectors, and localities, linking decentralization and delegation of power with the continued promotion of administrative reform, especially administrative procedure reform, prioritizing the allocation of resources to accelerate the implementation of online public services at level 4, striving to achieve 100% of eligible procedures at level 4 by 2022, improving the quality of public service and civil servants, and restructuring the workforce to meet the requirements and political tasks in the new situation, especially strengthening responsibility, discipline, and administrative order in the performance of public duties and the responsibility of the head of agency, in which:

Based on perfecting regulations on decentralization and delegation of power, agencies in the state administrative system from the central to local levels are responsible for reviewing their organizational structure, job positions, and adjusting the number of personnel accordingly to ensure effective implementation. Implement regulations on decentralization and delegation of authority in state management, ensuring the transfer of tasks is linked to the transfer of organizational structure and personnel.

Allocate sufficient resources and other necessary conditions for agencies and organizations after they are transferred. Firstly, to organize and consolidate the necessary conditions to perform assigned tasks and powers, ensuring compliance with the provisions of the 2015 Law on Government Organization and the 2015 Law on Local Government Organization (amended and supplemented in 2019).

Secondly, to improve regulations on planning, standards, norms, criteria, conditions, economic-technical norms, and price and fee control mechanisms for public services in the sector. Based on this, to decentralize administrative procedures to ensure the achievement of assigned targets; to continue reviewing, simplifying, and eliminating procedures for agreement, approval, consultation, and permission from higher-level state agencies for issues already managed based on planning and clearly defined standards, norms, criteria, conditions, economic-technical norms, and already decentralized and delegated management authority.

Fourth, perfecting specific mechanisms and policies to develop provinces and centrally-administered cities in accordance with the Politburo's guidelines, so that these localities become economic growth drivers for their regions, especially those that are self-sufficient in their budgets.

Fifth, strengthening inspection, supervision, and control of power over state management agencies from the central to local levels in the implementation of tasks and powers according to decentralization and delegation of authority, including:

Strengthening inspection and supervision of state management content by sector and field to promptly identify obstacles and difficulties and handle violations in the process of organizing the implementation of regulations on decentralization and delegation of authority in state management.

Improving the mechanism for controlling power, ensuring that authority goes hand in hand with responsibility, especially accountability in the process of implementing tasks that have been decentralized and delegated.

## 4. THE CURRENT STATE OF INNOVATION IN THE PUBLIC SECTOR IN VIETNAM

### 4.1. Current Situation

Since 1986, the concept of innovation has been expressed in the Party's Sixth Congress Document: "innovating the economic management mechanism to create momentum to encourage economic units and working masses to enthusiastically develop production, improve productivity, quality and economic efficiency," "innovating thinking in all areas of the Party and State's



activities, first and foremost economic thinking... innovating working style."

The Party's understanding of innovation has become increasingly refined through successive Congresses. At the 13th National Congress, the term "innovation" was officially included in the document for the first time, emphasized repeatedly, and identified as a key content in the three strategic breakthroughs for the 2021-2025 period: "Completely perfecting the development institutions... promoting innovation," and "Developing human resources, especially high-quality human resources... strongly developing science and technology, and innovation." At the same time, the essence of innovation is also reflected in the goals, orientations, and key tasks of national development in various fields.

Previously, on September 27, 2019, the Politburo issued Resolution No. 52-NQ/TW, clearly defining the role of innovation and affirming that enterprises are central to the national innovation ecosystem. It also called for the construction and development of national innovation centers, focusing on core technologies of the Fourth Industrial Revolution. Applying special, groundbreaking mechanisms and policies to the National Innovation Center. On September 22, 2021, the Politburo issued Conclusion No. 14-KL/TW on the policy of encouraging and protecting dynamic and creative officials for the common good. Conclusion 14 serves as the political basis for concretizing mechanisms to encourage and promote creativity, innovation, and bold thinking among officials and Party members.

Based on this policy, the legal and policy framework for promoting innovation in the public sector has been developed and is increasingly perfected, such as the 2020 Investment Law, Decree No. 31/2021/ND-CP detailing and guiding the implementation of some articles of the Investment Law; and Government Decree No. 38/2018/ND-CP dated March 11, 2018, detailing investment for innovative start-up small and medium-sized enterprises. Decision No. 2889/QĐ-TTg dated December 31, 2020, of the Prime Minister on the National Strategy for the Fourth Industrial Revolution; Decision No. 569/QĐ-TTg dated May 11, 2022, promulgating the Strategy for the Development of Science, Technology and Innovation until 2030; Decision No. 749/QĐ-TTg dated June 3, 2020, of the Government approving the National Digital Transformation Program until 2025, with orientation to 2030; Decision No. 844/QĐ-TTg on approving the Project "Supporting the National Innovation Startup Ecosystem until 2025"...

In addition, Vietnam is considered the most dynamic and attractive startup market in Southeast Asia, with many technological talents. Furthermore, the potential for digital transformation in Vietnam's public sector is still very large. Many major public sector problems such as combating tax evasion, traffic congestion, and online public services will present opportunities for businesses to develop innovative solutions to meet urgent societal needs.

## 4.2. Challenges

Firstly, challenges stem from institutional issues. Laws and policies promoting, encouraging, and motivating innovation in Vietnam still have many shortcomings and have not yet created sufficient impetus. Firstly, innovation needs to be promoted from the individual to the organizational level. For example, laws and policies regarding salaries, bonuses, and working conditions in the public sector are not yet sufficient to attract and retain talent and encourage creativity among civil servants. Furthermore, laws and policies on public investment and the mobilization of social resources for innovation in the public sector are still inadequate, while budget allocation for innovation in Vietnam remains very modest.

Secondly, challenges arise from the mechanisms for sharing and cooperation among state agencies. Innovation is key to solving societal challenges. Therefore, sharing and cooperation among public organizations are necessary, especially in the sharing of data, information, and infrastructure supporting innovation. However, sharing and coordination among state agencies in Vietnam are still very limited. For instance, the implementation of digital transformation among state agencies is fragmented, lacking connectivity, and resource utilization is inefficient. Therefore, many places and services remain in a "half-hearted" state.

Thirdly, the challenge stems from the awareness and competence of civil servants. The awareness and competence of civil servants in public administrative units are still limited. In practice, many agencies and officials are hesitant to embrace innovation, afraid of making mistakes, afraid of responsibility, and avoid or hinder the implementation of superiors' policies. Furthermore, the digital transformation skills of civil servants currently do not meet the requirements. According to the United Nations Educational, Scientific and Cultural Organization (UNESCO), digital skills enable people to create and share digital content, communicate and collaborate, and solve problems effectively and creatively in their lives, studies, work, and social activities in general.

However, the digital skills of Vietnam's workforce are still low compared to many countries in the world and in the region, both in terms of scores and rankings. According to the WIPO's 2022 Global Innovation Index (GII) report, Vietnam ranked 48th out of 132 economies, a drop of 5 places compared to 2021 (ranked 43rd out of 132); in particular, indicators related to human resources and research and development ranked 79th, while knowledge products and creative products ranked 43rd.

Innovation activities were previously considered peripheral to the public sector. However, under pressure from increasingly high demands from citizens, budget constraints, and advancements in science and technology, governments are forced to change. Innovation is the only way for governments to keep pace with the overall development, attract high-quality human resources, solve increasingly complex social problems, and, moreover, meet the expectations and build trust of the people. In Vietnam, the opportunities for innovation in the public sector are immense, given the special attention the Party and State pay to this issue. However, many challenges remain regarding institutions, finance, and the quality of human resources to promote innovation in the public sector in Vietnam.

## 5. CONCLUSION

In brief, promoting innovation in the public sector is essential to contribute to sustainable and effective socio-economic development. To achieve this goal, Vietnam needs a sound plan and strategy to build a complete, comprehensive, and rational legal and policy mechanism to streamline the state apparatus and apply science and technology in management.

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