

# Vietnam

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## Introduction

As in the case of China, barriers to local democracy in Vietnam include one-party rule, centralised decision-making, lack of a right to vote independently, lack of legislative oversight of the executive, tight control on media and lack of protection of civil and political rights. Within the unique system of government in Vietnam, however, there are some limited opportunities for citizen engagement, especially in planning and implementing development programmes, capacity development of local governments, more discretion for local governments related to expenditure decisions, and indirect elections of legislative bodies.

The Communist Party of Vietnam (CPV) monopolises political power in Vietnam, due to its ability to nominate, allocate and dismiss high-level officials in all main government structures from central to local levels. As a result, even the elected provincial People's Councils and Committees are popularly referred to as 'Party appoints, people vote', meaning that the people can only vote for the candidates that the CPV has already chosen. All key provincial officials are under direct management and supervision by the CPV. They can be classified into three categories.

## About ICLD

The Swedish International Centre for Local Democracy (ICLD) is part of the Swedish development cooperation. The mandate of the organization is to contribute to poverty alleviation by strengthening local governments.

This report is part of a publication series that investigates local democracy in the 19 countries where the ICLD municipal partnership programme operates.

*This report covers events up to 31 May 2019. Events occurring after this period are not considered.*

The first category includes the Party Secretary, Chairman of People's Council, and Chairman of People's Committee of Hanoi and Ho Chi Minh City, who are suggested and verified by the Politburo of the CPV. The second tier are the positions decided by the Central Party Committee and Central Party Secretariat, including chairman and party secretaries of the other provincial People's Council and People's Committee. The third category includes those positions that need verifying by the Central Committee. Since 2007, the Vice Chairman of the People's Council and the People's Committee are no longer subjected to pre-evaluation by the Central Committee, but fully depend on the local provincial People's Committee.

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Under a lower level of districts and communes, the most notably guiding document is the Party Directive No. 30/CT-TW, dated 18 February, 1998. The National Assembly formalised this Directive by issuing the Order No. 34/2007/PL-UBTVQH11 in 2007. These ‘grassroots’ policies, along with other various guiding documents, provide new mechanisms for citizens to have more voice over government activities at the grassroots level. These were summed up in the well-known motto of the CPV: ‘people know, people discuss, people implement, and people supervise’. However, it is hard to implement this principle, given the CPV’s tight control of all administrative levels.

## Fiscal decentralisation

Vietnam was a highly centralised state before the early 1990s, with tight control over the social and economic life of its citizens. However, a set of changes after market-oriented reforms were introduced in the late 1980s led to gradual shifts in the centrally planned economic system. The economic changes inevitably brought some policy changes in terms of political and social governance. The governing CPV, for example, put in place the legal framework for the expansion of direct citizens’ participation in local government, or the so-called ‘grassroots democracy’ in a series of Party guiding documents and government decrees. In 2007, the National Assembly issued Order No. 34/2007/PL-UBTVQH11 on implementing democracy at local level. After *Doi Moi* (the renovation process), there were three inter-related decentralisation processes in Vietnam: fiscal, administrative and political decentralisation.

Vietnam consists of 63 provinces and 63 local governments. Officially, local administrative provincial units in Vietnam are classified into different groups. The first group (special administrative units) includes Hanoi and Ho Chi

Minh City which enjoy special status. Group I includes three other cities directly under the central government – Hai Phong, Da Nang and Can Tho – which have a higher level of central oversight, but more space for local affairs and potentially more access to central funding. The other groups, II and III, are subject to a common decentralisation framework, depending on their population sizes, economic development and to some extent geographical position, according to the Law on Local Government Organizations (2015).

Under the provincial/central city level, the local governments are organised under smaller units by districts and then communes. Officially, communes are the most grassroots level of local governance in Vietnam; however, under communes there is the wards/villages/blocks level, which does the work of communicating with the people and commune governance.

The process of fiscal decentralisation in Vietnam can be seen via three important documents: State Budget Laws 1996, 2002 and 2015 (amended). State Budget Law 1996 marks an important milestone for fiscal decentralisation in Vietnam; it clearly specifies the division of rights and responsibilities between central and provincial governments as well as among different levels of local government with respect to revenue and expenditure. According to the Law on State Budget 2002, tax revenue is shared between provincial and central governments and the rate is kept stable for intervals of five years. The most recent State Budget Law was approved in 2015 and became effective from the 2017 fiscal year.

The amended State Budget Law 2015 specifies the maximum level of debt that provincial governments can mobilise. For Hanoi and HCMC, the ratio between debt and decentralised revenue should not exceed 60 percent. For other provinces with decentralised revenue, the maximum ratio is only 20 percent. It should be

noted that the decentralising policies on state budgets in theory gives people at local level a voice in the distribution of the budget via their representatives at the local levels.

In the case of districts and communes, the government first issued the Circular No. 60/2003/TT-BTC in 2003. That was then upgraded into Circular No. 344/2016/TT-BTC in 2016 in accordance with the new amended State Budget Law (2015). Both circulars specify the responsibilities and rights of grassroots governments to use budget that they mobilise, as well as to set the shares that they can use for their own affairs. This gives a considerable room for local governments to use state budget, including spending for social affairs such as supporting marginalised communities. For the provision of public services, the process of decentralisation in education and healthcare has been accelerated at the provincial and lower levels during the 1996, 2002 and 2015 State Budget Laws. However, it should be noted that provincial governments must follow guidance from the central government, specified in terms of quotas, standardisation and cost norms. From 2004, Provincial People's Councils were able to issue documents in the areas of socio-economic development; budget allocation; defence and security; and people's livelihoods.

## Political decentralisation

Political decentralisation remains a challenging topic, given Vietnam's strictly controlled one-party regime. However, Hanoi and HCMC host many international NGOs which are active particularly in the areas of urban poverty reduction and helping marginalised urban communities. The most notable include Oxfam, ActionAid, Plan International and Care International.

According to Article 1 of Law 85/2015/QH13 and chapter I of Law 57/2014/QH13, people vote for their representatives in the National Assembly, which exerts influence on national policies and government personnel. People also vote for their representatives in the People's Council at different levels, which exerts influence on the local administration unit's policies and personnel of the corresponding People's Committee. Before 1986, the government controlled almost all service activities, ranging from trade, finance, tourism and transportation to education, health, security and defence. Since the beginning of the renovation process (*Đổi Mới*) in 1986, the government has allowed the private sector to provide certain services such as security, aviation and notary services. However, state agencies remain the primary and not-for-profit public service providers.

According to the Law on the Election of Deputies to the Parliament and the People's Council (Law No. 85/2015/QH13), the election of Parliament deputies and People's Council deputies shall be conducted on the principle of popularity and equality, and direct and secret ballot. In reality, the election of deputies to the Parliament as well as the People's Councils from the provincial to the commune level are based on the 'party appoints, people vote' mechanism. Ordinary people do not actually directly elect the leaders of these agencies, except when electing direct leaders at the village/street level.

The Ordinance on the Implementation of Democracy at the grassroots level has focused on communal governments and stipulates four basic rights: 'people know, people discuss, people do, people check'. These rights are applied in many activities at the commune level, such as the use of public budgets and contributions, socio-economic development projects and plans for public investment, land use management, legal documents, administrative procedures and many other activities.

An important milestone in the accountability of local governments is to assign Provincial People's Councils to approve the allocation of local budget revenues to lower levels, criteria and mechanisms for allocation and collection of fees and contributions of people. Local government financial supervision has also been strengthened through the establishment of the State Audit with the function of an independent audit of all state budget revenues and expenditures, including local budgets.

### **Conclusion: possibilities and barriers for municipal partnerships**

Vietnam is in transition from centrally planned economy to market socialist society with one party ruling. Possibilities for promoting local democracy agenda as understood in Western societies are limited. However, there are opportunities to initiate processes and mechanisms to promote greater engagement of citizens at the local level, make local public officials more accountable, develop the capacities of local governments, and bring greater equity to access to services for the poor, including for those without an urban residence registration system. Municipal partnerships have a role in maximising these and related opportunities. The government encourages municipal partnerships within the country as well as with cities in Asia and around the world. As in China, opportunities for forging municipal partnerships are largely in areas such as citizen engagement at the project level, dialogue among local government agencies, local economic development projects, capacity development of local government officials and local leaders through pilot projects, raising awareness among local officials on inclusive local development, and the exchange of experience and good practices.

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