

Viet Nam: a transition tiger?  
Political institutions and economic management

Abstract for chapter 5

This chapter briefly describes some of the salient characteristics of the Vietnamese political and administrative system.

The general structure of the government covers provinces, districts and communes and is charged with the supervision of public sector agencies at all levels, and the overall management of the economy. Viet Nam remains a one-party state, governed by the Communist Party of Viet Nam which has a paramount role: the most important economic strategies are outlined in the resolutions of the Party Congress. The 1992 Constitution defines the National Assembly as the highest organ of the state. In recent years the legislative role of the National Assembly has grown in importance and it is expected that the role of the National Assembly will continue to expand.

The national-provincial relationship is considered an important characteristic of the reform process, as has been the regional diversity in response to the new opportunities opened up by *Doi Moi*. The ongoing *Doi Moi* process has brought reforms both in terms of economic strategy and government.

Keywords

the Party, the People's Committee, the People's Council, one-party state, Communist party of Viet Nam, the Party Congress, Central Committee of the Party, Politburo, National Assembly

# 5

## POLITICAL INSTITUTIONS AND ECONOMIC MANAGEMENT

A key characteristic of the Vietnamese reform process has been political continuity. The political and administrative system has adjusted, but not through abrupt change and frequently not through processes which are very transparent and easy to understand, either by foreigners or even most Vietnamese. This chapter briefly describes some of the salient characteristics of the Vietnamese political and administrative system.

The institutional arrangements for economic management, planning and implementation are complex. Unambiguous statements of policy directions are rarely made. This reflects both the transitional nature of the economic system, and the challenges in reconciling commitments to a Marxist-Leninist state with the market-oriented reforms being implemented. The broad thrusts of Viet Nam's long-term development strategy and five-year plans are outlined in the resolutions of the (Communist) Party Congress. The government is responsible for formulating more detailed five-year and longer-term plans (including drafts for the Party Congress),<sup>1</sup> and for preparing detailed annual expenditure plans for submission to the National Assembly. The National Assembly is playing an increasingly active role in reviewing government plans and in monitoring government performance.

## THE GOVERNMENT SYSTEM

Since the beginning of the *Doi Moi* process, Viet Nam has implemented a number of significant changes in its administrative structure. Under the 1992 Constitution, the government is charged with the supervision of public sector agencies at all levels and the overall management of the economy. In the alignment of power and authority among the '*troika*' (that is, the party secretary, the president and the prime minister) the prime minister is vested with the power to appoint deputy prime ministers, ministers and leaders of provincial people's committees (that is, the local provincial level administrations). The prime minister also has the power to establish, dissolve, or restructure public agencies. The president, in principle, has the power to recommend to the National Assembly the dismissal of the prime minister and to act as the Commander-in Chief of the armed forces. The president and the prime minister are elected by the National Assembly from among its members. The Party remains the dominant political force in the country despite some modification of its role in the 1992 Constitution.

The government of Viet Nam operates at three local levels: provinces, districts, and communes.<sup>2</sup> There are 61 provincial-level administrative units. Formally there is a unitary system of government, with centralised state authority exercised over local administrations.

Each level of local administration has an executive arm (the People's Committee), and a legislative arm (the People's Council). Although separate bodies, the People's Committees and the People's Councils have overlapping memberships. The People's Committees have both budgetary and administrative responsibilities. They are charged with the mandate to maintain law and order within their jurisdictions, review and approve plans for socioeconomic development within their delegated authority, execute the budget, and undertake duties as assigned by higher levels of administration.

Decision making at all levels is characterised by consensus-seeking as a strong guiding principle, engaging a wide range of actors before decisions are finalised, thus sharing responsibility and reducing the political risks involved in making difficult decisions. This involves 'opinion collecting' (that is, the required

reference to concerned parties made in almost every decision making process at different levels). The emphasis on collective leadership and consensus has the merit of maintaining stability and involving many elements of society in decisions, but it is also the root cause of many problems in relation to the slow government response to critical issues.

In implementing decisions, 'coordination' by relevant state bodies is required before action is taken by a designated authority. This is most obvious with respect to the handling of economic issues. For example, fiscal and monetary management in Viet Nam is shared by the State Bank of Vietnam, the Ministry of Finance, and the Ministry of Planning and Investment. Consensus among the three is expected to prevail, but the prime minister has deciding authority in the event of a difference of view. In the management of official development assistance, the same principle applies.

## PARTY AND STATE

Viet Nam remains a one-party state, governed by the Communist Party of Viet Nam. Support for the Party, and its legitimacy, stems from its role in defeating the French and the United States and its allies, to establish the modern Vietnamese nation. Until recently, the Party was led by the generation that founded the Party and led the resistance movement. Close personal and family ties helped ensure Party solidarity.<sup>3</sup> Economic difficulties and declining living standards following re-unification began to undermine support for the Party.<sup>4</sup> Reforms introduced under *Doi Moi*, including measures such as providing land use rights to rural households, and relaxing control on private sector, and the resulting improvements in living standards have helped revive public support for the Party.<sup>5</sup>

Official documents are unequivocal about the paramount role of the Party. Official policy is to preserve the political *status quo*, while moving to a market economy with a socialist orientation. Article 2 of the Constitution states that 'the Socialist Republic of Viet Nam is a state of the people, from the people, for the people. All state power belongs to the people, and is based on an alliance between the working class, the peasantry, and the intelligentsia' (Government of Viet Nam 1995). Article 4 defines the Party in language reminiscent of that used in the former East European centrally planned economies.

The Communist Party of Vietnam, the vanguard of the Vietnamese working class, the faithful representative of the rights and interests of the working class, the toiling people, and the whole nation, acting upon the Marxist-Leninist doctrine and Ho Chi Minh's thought, is the force leading the state and Society (Government of Viet Nam 1995).

The actual role of the Party in state management is opaque.<sup>6</sup> Most senior government officials and members of the National Assembly are also Party members.<sup>7</sup> Most ministers and many provincial leaders are members of the Central Committee of the Party. The Prime Minister, President, and Chairman of the National Assembly are now members of the 19-person Politburo.

The most important economic strategies are outlined in the resolutions of the Party Congress. The Party Congress is a meeting of Party delegates from local Party offices throughout the country, usually held every five years since reunification.<sup>8</sup> In between full meetings of the Party Congress, the Central Committee of the Party<sup>9</sup> usually meets 2–3 times a year to discuss particular policy or sector development issues. The Central Committee of the Party elects the Political Bureau (Politburo) that meets on a more frequent basis to consider day-to-day policy management decisions. Within the Politburo, a five-person standing committee is responsible for day-to-day Party management. Policy formulation within the Party uses the resources of Party institutions, government agencies and national research institutes.

### THE GROWING IMPORTANCE OF THE NATIONAL ASSEMBLY

Under the existing legal framework, ultimate legislative authority rests with the National Assembly. The National Assembly is increasingly active in reviewing government plans, budgets, and implementation performance, and more assertive in exercising its authority over lawmaking. It plays an active role in scrutinising legislation, which it does with increasing care. Laws tend to be written in fairly broad terms, however, and their interpretation and implementation depends on administrative directives from the prime minister, ministers and provincial administrations.

The 1992 Constitution defines the National Assembly as the highest organ of the state, the highest representative body of the people, and the only organisation with legislative powers, and the power to amend the constitution. The National Assembly is elected every five years and has a broad mandate to oversee all government functions. It usually meets two (or sometimes three)

times a year for about 1–2 months per session. Changes were introduced which took effect following the 2002 National Assembly elections which require more continuous activity by some committees of the Assembly. The influence of the National Assembly is expected to continue to increase with the appointment of 125 paid full-time members amongst the 498 members.

As with so many Vietnamese institutions, it is difficult for the outside observer to make a proper judgement about the role of the National Assembly. At one level, it would be easy to believe that it is likely to be toothless, as it is elected through a process carefully orchestrated by the Party and, although it contains non-Party members, members from the private sector, religious figures and representation of ethnic minorities, these are vetted by the Party and would not contain those fundamentally hostile to the regime.

There is substantial evidence, however, that the Assembly is beginning to be seen by the bureaucracy as a significant source of authority and a potential arena for independent criticism of government performance. Thus, in the drafting of important legislation (for example, the 1999 Enterprise Law), the Assembly has played a strong role in amending and influencing the detailed provisions of the legislation. As law reform has taken on greater importance in the overall reform agenda in recent years, the legislative role of the National Assembly has itself grown in importance.

Debates in the Assembly have also raised critical issues related, for example, to the official development assistance program. The Assembly also provides a platform for the articulation of provincial concerns about the balance of national resource allocation.

It is expected that the role of the National Assembly will continue to expand. It is difficult to predict what the effects of such developments will be, but it should be noted that under a one-party system it is possible for a legislature to play an active and somewhat autonomous role in policymaking, particularly in a consensus-based system such as that of Viet Nam, not necessarily less real than that of a multi-party body subject to tight party discipline.<sup>10</sup>

## THE NATIONAL–PROVINCIAL RELATIONSHIP

An important characteristic of the reform process has been the regional diversity in response to the new opportunities opened up by *Doi Moi*. Some provinces have taken a lead in pursuing new initiatives, sometimes innovating ahead of national policy, while other provinces have been cautious in implementing change.

It may seem surprising that regional diversity and local initiative should be identified as key characteristics of the reform process, given that the Communist administrative system might be expected to be highly centralised and given the common perception that the government remains overcentralised in many ways. For example, the power to approve master development plans, in both particular regions and sectors, remains with the central authority (decided by the prime minister after receiving 'opinions' of line agencies at central level). Despite such appearances, there is in practice a good deal more decentralisation to the provincial level than is suggested by the formal rules.

A significant degree of autonomy is extended to local administrations with regard to disposition of allocated budgets and adoption and implementation of local socioeconomic development plans. Although the formal fiscal system appears to be quite centralised, lower-level authorities in practice have some freedom for manoeuvre by virtue of access to their own sources of funds from various sources: they own property from which they derive income (for example, provincial and district state enterprises); they can charge various fees and levies (for example, for the use of roads and markets), and they are responsible for the collection of some taxes set at national level, of which they retain a share.

As the financial system is sometimes not very transparent, lower-level units may sometimes have access to funds not apparent from formal budgets and not disclosed to the national authorities.

The balance of political and administrative power can also be more decentralised than suggested by the formal lines of command. As in all political systems, autonomy at the local level will depend on the standing and authority of local leaders, and some provincial leaders may have senior Party rank above that of many national level ministers. Also, although civil servants describe themselves as being 'vertically' responsible to central government ministries, they are 'horizontally' responsible to the local authorities with whom they are in day-to-day contact. Most civil servants make careers either in the national government or at the provincial level, with movement back and forth only at a very senior level. Therefore although a provincial official may notionally be part of the 'vertical' structure of the relevant national ministry, and receive training and be in communication with the ministry in Hanoi, immediate accountability will be to provincial authorities.

Provincial and local departments have a dual responsibility to report to the local Peoples' Committee and Assembly, and to the central line ministries.

Responsibility for planning, implementation and operation of facilities is split, although the implications of this will vary from province to province, depending on the importance of the province. Large urban centres under central administration, and a good number of provincial governments, enjoy a high degree of autonomy. For example, they are authorised to license foreign investments up to a certain value, approve certain local socioeconomic development plans, and formulate their own budgets.

Some provincial governments are unenthusiastic about greater financial autonomy, seeing it to their disadvantage where they lack the capacity required to undertake needed development tasks, and therefore would prefer high levels of assistance (and accept the resulting intervention) from the central authorities. With increasing reliance on aid, the leadership of some localities see the need for central supply of counterpart funds in order to be able to access aid. Moreover, donors, while espousing the virtues of decentralising, have often unwittingly strengthened the power of central bodies by channelling aid funding through the national ministries in Hanoi.

## GOVERNMENT CAPACITY

Viet Nam has shown a remarkable capacity to adapt its economic policies and institutions as and when needed. In particular, the ongoing *Doi Moi* process has brought about pervasive reforms in the country, both in terms of economic strategy and government.

Nonetheless, there are a number of serious constraints that hinder public sector management. The high degree of centralisation in principle implied in government rules and regulation, combined with the high degree of autonomy exercised by lower level bodies in practice, coupled with weak financial management capability at different administrative levels, erodes the accountability of policymakers, both at central and provincial levels. There is still a general lack of adequate administrative capability, particularly at the provincial level, which limits the prospects for a more effective form of decentralisation.

The policymaking process is often opaque and is not well understood, not only by outsiders but even by those within government. Allocation of responsibilities is often far from clear, and the need to agree through consensus delays decision making. When it comes to implementation, while individual agencies can be quite decisive, cooperation and coordination between line agencies is often difficult to achieve. That said, although inter-agency

coordination is typically not very effective, there is often a strong sense of responsibility for carrying out tasks which fall within defined organisational responsibilities.

The perception of some Vietnamese officials at the early stages of the reform process was that, while there were competent professionals (for example, engineers), their professional expertise typically was not matched by capacity for management or policy analysis. When aid from the multilateral financial institutions and many development assistance community members resumed in 1993, experience or knowledge of standard development agency approaches to project appraisal, design, implementation, and evaluation was extremely limited in Viet Nam.<sup>11</sup>

The central planning tradition did leave a useful commitment to defining long-term development objectives in quantitative terms, and setting up monitorable targets against which to assess achievement.<sup>12</sup> But this approach tended to assume that implementation responsibility primarily rested with the state and state agencies, and was not sensitive to the more subtle relationships of the market economy, in which indirect policy instruments are used to stimulate non-state economic actors to contribute to development, and where the specific outcomes (for example, the composition of output) result from decentralised decisions. Therefore the *Doi Moi* process required a continuing process of learning at all levels of government, not just of the formal requirements of reform, but of new approaches to the role of government and understanding of the relationship between government and other actors in the economy.

## NOTES

- <sup>1</sup> The National Assembly and members of the Provincial People's Councils are elected every five years, as are the members of the Central Committee of the Party. Each newly elected National Assembly then elects state and government leaders.
- <sup>2</sup> In Viet Nam the term 'commune' describes the lowest administrative unit, and has neither the ideological or economic significance the term carried in China or the Soviet Union.
- <sup>3</sup> Fascinating insights into the early history of the Party and the extent and importance of personal relationships can be found in William Druiker's (2001) biography of Ho Chi Minh. For an official early history of the Party see Communist Party of Vietnam (1986a).
- <sup>4</sup> The internal tensions prior to the Sixth Party Congress are apparent in addresses by the Party Secretary-General in the lead up to the Congress (see Truong Chinh 1986) and in the official documents of the Congress (see Communist Party of Vietnam 1987a).

- <sup>5</sup> See, for example, RIAS (2001) for more detailed discussion of the evolving role of the Party.
- <sup>6</sup> A US State Department briefing on Viet Nam notes that the constitution approved in April 1992 reaffirms 'the central role of the Communist Party in politics and society, and outlining government reorganization and increased economic freedom. Though Viet Nam remains a one-party state, adherence to ideological orthodoxy has become less important than economic development as a national priority' (US Department of State 2000). In contrast, the Heritage Foundation (2001)—which is widely quoted by segments of the international media—was still arguing in 2001 'the bulk of the economy is still centrally planned and dominated by state-owned enterprises'.
- <sup>7</sup> At the last elections for the National Assembly, some 85 per cent of elected members were members of the Party and another 14 per cent were members of the Fatherland Front, which is closely linked to the Party. Only 1 per cent of elected members were independent.
- <sup>8</sup> According to the Party's official history, the foundation conference of the Communist Party of Viet Nam was held in February 1930 in Hong Kong, the First Party Congress was held in March 1935 in Macau, the Second in Tuyen Quang province in February 1951, and the Third in Hanoi in September 1960. All post re-unification Congress meetings have been in Hanoi; the Fourth in December 1976, the Fifth in March 1982, the Sixth in December 1986, the Seventh in June 1991, the Eighth in June 1996, and the Ninth from 19–22 April 2001. Mid-term meetings can be convened to discuss emerging issues as occurred between the Seventh and Eighth Party Congresses.
- <sup>9</sup> About 150 members elected by the Party Congress.
- <sup>10</sup> It is interesting to note that, under a parliamentary system of the Westminster type, parliamentary bodies have become of diminishing importance in the day-to-day business of government, as tight party discipline under a multi-party system curtails any independent role (for example, some would argue that the UK parliament has been reduced to little more than fulfilling the functions of an electoral college).
- <sup>11</sup> Even now, while substantial progress has been made in acquiring the relevant skills at the national level, there are still great weaknesses at the provincial level.
- <sup>12</sup> Hence, the World Bank was able to claim that Viet Nam development planning framework was consistent with key principles of the World Bank's Comprehensive Development Framework (CDF).