

Vietnam

Self-Rule

Institutional Depth and Policy Scope

Vietnam, officially the Socialist Republic of Vietnam, is the easternmost country on the Indochina Peninsula with an area of 331,210 km² and an estimated population of about 94 million (CIA 2014). According to its constitution Vietnam is a socialist republic, controlled by the Communist Party of Vietnam. Vietnam is divided into 58 *tỉnh* (provinces) and five *thành phố trực thuộc trung ương* (municipalities), which have comparable status to the *tỉnh*, 46 *huyện* (districts), 51 *thành phố trực thuộc tỉnh* (provincial cities), 45 *thị xã* (towns), and 9,111 *xã* (rural communes). The five *thành phố trực thuộc trung ương* are divided into those that are “first-class” (Da Nang, Cần Thơ, and Haiphong) and those that are “special class” (Hanoi and Ho Chi Minh City). We code the *tỉnh* and *thành phố trực thuộc trung ương* as all other divisions fall below our 150,000 person threshold. The Southern *tỉnh* (south of the 17th Parallel) and *thành phố trực thuộc trung ương* (Ho Chi Minh City, Cần Thơ, and Da Nang) enter the dataset following the reunification of Vietnam in 1975.

From independence from the French in 1945 until the passage of the most recent constitution in 1992, the government has been a highly centralized authoritarian unitary state. The first constitution of Vietnam was adopted in 1946, a second in 1959 and a third in 1980. None of these constitutions mentioned subnational authority.

The current constitution was enacted in 1992 and amended in 2001. The adoption of this constitution coincided with the period of reforms which led to the introduction of official decentralization and devolution of authority to the subnational level, and these reforms were intended to reinforce the taxation authority of the central government in return for greater regional autonomy (Wescott 2003). This process continued in laws and government decrees throughout the 1990s and early 2000s.

Each *tỉnh* and *thành phố trực thuộc trung ương* have their own People's Council and People's Committee who have authority over local affairs. Prior to the adoption of the 1990 Fiscal Decentralization to Local Governments Ordinance issued by the national government, the People's Councils in Vietnam had little legal authority, as outlined by the 1946 Vietnamese Constitution (Ch. 7). From 1950 to 1989 the *tỉnh* of Vietnam score 1 on Institutional Depth.

The 1990 Ordinance provided budget authority to the *tỉnh*, through a process that originates with the People's Committees and ends with the People's Councils. People's Committees submit their estimated budgets to the national Council of Ministers, who then decide on budget targets for the *tỉnh*. Based on these targets, the People's Committees revise their estimated budgets and then submit them to the People's Councils for approval (Nguyen-Hoang and Schroeder 2010).

People's Councils are under the "supervision and guidance" of the National Assembly Standing Committee and the central government (Law on Organization of the People's Council and People's Committee, Article 8). Central government intervention can occur through the Prime Minister declaring a subnational law or ruling unconstitutional. However, People's

Councils and Committees have often passed laws opposed by the central government with no intervention from the central government (Khng 1992, pg. 227).

The amended 1992 Constitution increased the budget authority of the People's Councils by granting them sole authority to set the regional budget (Art. 120). The People's Council can also pass resolutions on measures that implement the Constitution and national law at the local level, and it has significant authority over socio-economic development, local defense and security, and improving the living conditions of residents. Their authority is constrained by two provisions. First, the 1992 Constitution gives them a second role as enforcer of central government policy by charging them to "fulfilling all duties entrusted by the superior authorities and all obligations to the country as a whole" (C1992, Art. 120). And second, the 1994 Law on Organization of the People's Council and People's Committee makes the laws and ordinances of the People's Council subject to the veto of the People's Committee if the latter judges them contradictory to existing laws (Art. 18). All in all, we estimate these changes to be consistent with decentralized governance subject to central veto, and we increase institutional depth to 2.^β Increases in institutional authority take effect following the adoption of the 1990 Fiscal Decentralization to Local Governments Ordinance; increases in policy authority take effect from 1996. Provinces have retained this authority throughout the period under consideration even while lower-level district government has been recentralized (Malesky, Nguyen and Tran 2014; Anh 2016). From 1990 to 2018 the *tinh* of Vietnam score 2 on Institutional Depth.

Prior to the 1992 constitution, People's Councils were limited to drawing up plans for local development and public works, examining and approving local budgets and financial reports, maintaining public order and security in their areas, protecting public property,

protecting the rights of citizens, and safeguarding the equal rights of the nationalities (C1980, Art. 82). Authority over specific policy competences was not enshrined in law until the 1996 Ordinance on the Concrete Tasks and Power of the People's Council and People's Committee at Each Level.

The 1996 Ordinance clarified the authority scope of the People's Council, including their roles and responsibilities (Art. 3). Per the Ordinance, a People's Council has the right to draft budgets and develop policy (Art. 5, Sect. 2). Specifically, People's Councils are tasked with the authority to draft, decide, and adopt policy regarding local labor (creating jobs and improving working conditions), population distribution, science, education (building of schools, creating curriculum, and training educators), technology, culture (literature, arts, physical training and sports), broadcasting (radio broadcasting and television), the environment (environmental protection and natural disaster response), and health (health care, elderly care, and disability) (Art. 6-8, 20-23). However, the local People's Councils and Committees do not have authority over residual powers, police, institutional set-up, or local government. From 1950 to 1995 the *tỉnh* score 0 on Policy Scope, and 2 on thereafter.

"First class" cities were introduced in 1999 and the "special class" began in 2009, when Hanoi and Ho Chi Minh City were moved from "first-class" (as they were labeled from 1999) to the newly created "special class" (World Bank 2011: 12). "First-class" *thành phố trực thuộc trung ương* are defined as those that play pivotal roles in the country or inter-provincial regions, with a population from 500,000 upwards, and non-agricultural workers accounting for more than 85 per cent of the workforce. "Special class" *thành phố trực thuộc trung ương*s are those deemed of vital importance by the Vietnam government (ibid: 11-12). Though *thành phố*

trực thuộc trung ương may geographically fall within *tỉnh* boundaries, they are autonomous. For example, the 2001 Decree Number 93 on Decentralization of the Management of a Number of Domains to Ho Chi Minh City makes this explicit when it allocates control over socio-economic development (Art. 4), investment (Art. 5), and various aspects of welfare including education and healthcare (Art. 8, Sect. 3), to the city government. The 2003 Law on Organization of People's Councils and People's Committees confirms that the representational structure of the *thành phố trực thuộc trung ương* is similar to those in the *tỉnh*, and extends to municipalities the same general policy scope as to provinces. Hence, beginning with their designation as *thành phố trực thuộc trung ương* (1999 in the case of Hanoi and Ho Chi Minh City, 2009 for the remaining three) the "first class" and "second class" cities score 2 on Institutional Depth and 2 in Policy Scope.

Fiscal Autonomy

Tax bases and rates are set by the central government (Nguyen and Anwar 2011; AUSAID 2003). This structure was later reaffirmed by the Law on the Governmental Organization of 2001, which clarified the structure of fiscal decentralization in Vietnam (Clauses 9, 16, and 19). While *tỉnh* have pushed for business related taxes to be lowered to spur local investment we found no evidence that they have acquired legal authority to set tax rates (Malesky 2004: 318).^α All *tỉnh* and *thành phố trực thuộc trung ương* in Vietnam score 0 on Fiscal Autonomy throughout the period.

Borrowing Autonomy

Prior to 2002, *tỉnh* did not have authority to borrow (Roa 2000). Current rules for subnational government borrowing are set out in the 2015 State Budget Law, which updates prior versions with minimal differences. *Tỉnh* and *thành phố trực thuộc trung ương* governments can only borrow in domestic markets, borrowed funds can only be used to finance capital expenditures, the projects to be financed by credit need to be included in the *tỉnh* and *thành phố trực thuộc trung ương* five-year public investment plan approved by the regional People's Council for a given year, and a *tỉnh* or *thành phố trực thuộc trung ương* stock of outstanding debt cannot exceed 30 percent of its budget for that year (Art. 8). All regional borrowing must be approved by the central government (Sect. 4). The debt limits are monitored through the Treasury report for the *tỉnh*, and each *tỉnh* must provide a report on their debts to the Ministry of Finance during their meeting on budget estimates (Martinez-Vazquez 2004). Since *tỉnh* borrowing is limited to the specific purpose of financial capital expenditures and faces a ceiling on the amount it can borrow as a percent of its annual budget, the *tỉnh* and *thành phố trực thuộc trung ương* score 0 on Borrowing Autonomy until 2002 and 1 from 2003 to 2018.

Representation

The *tỉnh* assemblies in Vietnam are known as People's Councils and are elected to 5-year terms by the local population. Each People's Council then selects a subset of the council to serve as the People's Committees of the *tỉnh*, and each Committee is led by a Chairman (C1946). The

People's Councils have the authority to elect or remove the chairperson, vice-chairperson and members of the People's Committee in their *tinhs*, supervise the activities of its chair, vice-chairpersons and members of the People's Committee, and supervise the implementation of its decisions by the People's Council (Law on Organization of the People's Council and People's Committee, Arts 11-18).

The amount of influence People's Councils have over People's Committees has been disputed. The role of the Vietnamese Communist Party is considerable, and some scholars judge its control over the People's Committees as "direct" (Khng 1992: 227). The 1992 Constitution and 2001 amendments also grant the Prime Minister the authority to remove the Chairmen of the provincial People's Committees (C1992, Art. 114), even though this authority appears to have been used primarily as a tool for combating corruption (Fritzen 2006).^α Hence we interpret central Party influence as a form of dual executive, rather than an independent regional executive.

Directly elected People's Councils for all provinces and provincial cities are scored as 2 on assembly throughout the period, and dual authority over the People's Committees is scored as 1 on executive throughout the period.

Shared Rule

Law Making

The unicameral National Assembly currently contains 500 members who are elected in population-based electoral districts. Provincial governments have no representation in the

National Assembly and seats are not based upon province. Hence *tỉnh* and *thành phố trực thuộc trung ương* score 0 on Law Making throughout the period.

Executive Control

No known routine consultation exists between the provincial People's Councils or Committees and the central government. There are references in Article 125 of the 1992 Constitution that regular reports to the National Assembly by the regional entities should take place, but these reports are designed to transmit centrally requested information. *Tỉnh* and *thành phố trực thuộc trung ương* score 0 on Executive Control throughout the period.

Fiscal Control

Tax rates are set by the central government without consulting provincial governments. Some provincial governments sometimes try to negotiate with the central government to increase the region's proportion of tax distribution (2002 Budget Law, Art. 4, Sect. F; Martinez-Vazquez 2005; Thanh, Zouikri and Deffain 2012), but these are ad-hoc bilateral negotiations and only refer to tax distribution, not rates. *Tỉnh* and *thành phố trực thuộc trung ương* score 0 on Fiscal Control throughout the period.

Borrowing Control

Regional governments have no authority regarding national and subnational borrowing constraints. All *tỉnh* and *thành phố trực thuộc trung ương* score 0 throughout the period.

Constitutional Reform

According to the Vietnamese Constitution, the National Assembly has sole authority to revise the Constitution, and all amendments require a two-thirds majority vote (C1946, Ch. 10, Art. 112; C1980, Art. 112; C1992, Art. 147). *Tỉnh* and *thành phố trực thuộc trung ương* score 0 on Constitutional Reform.

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Self-rule in Vietnam

			Institutional depth	Policy scope	Fiscal autonomy	Borrowing autonomy	Representation		Self-rule
							Assembly	Executive	
Tỉnh (provinces)		1950-1989	1	0	0	0	2	1	4
		1990-1995	2	0	0	0	2	1	5
		1996-2002	2	2	0	0	2	1	7
		2003-2018	2	2	0	1	2	1	8
Thành phố trực thuộc trung ương (provincial cities)		1999-2002	2	2	0	0	2	1	7
		2003-2018	2	2	0	1	2	1	8