

## *Corruption in Vietnam: causes and culprits*

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**Abstract:** Corruption remains a controversial topic in the Vietnamese political scene. In Transparency International's 2006 country report, Vietnam's corruption is perceived as rampant, with nepotism and red tape afflicting pretty much every aspect of the public sector, from healthcare, land management, construction, education, and so on. Corruption is also the principal factor that stagnates the private sector, as businesses and foreign investors are frequently succumbed to the burdens of cumbersome paperwork procedures, legal loopholes and bribery. This paper examines the causes and culprits behind the corruption in the country, which takes into account its policy context and its impact on the country's administrative structures. Facing the dire consequences that corruption has brought about, the country's leaders and the Communist Party of Vietnam have proposed a number of measures to curb the widespread corruption, by applying a range of institutional legislations and multiple anti-corruption agencies strategy. These measures, however, have proved to be rather ineffective due to a lack of law enforcement and direct participation at grassroots level. Certain recommendations were thus suggested, which call for more transparency in the public administrative mechanism, the state protection of whistle-blowers, as well as the media and citizen engagement in the fight against corruption.

**Keywords:** Vietnam, corruption, Southeast Asia, Communist Party of Vietnam, public administration, multiple anti-corruption agencies

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## Introduction

Transparency International (TI)'s recent publication of the Corruption Perceptions Index (CPI) in 2015<sup>1</sup> reveals that Vietnam ranks 119 out of 175 countries, with a CPI score of 31. In 2012, during his speech at the National Assembly, the Vietnamese Prime Minister Nguyễn Tấn Dũng admitted faults in the political administration system, after a series of high-profile corruption scandals concerning some of the largest State-owned Enterprises (SOEs) in Vietnam, namely the Vietnam Ship Building Industry group (Vinashin) and the Vietnam National Shipping Lines (Vinalines) (BBC, 2012). The case has caused a deficiency of state budget of at least VND 900 billion and VND 1,685 billion or US\$ 81 million, respectively (Amchamm Vietnam 2012). The exposal of Vinashin and Vinalines scandals has left a mark on the country's social, political and economic profile, and served as the warning for the Communist Party of Vietnam (CPV) to reflect on its mismanagement of public administration during the past decade.

There are some questions that need to be detangled when it comes to the subject of corruption in Vietnam. What are the main actors that have contributed to the prevalence of corruption? What are the institutions responsible for the enactment and execution of the anti-corruption measures? And what are the drawbacks of these anti-corruption measures and agencies? Thus there are many evidences to illustrate how corruption is indeed a common phenomenon in the public sector, despite the fact the country's leaders have compromised with the public by a range of anti-corruption regulations and policies that the CPV has increasingly introduced during the past few years. First, there has been a lack of systematic corruption studies on the national level, as the majority of researches conducted are mainly either by non-governmental organisations (NGOs) or international institutions such as TI or the UNDP (United Nations Development Programme). As a result, there has yet to be a thorough understanding on the structure as well as the causes behind corruption in Vietnam. Second, the country's multiple anti-corruption agencies along with a number of anti-corruption policies, codes of conducts, and regulations have proven to be rather ineffective (Quah, 2006). Third, anti-corruption measures do not integrate with political will, especially when incentive structures for civil servants have been rather "inadequate" (ibid. 8). Fourth, the enforcement of law and regulations on managing corruption has been inept and undermined. Moreover, it is important that we should take into account other unconventional aspects, as under the microscope, the

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<sup>1</sup> Source: Transparency International, Corruption Perceptions Index 2015

country's relics of the wars and the French colonisation have a major impact on the administrative organisation of Vietnam, as well as its definitions of morality and cultural values. Within the scope of this paper, however, we will narrow down to the comprehension of the concept of corruption as well as the case in point, then we will attempt to analyse the main culprits behind the rife of corruption in Vietnam, and take a brief look into certain solutions that can be offered to control the problem.

Corruption, by definition as “the abuse of trusted power for private gain”, can encompass a variety of characteristics, and can thus be classified into grand, petty, and political corruption<sup>2</sup>. Studying corruption, however, varies from country to country, culture to culture, thus they must consider a number of qualities that can be used to dissect the nature of corruption. Quah (2013, p.221) proposed five factors, which are geography, formative historical experiences, economic development, demography and political system. Understanding the policy context of a country will facilitate the process of analysis, and helps to spell out some latent causes that can influence either its failure or success in the implementation of anti-corruption measures. There have been a number of studies that discuss the importance of ecology - the socio-political, economic, historical and cultural atmosphere of the country in defining its state of corruption and mismanagement (Quah, 2013). In this case for example, it is important that we study not only the role of law enforcement, the integrity of the civil servants as well as the rules and regulations that govern the country, but we must also edge through the its historical account and how it has shaped the country's administrative structure and contributed to a number of causes that lead to different forms of corruption such as nepotism, embezzlement, fraud, oversight, maladministration and so on.

### **The policy context**

One of the prominent features of Vietnam is that it borders the East Sea and has a strategic location that facilitates advancement and mutual transactions with neighbouring countries. Despite all these natural advantages, however, the country suffers from a poor economic development, with a relatively young and growing population of more than 90 million (Quah, 2013). The restriction of state budget accompanied with the excess of human resources can insert a major influence in the proficiency of anti-corruption measures. Historically speaking,

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<sup>2</sup> Transparency International, 2009

Vietnam was under the French rule for over six decades, and the aftermath of colonialism witnesses a visible impact on many facets of daily life as well as the public administrative structure of the country. Questions in terms of the colonial legacy are open to debate, when there is a significant loophole in postcolonial studies on the bureaucracy in the public administration in Vietnam. During colonialism, natural resources were heavily exploited, and power was centralised into the hands of the authorities, as the French ruled on all levels of administration, taking hold of every aspect of the economy and every step of the administrative procedures. Regardless of the fact that colonialism ended a long time ago, the payoff of it has penetrated into many levels of the current Vietnamese public sectors. Furthermore, Vietnam experienced the devastating consequences of the wars, from the French war, the American war, to some short but damaging border wars in 1979. Vietnam finally gained independence after 1975, but it endured a poverty-stricken economy and a young government with little experience in administration. Nevertheless, after the “Đổi Mới” (renovation) reform in 1986, the country has rapidly transformed into a market-oriented economy (Gainsborough, 2006) with more available opportunities for economic and social development. Globalisation and integration into the world have opened pathway to more direct foreign investment, but it has also presented a number of problems that the young government needed to tackle, one of which is corruption.

### **The causes of corruption**

Curbing corruption, however, is not quite a simple task. Vietnam is a one-party country, and the power lies in the hands of the CPV, which is responsible for all decision-makings and the allotment of economic resources, especially in terms of property and land transactions (Le, 2010). Thus there are many factors that can work out as the inducement to corrupt behaviours in Vietnam, and one is this vertical political structure itself that particularly helps to expedite grand or institutionalised corruption in the country. For example, multiple anti-corruption agencies have been established as part of the Law on Anti-Corruption that came into effect in 2006. However, these agencies are all under the jurisdiction of the Prime Minister (Quah, 2006), and the control as well as the supervision of the CPV. The centralisation of power means that the government has the exclusive coercive power over the enactment of law, which equalises the fact that corruption can easily be internalised, making it more difficult to combat. This enables the politically powerful to enjoy certain privileges of immunity and

protection through the loophole in the law, which can increase the persistence of corrupt behaviours on the official level.

The multiple anti-corruption agencies strategy also presents many problems. There are five institutions that are responsible for anti-corruption, which are the Government Inspectorate, State Audit, People's Procurary, Central Inspection Commission of the CPV, Anti-Corruption Department - Prime Minister's Office, and the National Anti-Corruption Steering Committee (NACSC) (Quah, 2006). Efforts to appoint duty for each of this department have been rather unproductive, as their duties and responsibilities often overlap. This resulted in the establishment of the NACSC in 2006, whose task mainly aims to coordinate and organise the other five existing agencies (ibid.). Thus there is a sort of competition in the institutional level among these agencies, when their roles are not quite clear. There is also a lack of coordination among them, which only dilutes the major task of curbing corruption, mitigating the legal powers and the enforcement of law, leading to maladministration and a waste of resources, likewise many cases of countries with multiple anti-corruption agencies. In compared with countries with one single anti-corruption agency such as Singapore and Hong Kong (Quah, 2013), the reliance on multiple agencies indicates a lack of autonomy for each of this institution and discounts any determination to operate anti-corruption measures effectively.

Another problem emerges is the lack of citizen involvement in detecting and reporting corrupt behaviours. Organised protection and confidentiality for whistle-blowers are absent, as ironically, there have been many cases in which the whistle-blowers have been under prosecution for exposing the politically powerful. Take, for instance, the case of PMU 18 (Project Management Unit 18) in 2006 that shook the country and made the headlines in many international reportages, for it concerned the embezzlement of state budget for personal spending and gambling on football by many high-rank officials in the Ministry of Transportation (Reuters, 2008). Two reporters of two prestigious newspapers in Vietnam, the Thanh Niên and the Tuổi Trẻ, have uncovered the corrupt behaviours of these high ranks and broke out the stories to the public, only to be prosecuted for distributing false information on the news later. In particular, they were punished for "abusing their position and power while discharging public duty" (Reuters, 2008). There have been many doubts over the detention of these reporters as there was a lack of information and transparency in the police's claims that the media distributed false information on the case (Reuters, 2008). One thing should be reminded is that the media in Vietnam is still under state control, which means that the CPV

has the rights to select certain pieces of information to be dispersed to the public, hence it is also authorised to penalise any attempt to distribute news that it considers “inaccurate”. The case has unravelled a failure in part of the government in protecting the whistle-blowers, and has placed a question mark on the country’s handling of the reported cases of corruption. Charges against these two reporters were widely condemned by the international journalist community, and raised scepticism over the government’s commitment to curbing corruption and its constant verbal support of the role of the media in detecting corruption. In all likelihood, there is a risk that the lack in legal protection for whistle-blowers as well as the threats to anyone who is brave enough to not make a blind eye to wrongdoings can discourage the citizen involvement in politics and propagated fear and indifference to corruption. In the long run, this complicates the issue of corruption in Vietnam, especially when corruption might integrate as the “inevitable” part into the cultural layer in general, and to the public administration structure in particular (Le, 2010).

Another reason that can be used to justify corruption in Vietnam is the low salaries for civil servants. There is a huge gap in the wages between the public sector and private sector, despite the fact that public sector, including SOEs, enjoys many benefits that the private sector does not have, such as less control and imposition of taxation and loosened administrative procedures. Thus low wages in the public civil service can trigger motives to seek another source of income and consequently result in a conflict of interest. Salaries for civil servants are based on the minimum wage, which is US\$ 89, according to the latest statistics (Amcham Vietnam 2014). Public administration reforms have taken into account the raise in the salaries for civil servants, nevertheless, this effort does not suffice and might not be able to hinder impulses to corruption. Low salaries, accompanied with surging consumer prices can act as the primer for corrupt behaviours. Studies in many other developing countries such as India or the Philippines, have indicated that when the salaries of the civil servants cannot afford daily necessities, they are more likely to entice petty corruption like taking bribes from individuals or interest groups (Quah, 2013). The case of Vietnam is singular, since even the high ranks in the political system are also subjected to state control of wages, which are relatively low. The only privilege that the civil servants can enjoy is high pension for retirement and stability of their employment. All of these benefits, however, do not substantiate the refrainment of ethics violation.

While nepotism is often classified as a form of corruption, in the case of Vietnam, it plays an active role in spreading and enhancing the acts of corruption. Nepotism, as a type of

favouritism, takes place so frequently in Vietnam that it goes without saying, that if you have connections, you have everything. Alarming, nepotism is not only visible in SOEs but it is also gradually encroaching the private sector. Unlike the case of Singapore (Quah, 2013), there is currently no agency in Vietnam responsible for overseeing the recruitment and promotion of the civil servants. As a developing country with a high unemployment rate amid the economic crisis, the stability of the occupation, despite low salaries, can be a decisive factor. The culture of kinship within the Vietnamese society can only enhance the chances of people being employed out of connections with the insiders of the system. There is a Vietnamese idiom that says, “Một người làm quan cả họ được nhờ”, which can be literally translated as “A scholar is a blessing for all his relatives” (Le, 2008, p.29). Thus the danger of nepotism and red tape in Vietnam is not just about making a blind eye to corrupt activities, it also means that the employment of civil servants is based not on meritocracy but on patronage, and appointments and promotions are made from top-down decisions. All of this, in consequence, can have a direct impact on the capability of the public mechanism and lead to a major brain drain that is currently capturing the public sector in Vietnam, when there is most certainly no investment whatsoever on the good and the truly competent.

The example of nepotism as explained from a cultural perspective allows us to have an insight into the role of culture in shaping corruption in Vietnam. There is still a heavy dependence on formalism in the administrative procedures and this has been rather a frustration for the Vietnamese public as well as foreign investors to the country during the past few years. This bureaucracy is reflected frequently on the negligence, the delay of administrative procedures, the burden of the loads of paperwork, lack of transparency and accountability in governmental activities, partiality, oversight, and irresponsibility in part of the civil servants. Additionally, similarly to the cases of China, Thailand, India, the Philippines, and many other Asian countries (Quah, 2013), Vietnam also has a gift-giving tradition, which only makes it one step closer to tolerating the act of bribery.

### **Conclusion and recommendations**

The meetings of the National Assembly take place twice every year, and it has been rather a norm that the topic of corruption is brought up during the courses of every discussion. Despite the government’s willingness to curtail corruption, it still governs many aspects of the Vietnamese administrations. Corruption in Vietnam is continually becoming more alarming,

and is threatening the stature of the CPV, eroding the Vietnamese people's trust in the government and the CPV itself. It also has major effects on the political and socio-economic development of Vietnam, the direct consequence of this is that it makes every foreign investor to think twice before pouring investment into Vietnam. Just in the first quarter of 2014, a senior official of the state-owned Vietnam Railways was suspended after the Japanese media exposed how a Tokyo-based company bribed him to procure an ODA (Official Development Assistance) project contract (Thanh Nien News, 2014). Thus corruption in Vietnam can never be completely ruled out if the government does not resolutely show any interest in understanding the roots of the problem. Corruption has, in fact, questioned the legitimacy and the competence of the CPV, putting the government's credibility on the forefront (Nguyen, 2012).

There are some solutions that can be proposed in order to curb the corruption pandemic in Vietnam. First of all, there is an immediate need to revise anti-corruption policies and develop a framework that can encourage the "watchdog role" of the citizens and the media (Gainsborough, 2006), and this also includes laws that can be used to mobilise public involvement in decision making and bill building, as well as the promulgation of public awareness on the issue. The laws must thus be enforced fair and square to any actor involved, regardless of their backgrounds and political positions. This requires an independent institution that has the operational autonomy to carry on its investigation and punishment. In addition, the multiple anti-corruption agencies strategy must also be reconsidered, because they not only prove to function inefficiently, but are also a waste of human capital and resources. The Vietnamese government must open rooms for more transparency by abiding to the Freedom of Information Act, and by publishing audit accounts that can enable the general public to get accessed to governmental disclosure of information. Studies in many developed countries have shown that, citizens' access to the government's financial activities can gradually change the face of the organisation of the public administration. Public reforms must also put an end to any redundant administrative procedures that are still very widespread in many public bureaus and institutions. In addition to this, anti-corruption measures must not overlook the participation of the private sector (Gainsborough, 2006). More importantly, there is a need to conduct more comprehensive research on the causes and effects of corruption in Vietnam, in order to have an in-depth understanding of the malefactors that infect the public system, as well as the inefficiency of anti-corruption measures and agencies in their combat against corruption.

Both the people and the CPV understand well that radical changes are needed in order to completely weed out corruption. The combat against corruption must be systematic, not incrementally, and this requires an active involvement from both the higher and lower levels of the public administration. The danger in the incumbent political structure of the country is that it is placing the politically powerful above the law, and this can have detrimental effects on the control of corrupt behaviours. Vietnam's integration into the global market has brought about not just opportunities but also more challenges to the coordination of the public sector (Le, 2010). However, it is of great importance that, before carrying out any anti-corruption resolutions, the government must take into account all the prerequisites including the country's policy context and its notable characteristics.

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