

Vietnam's New Graft Scandal Sets Back Anti-Corruption Drive

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The recent corruption scandal involving Viet A Corp's inflation of Covid-19 test-kit prices and payment of kickbacks shows that Vietnam's intensified anti-corruption efforts have quite some way to go.

Since 2016, the Communist Party of Vietnam (CPV) has been conducting an intense anti-corruption campaign spearheaded by General Secretary Nguyen Phu Trong. The campaign has led to the prosecution and imprisonment of hundreds of senior government officials, police and army generals as well as senior executives at state-owned enterprises. The campaign has been credited for [reducing the perceived level of corruption](#) in the public sector. However, a recent graft scandal related to Viet A Technology Corporation shows that, despite all these achievements, the campaign has failed in its mission to deter corruption.

Viet A was rather unknown in the market until April 2020 when it announced, to the surprise of many, that it had successfully produced a Covid-19 test kit in collaboration with the Military Medical University. [Viet A's performance](#) soon started to pick up sharply. By the end of 2021, the company's accumulative revenues from the sale of Covid-19 test kits to hospitals and local Centers for Disease Control (CDCs) had reached VND4,000 billion (USD174 million).

However, in December 2021, authorities decided to prosecute Viet A for [inflating prices of test kits by 45 per cent](#) and paying a total of VND800 billion (USD35 million) in kickbacks to secure contracts to supply test kits to local hospitals and CDCs. Along with Viet A principals, some government officials have been prosecuted, including the head of Hai Duong CDC, who took kickbacks of VND27 billion (USD1.2 million) to approve the purchase of test kits worth VND151 billion (USD6.6 million) from Viet A. The investigation is still ongoing, and more officials will likely be arrested and prosecuted in the coming months.

The scandal outraged the public, who condemned Viet A and the related officials for greedily profiteering from the pandemic and the whole country's sufferings. Given the severity of the case and the strong public reactions, central authorities decided to put the case [under the direct supervision](#) of the Central Steering Committee on Anti-Corruption to ensure a thorough and complete investigation of the case.

What was more shocking to the public is that the scandal happened during the pandemic and on a large scale, despite the ongoing anti-corruption campaign as well as an intensified crackdown on corruption in the healthcare sector since 2020.

To many people, especially industry insiders, the Viet A scandal is not surprising as corruption is known to be widespread and deep-rooted in the healthcare sector. Paying kickbacks to hospital managers to secure contracts is a common practice in the market. For some special orders, especially those for devices that hospitals may not urgently need but still purchase to utilise their

allocated annual budgets, the payment may go up to 30 per cent or more of the total contract value. Due to this corruption practice, suppliers normally have to significantly inflate the price of their products. Viet A's decision to mark up the price of its test kits by 45 per cent, while gross and unacceptable, is not unprecedented.

What was more shocking to the public is that the scandal happened during the pandemic and on a large scale, despite the ongoing anti-corruption campaign as well as an [intensified crackdown on corruption in the healthcare sector](#) since 2020. The crackdown has led to the arrest and prosecution of tens of government officials, hospital managers and business executives at suppliers across Vietnam, including a case related to the [inflation of prices for real-time PCR machines](#) for Covid-19 testing at Hanoi CDC in late 2020. Together with other recent grand corruption cases, such as those related to former Hanoi chairman Nguyen Duc Chung and former Ho Chi Minh City deputy party secretary Tat Thanh Cang, the Viet A scandal has demonstrated that Vietnam's anti-corruption campaign has largely failed to deter corruption.

This failure is hardly surprising to Vietnam watchers. Nearly a decade ago, just prior to Vietnam passing a revised Law on Anti-Corruption, I had [argued](#) that Vietnam's anti-corruption drive would not succeed if Vietnam did not undertake reforms to strengthen the independence of the judiciary and law-enforcement agencies and promote the role of the media and civil society in exposing corruption. To the extent that the CPV was not willing to adopt such measures for fear that they would undermine the party's rule, pervasive corruption would persist despite the party's renewed anti-corruption efforts.

Ten years on, while the CPV has sought to demonstrate its determination to fight corruption (as reflected in the imprisonment of hundreds of senior officials since 2016), the party has continued to shy away from meaningful institutional reforms to make its corruption-fighting efforts more efficient and sustainable.

What is puzzling is that the party has even relaxed anti-corruption legal rules. A primary example is the introduction of a clause in Article 40 of the [2015 Criminal Code](#) which states that the death sentence shall be replaced with life imprisonment if a person sentenced to death for embezzlement or taking bribes, after being sentenced, has returned at least three-quarters of the properties embezzled or bribes taken. The provision was intended to facilitate the recovery of embezzled assets, but it created incentives for officials to commit grand acts of corruption, knowing that if they got away with it, their family would be wealthy for generations, and if caught, they could escape the death sentence by paying back part of what they had stolen.

We can expect Viet A managers and related officials to soon be brought to trial and given long jail terms. But sooner or later, other cases like Viet A will emerge. Absent meaningful institutional reforms, tightening legal rules and imposing harsher punishments to deter officials from embezzling and taking bribes is perhaps the most straightforward way for the CPV to reduce corruption in a meaningful and sustainable manner.

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