



FISCAL ACCOUNTABILITY FOR INEQUALITY REDUCTION: EVEN IT UP!

Oxfam in Vietnam: Citizen engagement
and influencing for fair taxation

Knowledge Hub on
Governance and Citizenship



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INTRODUCTION

The fiscal decentralization process taking place in Vietnam offers opportunities to engage with local government. Oxfam in Vietnam has worked to promote transparency and accountability in budget processes by increasing citizens' participation, and especially women's participation. Oxfam has also increasingly become an influencing actor by promoting coalition-building and multi-stakeholder dialogues, and by demonstrating its credibility on technical issues such as tax incentives. The Fiscal Accountability for Inequality Reduction–Even It Up (FAIR-EIU) programme in Vietnam is an excellent example of work on both the tax and budget sides of the fiscal system that puts active citizenship at its heart.

LOCAL BUDGET MONITORING

To strengthen the inclusiveness, representation, transparency and accountability of local government, Oxfam in Vietnam has been using participatory planning and budget monitoring approaches to engage citizens in local government budget processes. The specific objectives of the local budget monitoring work that started in 2015 were:

- To empower civil society organizations (CSOs) and communities to effectively influence public budget processes;
- To promote the participation of women in local budget processes, to boost their confidence and to make them aware of their rights;
- To work in coalition with other CSOs to enhance development outcomes for women and men from marginalized communities.

This budget monitoring approach is built on previous work by Oxfam in Vietnam, which helps citizens in different communities to engage in local planning processes. As a result of effective engagement with local governments and communities, citizens' voice was more reflected in planning; however, often there was no budget allocation for the needs and priorities raised by citizens within those planning processes. Oxfam in Vietnam decided to bring together several CSOs to discuss how citizens' perspectives and views could be incorporated into local budgets, and how to improve transparency. These CSOs (Centre for Development and Integration (CDI), Action to the

Community Development Center (ACDC), Center for Community Empowerment (CECEM), Centre for Education Promotion and Community Empowerment for Women (CEPEW), Vietnam Economic Policy Research Institute (VEPR), and Health Economic Research Centre (HERC) now work together in the Budget Transparency, Accountability and People Participation (BTAP) coalition, both at national and local (provincial) levels.

To ensure women's participation in local budget processes, Oxfam and the BTAP coalition worked with women's networks and groups, including ethnic minorities in the two target provinces (Hoa Binh and Quang Tri). Training was provided for these women on the budget cycle of local government, their rights as taxpayers, and the importance of budget transparency. Several women in these groups were coached to become **facilitators in their own community**, representing their community and its needs when entering in to dialogue with the local government.

The first step in the participation process was to help women increase their confidence and motivation, empowering them to engage on budget issues that affect their lives and those of their communities. Second, BTAP worked collaboratively with local people's councils to build enabling, safe, effective and more independent mechanisms and channels for citizen participation (such as meetings, dialogues and forums, both online and offline). Through these, the women were connected to local government officials, and started asking questions and made recommendations about government budget issues and public services in their locality. The local government has responded to their recommendations and improved budget spending and public services. Active participation of citizens has brought real benefits to their community.

WHAT EXPLAINS THE SUCCESS OF THE LOCAL BUDGET MONITORING WORK?

The BTAP coalition recognizes two strong motivations for citizens to participate in the budget monitoring work: topics were directly relevant to citizens and their communities; and the government recognized their input and gave a timely response. The women-only groups offered a safe environment, where women could talk about issues that affected them and their



community. After some time, these women became more confident and comfortable to engage in discussions and started to discuss local government budgets as they related to the issues facing their community. One example is the budget for local infrastructure such as a road or school. Oxfam and the BTAP coalition, together with the women, discussed how these local government services could be monitored, encouraging citizens in local areas to provide suggestions for improvement through public planning and budget processes. Linking the training to something that the women could relate to encouraged them to participate and increased their motivation to raise other issues.

Working in the BTAP coalition has inspired other organizations to join and help each other to strengthen their technical and influencing capacity. From 2015 to 2018, the BTAP coalition has grown from 5 to 15 members, including 5 CSOs, 2 think-tanks, 4 local

organizations and 4 independent experts. The think-tank members (VEPR and HERC) have been providing technical support to grassroots-based CSOs with expertise on macro-economics, state budgets and the health financing system. Grassroots-based CSOs helped to strengthen the links between macro-level economic policies and the reality of citizens' daily life, bringing citizens' voice and perspectives into the macro analysis. Because of the complementarity in expertise and experience of these different types of organizations, the influencing power and capacity of the coalition has increased. BTAP is now a well-known and credible actor, recognized by local and national governments, other CSOs and development partners. BTAP has a proven track record of supporting poor and marginalized women and men and their communities to understand and engage in budget processes at local level. It has also brought citizens' views and perspectives into national dialogues and debates on critical policy making processes.



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INFLUENCING ON TAX

Similar to Oxfam's budget work in Vietnam, finding allies in government and building capacity and coalitions on key policy issues are central in influencing the Vietnamese tax system. Oxfam focuses on the reduction of harmful tax incentives and tax avoidance, holding government accountable for asking companies to pay their fair share of tax.

This engagement and influencing on tax began with a study conducted by Oxfam in 2016 to assess Vietnam's tax incentive policies to see if any were harmful to the national economy and to the development of Vietnamese small and medium enterprises (SMEs). The research was conducted in collaboration with the National Research Institute of Finance under the Vietnamese Ministry of Finance, which created buy-in from key stakeholders. The Ministry of Finance, the General Department of Tax (GDT) and the National Assembly were fully informed about the research and

were engaged to provide inputs and contribute to discussions during the research process. After a successful media launch, bringing wide public attention to the issue, the government asked the GDT to report on tax losses due to tax incentives. According to the GDT's report, in 2016 the loss amounted to 5.8% of total domestic resource revenues, equivalent to 86% of recurrent expenditure for healthcare, or 35% of recurrent expenditure for education.

To strengthen its advocacy work on tax, in the past year, Oxfam in Vietnam has worked with the Vietnam Alliance for Tax Justice¹ to campaign for greater transparency requirements in the tax affairs of multinational companies (MNCs). **This resulted in the Vietnamese government introducing new regulations into Decree 20² requiring MNCs to file country-by-country tax reports, helping to strengthen tax transparency and tackle tax avoidance in Vietnam.** The coalition realized that greater transparency is key to



restoring trust in the Vietnamese tax system. Governments and CSOs need more information about what taxes MNCs pay and where, so that tax avoidance and evasion can be better detected and addressed – and better rules agreed and enforced.

As part of the call for greater transparency, Oxfam in Vietnam has been asking for public country-by-country reporting (CbCR) since 2017, requiring MNCs to publish key financial data, including the profits their subsidiaries make and the taxes they pay in the country of operation, instead of only reporting consolidated accounts in their home country. This is part of Oxfam’s international policy positioning on tax. Oxfam has been working hard to highlight how public CbCR would help the Vietnamese government to improve tax rules to prevent avoidance, and it would enable CSOs, journalists and researchers to hold companies to account to ensure they pay their fair share of tax.

Building on the successful influence on Decree 20 and tax incentives, Oxfam in Vietnam and the Alliance for Tax Justice have continued to actively engage in influencing the Small and Medium Enterprise Law, the Special Economic Zone Law and the government’s tax reform proposal (which includes VAT and Property Law). The recommendations by Oxfam and the Alliance were adopted in new legislation (the Small and Medium Enterprise Law) regulating small business taxation, enacted in June 2017. SMEs are now eligible for a preferential tax rate in a limited period of time, rather than an unlimited timeframe. However, a more established SME will have to pay the normal tax rate and compete fairly with other enterprises after that time has elapsed. This influencing work success has contributed to broadening the tax base while promoting the development of Vietnamese SMEs, boosting the overall economy and preventing possible tax evasion by big companies who might register themselves as SMEs.

In May 2018, the Alliance submitted detailed policy recommendations on the draft Special Economic Zone Law in Vietnam, which includes harmful and wasteful tax incentive policies. A Member of Parliament (MP) quoted the Alliance’s recommendation on tax incentives in her speech in the plenary meeting. In early June 2018, together with leading Vietnamese economists, the Alliance called on the government to

eliminate harmful tax incentive articles in the draft law. More than 60 journalists from leading press agencies in Vietnam participated in a press conference; and more than 100 news articles circulated the Alliance’s warning about the tax incentives and how they would exacerbate inequality. The Alliance also ran a successful online campaign in June 2018 to petition for the law to be postponed.

The Alliance for Tax Justice has also raised awareness among policy makers and the public in Vietnam on an important finding from their independent ex ante impact assessments of the proposed VAT reforms, which is that a 2% increase in the VAT rate will push 240,000 near-poor households into poverty. This is important evidence with which to influence the government’s proposal to increase VAT.

WHAT ARE THE STRENGTHS OF OXFAM’S INFLUENCING WORK ON TAX?

Oxfam in Vietnam has developed a good reputation and working relationship with the Vietnamese government through sharing practical and solid analysis and high-quality reports on tax reform. Being on good terms with the government also allows Oxfam to open doors for other members of the Alliance for Tax Justice.

Oxfam in Vietnam has also leveraged insights and harnessed data coming from the wider Oxfam confederation on the latest tax policy discussions at the European Union (EU) and global levels, which has proven to be very useful in the national-level tax debate in Vietnam. It has helped Oxfam to engage with the government at an expert level. Not only the Alliance for Tax Justice but also the Vietnamese Chamber of Commerce and Industry (VCCI) have recognized that transparency was key for a well-functioning Vietnamese tax system. Vietnamese small and medium enterprises also recognized that it would be to their advantage if MNCs had to be transparent about the profits they earned and tax they pay from their operations in Vietnam, as well as for the auditing firms and the GDT. With this realization, Oxfam and the Vietnam Alliance for Tax Justice found a great partner in the VCCI when influencing Decree 20, even though it could have been seen as an unusual ally.

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ACHIEVEMENTS AND IMPACT OF BUDGET MONITORING AND INFLUENCING WORK ON TAX

Achievements and impact of local budget monitoring work

One of the biggest achievements of the work done by Oxfam and the BTAP coalition is that when citizens participated in the budget process, it became more transparent and budgets were allocated more efficiently. The two provincial governments in question have adopted new ways of engaging citizens in budget processes, and have consulted CSOs and external experts. Moreover, they have adopted many other strategies and initiatives to engage people in budgeting processes, such as participatory scoring for selection of public investment projects. This helped citizens and CSOs to monitor policy implementation as well as advocate to governments to improve policies based on experiences at grassroots level.

After a year of building confidence, women's groups started to organize themselves around different budget

issues and to engage in dialogue with local government. Across the two provinces, this has resulted in greater budget allocations to local infrastructure, which has increased accessibility to the community school, land, electricity, and an irrigation system for paddy fields. It has also opened up the existing social security (credit) programme to poorer parts of the community.

As a result of successful engagement in local budget processes, the women feel more confident and have better knowledge about the state budget. Some of these women continue to take on this leadership role within their own communities in engaging local government. These women, together with Oxfam and the BTAP coalition, have shown that budget monitoring work can be an effective way to overcome ethnic and gender-based marginalization.

Achievements and impacts of the tax transparency and tax incentives work

As a result of influencing work by Oxfam and the BTAP coalition with a range of partners, the Vietnamese





government has agreed to introduce a regulation in Decree 20 which requires MNCs to adopt CbCR and submit reports directly to the Vietnamese Tax Bureau. This is an important first step towards greater transparency and accountability in the country's tax system. Although the information is currently only available to the bureau and not to the general public, it is the first step on the way to real tax justice in Vietnam.

Working closely with other CSOs and research institutes, and with new partners such as the VCCI, has

opened new doors and generated fresh ideas for Oxfam's influencing work. This convinced the GDT to be more open to working with civil society, whereas they had previously only welcomed formal actors such as the World Bank and the International Monetary Fund (IMF).

By sharing high-quality policy briefs and building on existing credibility and legitimacy, Oxfam and other civil society actors have been able to influence the Vietnamese tax system and build relationships that will enable further positive influence.

WHAT DID WE LEARN FROM THIS WORK?

- To ensure that citizens can be actors for change, CSOs can support them to make an informed choice to participate in budget monitoring and advocacy. In local budget monitoring work, Oxfam and the BTAP coalition showed citizens how limited budget transparency is affecting their lives, their rights as taxpayers, and what they could contribute by participating in the budget-making and planning process. The role of civil society is to provide the necessary information for power holders to base their decisions on and to create safe and secure spaces and mechanisms that citizens can use to raise their concerns and needs. The recognition and timely response of the government is also strong motivation for communities to keep participating in budget monitoring. Working with women in the two provinces showed that it takes courage and time for people to feel that they can confidently represent their community.
- When engaging with citizens as part of budget monitoring or social accountability work, it is important that the agenda of CSOs is developed based on what citizens prioritize. The issues that citizens themselves have identified as needing change will also be the issues where they find most motivation and engagement. Oxfam and its partners should listen to and be led by the voices of people they work with.
- Spaces for participation and interaction between citizens and decision makers have proved critical to building relationships of trust and dialogue between local authorities and citizens. CSOs were able to work collaboratively with other local and national actors such as the elected bodies and parliaments to build enabling, safe, effective and more independent mechanisms and channels for citizen's participation such as meetings, dialogue and online and offline forums. Through these, citizens were connected to government officials, and started asking questions and making recommendations about government budget issues and public services in their locality. The enabling or creation of those spaces where participation and engagement can happen has proved to be key to changing citizens' perception of their own agency to act and the responsiveness of duty bearers to their demands.
- It is worth exploring possible cooperation with unusual allies, as Oxfam in Vietnam did with the VCCI. Even though the interests of the two organizations might seem worlds apart, both partners found a shared aim in increasing transparency among MNCs with active operations in Vietnam.
- Working in coalition with CSOs, think tanks, research institutes and other experts has ensured a mutual strengthening of each other's technical and influencing capacity. The reach and influencing power of the coalitions on both tax and budget issues has increased due to collective action. In a broader sense, coalition-building helps to strengthen civil society, and makes civil society more effective in holding the government accountable for effective policies and implementation.

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ABOUT THIS CASE STUDY

This case study is part of Oxfam's Fiscal Justice Track Record. This series is a continuation of Oxfam's **Global Track Record on Fiscal Justice** (2016) and provides an in-depth update on Oxfam and partners' fiscal justice and inequality work in selected countries. Oxfam's F.A.I.R.-EiU program aims to ensure that citizens are empowered to redress inequality of power and influence, so fiscal systems are more progressive, and governments implement tax and spending policies that benefit the many not the few. The **F.A.I.R.- EiU program** unites the work of Oxfam and partners in over 40 countries.

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NOTES

¹ The Alliance for Tax Justice member organizations are: Vietnam initiative (VNI), Vietnam Institute for Economic and Policy Research (VEPR), Cooperation and Development Foundation (CEPEW), Ech Phu Ho (youth activist organization) and Budget Transparency, Accountability and People Participation (BTAP) coalition.

² Decree 20/2017/ND-CP of the Vietnam government on tax management of companies having affiliated transactions issued in 24 Feb 2017. This decree requires MNCs to file a country-by-country report to Vietnam's General Department of Tax only when the parent company is based in a country which has a dual tax agreement with Vietnam in which this is agreed on. From a transparency and accountability perspective, this is a weak mechanism since very few companies will actually have to file their reports in Vietnam in this way. Read this case study on Oxfam's work around this **Decree 20 here**.

PHOTOS

Page 1: Mrs. Ho Thi Thuong, Baze community based group member, Gio Linh district, Quang Tri province.

Page 3: Mrs. Ho Thi Nghia, Baze community based group member, Gio Linh district, Quang Tri province.

Page 4: Woman in Luong Son district, Hoa Binh province.

Page 6: Meeting on health insurance between community based group members and Hai An commune People's Council – Hai Lang district, Quang Tri province.

All photos: Phuong Dung/Oxfam.



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