



# The Government's Intervention in Functioning the Central Bank of the State Bank from the Practices of Vietnamese Law\*

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## Abstract

This paper aims to clarify the relationship between the organizational model of the Central Bank of Vietnam and the Government. In this model, the Government has many rights to intervene directly in the implementation of the central bank function of the State Bank of Vietnam. Such direct interventions have forced the monetary policy to run or depend on fiscal policy and have been forced to pursue the short-term goals of the Government. The State Bank of Vietnam (SBV) must still supply the Central Government Budget with an amount of money through advance payments to deal with the temporary deficit in the State Budget under the Prime Minister's decision. This made the stability (in the long-term) of monetary value and the sustainable development of the national economy of the central bank become very difficult. The State Bank regularly has to focus a lot of resources on maintaining the stability of the monetary market by resolving the market's hot spots or handling weak credit institutions by administrative interventions...under the Government's requirement that has reduced the independence of the SBV when performing the central bank function.

**Keywords:** Government; State Bank of Vietnam; the function of the central bank; intervention; independence

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## Intervensi Pemerintah dalam Fungsi Bank Sentral Bank Negara Dari Praktek Hukum Vietnam

### Abstrak

Dokumen ini bertujuan untuk memperjelas hubungan antara model organisasi Bank Sentral Vietnam dan Pemerintah. Dalam model ini, Pemerintah memiliki banyak hak untuk campur tangan langsung dalam pelaksanaan fungsi bank sentral Bank Negara Vietnam. Intervensi langsung seperti itu telah memaksa kebijakan moneter untuk berjalan atau bergantung pada kebijakan fiskal dan telah dipaksa untuk mengejar tujuan jangka pendek pemerintah. Bank Negara Vietnam (SBV) masih harus menyediakan anggaran pemerintah pusat dengan sejumlah uang melalui pembayaran prabayar untuk mengatasi defisit sementara di anggaran negara berdasarkan keputusan perdana menteri. Hal ini membuat stabilitas (dalam jangka panjang) nilai moneter dan pengembangan berkelanjutan ekonomi nasional bank sentral menjadi sangat sulit. Bank Negara secara teratur harus memfokuskan banyak sumber daya untuk mempertahankan stabilitas pasar moneter dengan memecahkan hotspot pasar atau menangani institusi kredit yang lemah dengan intervensi administratif... di bawah tuntutan pemerintah yang telah mengurangi independensi SBV dalam melakukan fungsi bank sentral.

**Kata Kunci:** Pemerintah; Bank Negara Vietnam; fungsi bank sentral; intervensi; independensi

## Вмешательство правительства в функционирование Центрального банка Государственного банка из практики вьетнамского права

### Абстрактное

Этот документ направлен на разъяснение взаимосвязи между организационной моделью Центрального банка Вьетнама и правительством. В этой модели правительство имеет множество прав непосредственно вмешиваться в осуществление функций центрального банка Государственного банка Вьетнама. Такие прямые вмешательства вынудили денежно-кредитную политику осуществлять или зависеть от фискальной политики и были вынуждены преследовать краткосрочные цели правительства. Государственный банк Вьетнама (СБВ) по-прежнему должен обеспечить бюджет центрального правительства определенной суммой денег за счет авансовых платежей, чтобы справиться с временным дефицитом в государственном бюджете в соответствии с решением премьер-министра. Это затруднило стабильность (в долгосрочной перспективе) денежной стоимости и устойчивое развитие национальной экономики центрального банка. Государственный банк регулярно должен сосредоточить большие ресурсы на поддержании стабильности денежного рынка путем урегулирования горячих точек рынка или обращения со слабыми кредитными учреждениями посредством административных вмешательств... в соответствии с требованием правительства, которое уменьшило независимость СБВ при выполнении функций центрального банка.

**Ключевые Слова:** Правительство; Государственный банк Вьетнама; функция центрального банка; вмешательство; независимость

## A. INTRODUCTION

The independence of the central bank has always been a concern in the central bank model under the government due to concerns about the intervention (direct or indirect) of the government with the central bank. Arguments for giving independence to the central bank in pursuing a price-stability monetary policy are being challenged due to the consequences of the global financial crisis, but in reality, the independence of the central bank still plays its role more than ever ([Vonessen; Arnold; Mas; Fehlker, 2020](#)). In other words, the policy effects of the central bank are not only to promote particular industries or interests, but more broadly, these policy effects will directly affect the price level of goods and services - one of the most fundamental powers of government, and also one of the most important practical concerns of the public. Therefore, it is important to establish appropriate mechanisms to "protect the protector", which is essentially the protection of the central bank that meets the requirement of guaranteeing financial and monetary stability ([Goodhart, C., Lastra, R., 2018](#)). Central banking in the twenty-first century needs a new framework that recognizes the interdependencies between the conditions for monetary stability, financial stability, and economic stability and between the policy measures by which these goals may be addressed ([Sheila Dow, 2017](#)).

The selection of the central bank model depends on several factors including the level of economic development, the ability to regulate the economy of Government, and political institutions...Whichever the central bank model is selected, the central bank's policies are often contingent upon several targets such as inflation, economic growth, financial system stability, interest rate, and exchange rate stability, among which the inflation and growth targets are considered the ultimate goals. The remaining targets are considered as the targets or intermediaries to achieve the final targets (The SBV and Agency for Development and Exchange of Technology Economics and Finance of France, 2007). The central bank is the most important agent in creating favorable premises, conditions, and environments for the economy to develop sustainably ([The SBV and Agency for Development and Exchange of Technology Economics and Finance of France, 2007](#)).

Ahsan, Skully & Wickramanayake (2006) pointed out many determinants of independence and central bank management such as law, politics, price stability, exchange rate policy, and monetary policy... ([Ahsan, Skully & Wickramanayake, 2006](#)). Arta Pisha (2010) showed a new model that is used to measure the independence of the central bank. Adam S. Posen (2010) required

the central bank to have independent authority to refuse to buy government bonds.

[Deborah Mabbett & Waltraud Schelkle \(2019\)](#) argued that central banks are protected from interference when there are multiple political veto players, but the latter can also block cooperation. Furthermore, central banks in multi-veto-player systems operate under legal constraints on their financial stabilization actions. They can circumvent these constraints, but this invites criticism and retribution. More surprisingly, central banks have strategically invoked their constraints to gain cooperation from political authorities.

By taking a historical perspective and drawing parallels with the previous waxing and waning of central bank independence, [Borio, Claudio E.V. \(2019\)](#) suggested that a key one is to narrow the growing expectations gap between what central banks are expected to deliver and what they can deliver. In that context, it also considers and dismisses the usefulness of recently proposed schemes that involve controlled deficit monetization.

In Vietnam, since the transformation of the bank model from tier 1 bank to tier 2 bank, Vietnam's central bank is designed according to the central bank model directly under the government. Accordingly, the SBV is a ministerial-level agency of the government, performs concurrently the function of state management in money, banking, and foreign exchange activities, and the function of the central bank in terms of issuing money, banking of banks, and providing the banking services to the government ([Law No. 46/2010/QH12, Art. 2](#)). That means that the central bank of Vietnam is established by the central bank model directly under the Government. Along with the transformation of the Vietnamese economy and legislative practice, the legal position, functions, duties, and powers of the SBV have been amended and supplemented to meet the requirements of the economy in the integration process.

Up to now, *“The SBV has played a and performed its full function as a central bank. However, with wide operational objectives as well as the fact that the SBV and the governor of the SBV have to perform many tasks of government agencies and government members prescribed by the law”* (The SBV and Agency for Development and Exchange of Technology Economics and Finance of France, 2007) has some influences on achieving the central bank's operating objectives. This is because, in the process of its functioning, the Government also intervenes in the functioning of the central bank of the SBV. For the SBV to well function, the government's intervention in the SBV should be limited. The essence of this requirement is that a legal mechanism must be established to ensure the authority to decide on tools and measures to achieve the objectives

of the national monetary policy with a focus on stabilizing the value of the currency as well as ensuring the safety and efficiency of banking operations and the system of credit institutions; ensuring the safety and efficiency of the national payment system. In terms of contents, the legal mechanism to minimize the Government's intervention in the implementation of the central bank function of the State Bank of Vietnam is to handle the relationship of the Government's authority in operating the economy to meet growth targets and control inflation as required by the National Assembly with legal measures, which the central bank needs to take to ensure the stability of the value of the Vietnamese dong in the relationship with ensuring the targets of economic growth and the inflation control.

## **B. METHODS**

Legal research can be divided into normative legal analysis and empirical legal research. A normative juridical study of law as a norm that uses a positivist logical concept and is identical to written norms by trying to find whether the law is suitable to be applied to solve a particular problem. The source of research data is material law which is where the legal material is taken that helps the formation of law. Data Collection Method is documentation with primary data material obtained from applicable legislation and adjusted to the subject matter being studied. The Secondary Law material is obtained by carrying out an inventory of literature books, documents, and articles. In presenting data, this research will be presented in the form of a description compiled systematically following the systematic flow of the discussion. Methods of Data Analysis conducted with legal material obtained and then analyzed qualitatively, namely, analysis conducted by understanding and compiling data that has been obtained and compiled systematically, then concluding.

The article is made based on a descriptive qualitative analysis method. The main sources for writing this article are materials from publications and archives. Data analysis is descriptive and qualitative. Descriptive qualitative is research that aims to provide a detailed, systematic, and actual description. While analytical is to find a connection based on the current legislation governing the organization and operation of the central bank function of the SBV. Data analysis in this study used qualitative analysis, the collected data is analyzed qualitatively and explained in the form of logical and systematic descriptions from the current legislation governing the organization to the practical operation of the central bank function of the SBV. The author also uses

a comparative approach to conducting comparisons of the relationship between the Governments and the central banks of various countries.

## C. RESULTS AND DISCUSSION

The legal basis for regulating the relationship between the Government and the State Bank of Vietnam includes the Constitutional Law, the Law on the Organization of the Government, the Law on the SBV ([Law No. 46/2010/QH12](#)), and its guiding documents. It is generally recognized that with the current legal environment for the Government, strong government intervention is directed toward determining the inflation and economic growth indicators.

### **1. The right to regulate the organizational model, concretization, duties, and powers of the Government towards the State Bank of Vietnam: low political independence**

Similar to the constitutions of other countries, the Vietnamese Constitution (1946, 1959, 1980, 1992, 2013) contains provisions on the state apparatus, including regulations on the position and functions of the Government. According to the provisions of Article 94 of the 2013 Constitution, the Government is the highest state administrative organ of the Socialist Republic of Vietnam, exercises executive power, and is the executive body of the National Assembly. The structure of the Government consists of the Prime Minister, Deputy Prime Ministers, Ministers, and heads of ministerial-level agencies (Article 95.1, 2013 Constitution). Being a ministerial-level agency of the Government, the Governor of the SBV is a member of the Government, responsible to the Prime Minister and the National Assembly for the state management in the monetary and banking fields (Law No. 46/2010/QH12, Article 8.1). Within the organization of the Government, the direct intervention of the Government towards the SBV is reflected in the regulation, the concretization of the organizational structure, and duties and powers of the SBV in the performance of state management functions and central bank functions. Particularly as follows:

*Firstly*, the Government has the right to regulate the organizational structure of the State Bank. This authority is recognized in the Constitution and the Law on Organization of the Government.

To operate and carry out the assigned duties and powers, the Government shall promulgate working regulations to concretize the working

regime of the Government and each member of the Government, which is a combination of powers and responsibilities of the Government and those of the Prime Minister and individual members of the Government. The functions, duties, powers, and the general organizational structure of ministries and ministerial-level agencies are specified in the Government's Decree No. 123/2016/ND-CP dated September 1, 2016. Apart from the general provisions on the functions, duties, powers, and organizational structure of ministries and ministerial-level agencies, the Government also promulgates detailed decrees of the functions, duties, and powers of the organizational structure of ministries and ministerial-level agencies.

With the legal position of the Government's ministerial-level agency, the organizational structure of the SBV is also under the authority of government regulation and concretization. This right was recognized in the Ordinance of the SBV of 1990 (from Article 4 to Article 13), inherited in the Law on the SBV of 1997 (Article 10.2, 2003 Law on the State Bank of Vietnam), and the Law on the SBV of 2010 (Article 7.1, 2010 Law on the State Bank of Vietnam).

At present, the contents of concretizing the functions, duties, powers, and organizational structure of the SBV are stipulated in the Government Decree No. 102/2022/ND-CP dated December 22, 2022. In addition, the law also provides the authority for the Prime Minister to issue a decision defining the functions, duties, powers, and organizational structure of the Banking Inspection and Supervision Agency and the issuance of the list of other public service delivery agencies under the SBV. The Governor of the State Bank shall have the right to issue a decision defining the functions, duties, powers, and organizational structure of units of the State Bank by the provisions of law, except the Banking Inspection and Supervision Agency ([Article 3, 102/2022/ND-CP dated December 22, 2022](#)).

*Secondly*, the Government has the right to concretize its mandate for the SBV to perform well its two functions of state management of monetary and banking operations, foreign exchange, and central bank functions. However, the current regulation shows that the Government's guidelines focus more on the function of state management of monetary and banking activities, and foreign exchange but rather “modestly” on the Central bank's capacity. In the total of 37 duties and powers shown in Article 2 of Decree No. 102/2022/ND-CP dated December 22, 2022, the contents of the regulations on the implementation of Central Bank operations include:

- 1) Organizing the design of money samples, printing, minting, preserving, and transporting banknotes and coins; conducting operations of issuing, withdrawing, replacing, and destroying banknotes and coins.
- 2) Refinancing to provide short-term capital and means of payment to credit institutions.
- 3) Organizing, operating, and developing the monetary market; Organizing the management and operation of the local currency market, the inter-bank foreign currency market.

It can be seen that the concretization of duties and powers of central bank operations of the SBV is inadequate as the Law on the SBV stipulates the function of the central bank of the SBV, apart from the issuance of money, there are also the contents of banks of credit institutions and the provision of monetary services to the Government.

## **2. The term of the State Bank is equal to that of the Government: It is difficult to select and pursue the inflation target and sustainable growth of the central bank**

The relationship between the Government and the SBV is the relationship between superiors and subordinates, taking the same action to achieve the government's goals. In this context, the State Bank of Vietnam, together with other ministries and ministerial-level agencies, must work together to achieve the targets set by the Government. In other words, in practice, the government may impose direct orders on the SBV to achieve the socio-economic goals adopted by the National Assembly to achieve the "goal of the term", which is unsustainable short-term goals ([Duong T.T.N &Do, V.V. 2014; Dang, D.N. 2012](#)).

Unlike other ministries and ministerial-level agencies, the SBV, in addition to exercising the functions of the state management agency for monetary and banking operations, also performs the central bank function with money brokers, banks of credit institutions, and monetary service provision to the Government. To ensure good performance of the central bank function, the SBV must be given certain independence about the Government.

It is clear from practice that the SBV only functions primarily as an "executing agency in the administration of monetary policy" (Su, D.T. 2007) for the government, but is not the agency holding the key roles in the construction and operation of national monetary policy. This is reflected in the fact that the Government submits to the National Assembly the annual inflation target. The



Prime Minister and the Governor of the State Bank shall decide the use of instruments and measures to perform the target of national monetary policy by the regulations of the Government. With current regulations, the SBV is not allowed to take the initiative or pursue the inflation targeting policy, but only to fulfill annual inflation targets. At the same time, the decision to use means of national monetary policy must also comply with government regulations. Therefore, the administration of national monetary policy is entirely dependent on “government regulation”. In other words, there is a dependence of the operational objectives of the SBV on the Government's performance objectives; thus, in the practice of the central bank functions of the SBV, it is hard to select and make policy decisions to achieve the goals set for the central bank.

In addition, the current legal framework also allows the Government and the Prime Minister to impose orders placed on the State Bank to implement. However, the implementation of these orders may affect central bank functions such as the difficulty in controlling the amount of money in circulation (affecting the inflation target) and increasing the risk of unsafe operation of the banking system and credit institutions. In detail:

- The government intervenes directly in deciding the use of tools and measures to achieve the objectives of national monetary policy ([Law No. 46/2010/QH12, Article 3.4 and Article 10](#)).
- The Prime Minister is entitled to decide and the State Bank must accept the guarantee for the foreign credit institution ([Law No. 46/2010/QH12, Article 25](#)).

The Prime Minister shall decide and the State Bank shall make advances to the central budget to handle the temporary deficit of the state budget. It is clear by law that this advance must be repaid within the budget year, but only in special cases this provision can not be applied and must be decided by the National Assembly Standing Committee ([Law No. 46/2010/QH12, Article 26](#)). However, in essence, these advances are unsecured loans and are often not repaid during the year as prescribed due to dependence on economic growth results. Moreover, a significant part of recapitalization is allocated to state-owned commercial banks, but it is used for budget purposes. This increases the risk of adverse effects on the management of national monetary policy ([Su, D.T. 2007](#)). This considerably lessens the independence of monetary policy on fiscal policy, which in essence is the goal of the central bank, has to give way to the government's goal.

### **3. Operating principles of the Government and the regime of personal responsibility of the Governor of the State Bank: the weakness of the State Bank of Vietnam**

The current law stipulates the working regime of the Government and each cabinet member shall adhere to the principle of combining the collective powers and responsibilities of the Government with the sole powers and responsibilities of the Prime Minister and each cabinet member. The government works collectively, making decisions by majority rule (Article 43, 2015 Law on Organization of the Government). Government decisions must be approved by more than half of the members of the Government. In the case of equal voting, the Prime Minister has the right to vote (Article 46.3, 2015 Law on Organization of the Government). According to the current law, there is no clear legal mechanism for the assignment of responsibilities of the Prime Minister and other ministers and heads of ministerial-level agencies in approving the policies under the jurisdiction of the Government, adversely affecting the attainment of monetary policy objectives. That is because the Law on the State Bank of Vietnam stipulates that, *“the Governor of the State Bank shall be responsible before the Prime Minister and the National Assembly for the state management of the monetary and banking sectors”* ([Law No. 46/2010/QH12, Article 8.1](#)).

It can be affirmed that the current regulations do not guarantee the State Bank has sufficient authority to request the Government to reconsider its regulations, especially when the State Bank realizes that Government’s decisions hurt keeping the inflation and the economic growth sustainable or these decisions have the risk of adversely affecting the stability of the value of money, threatening the safety of banking operations; and the system of credit institutions do not guarantee the safety and efficiency of the national payment system, especially the control of capital inflows with monetary policy tools in case the economy falls into crisis or anti-dollarization with the requirement of international reserves of the State Bank ([Hoang, T.T.H., Nguyen, T.K.P., and Nguyen, T.P. 2020](#)). In other words, it is necessary to establish a legal mechanism to deal with the cases where the State Bank has a voice of opposing or disagreeing with the Government’s decisions if these decisions affect the objectives of monetary policy. In that sense, the government must reconsider these decisions to ensure that the central bank is safeguarding its goals.

### **4. Addressing uncertainties that threaten the safety of banking operations and the system of credit institutions: primarily used administrative tools**

After a period of growth coupled with the pressure of international integration, many weaknesses of credit institutions have arisen, particularly the

increase in bad debts that require rapid processing to avoid string breakdown. The restructuring plan of credit institutions for the period 2011-2015 approved by Decision No. 254/QĐ-TTg dated March 1, 2012, of the Prime Minister and Decision No. 48/2013/QĐ-TTg on capital contribution, compulsory stock purchase of credit institutions shows many orientations, objectives, viewpoints for dealing with bad debts and weak credit institutions ([Vien, T.G., Vo, T.MH., 2022](#)).

Reports on the processing results of weak credit institutions indicate that those weak credit institutions are reconstructed to avoid the uncontrollable breakdown of credit institutions. This processing includes mergers and acquisitions, consolidation, and assuring the stability and safety of the credit institutions, the state, and people's properties. The mergers and acquisitions take place voluntarily, mainly using social resources rather than direct national budgets. The number of small-scale and weak credit institutions has dropped since the end of 2011. Until now, this number has decreased to 22 institutions, including 7 domestically commercial banks, 3 joint-venture banks, 4 non-bank credit institutions, and 8 foreign banks ([The SBV, 2017](#)).

In the process of restructuring, the involvement of the State Bank of Vietnam has contributed significantly to the stabilization of the market, especially to depositors' sentiment, as well as a stimulus for many transactions of mergers and acquisitions, share purchasing, or restructuring of weak credit institutions ([Vien, T.G., 2016](#)). b). However, the measures taken by the SBV during the period of restructuring for the period 2011 - 2015 show the "loyalty" to the policy and orientation of the Government in practical implementation.

The measures taken by the SBV are too pressed on addressing the "hot spots" in the market but have not focused on addressing key issues that are critical to ensuring the stability of the credit institutions. For example, instead of buying for \$0,<sup>2</sup> the State Bank must resolutely withdraw licenses or allow bankruptcy of the weak credit institutions. Or the involvement of large commercial banks in the process of restructuring appears to be voluntary, but in fact, is the merging of a weak bank the optimal solution when the bad debts from the weak credit institutions are transferred to reliable credit institutions ...?

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<sup>2</sup> The commercial banks were bought by the State Bank at the price of \$0, including: (1). Construction Commercial One Member Limited Liability Bank: Decision No.250/QĐ-NHNN dated 5/3/2015 of the Governor of the State Bank of Vietnam. (2). Ocean Commercial One Member Limited Liability Bank: Decision No.663/QĐ-NHNN dated 6/5/2015 of the Governor of the State Bank of Vietnam. (3). Global Petro Sole Member Limited Commercial Bank: Decision No.1304/QĐ-NHNN dated 7/7/2015 of the Governor of the State Bank of Vietnam.

## **5. Minimize government intervention in the performance of central bank functions by the State Bank of Vietnam: urgent needs and roadmaps**

The Vietnamese economy is a transitional economy, and the effects of the centrally planned economy are still obvious. The cautious reforms of economic institutions, accompanied by the pressures of international integration, have sometimes caused embarrassment in macroeconomic governance, which has a considerable impact on maintaining the stable value of money and ensuring the safety of banking operations and the system of credit institutions. In other words, the positioning of the Vietnamese economy based on the criteria of the economic market still has many issues to be discussed. One of the key determinants of market transformation and minimization of administrative interventions in market relationships is to require the central bank to be independent in the performance of its functions and tasks. This requires:

“The policies and procedures of establishing and approving the financial planning and implementation of monetary policy and the exchange rate should move in the direction of transparency and market principles. Specifically, there is a need to review and consider the independence of the SBV in the direction of a modern central bank. These are important issues on the agenda to strengthen the competitiveness and modernization of Vietnam’s economy.” ([Victoria Kwakwa, 2014](#))

From a legal standpoint, ensuring the independence of the central bank requires the central bank to be proactive or autonomous in making decisions to achieve the target objectives, which means the central bank must have the capacity and authority to make decisions to perform its functions. To meet this requirement, the determination of authority, *reduction, or control* of public authorities’ ability to intervene in decisions of the central bank is necessary. The extent of authorities’ interventions, especially interventions by the government in the central bank’s decision-making process, depends on the selected central bank model and the system of law to bind this possibility. It should be emphasized here that, regardless of how the central bank model is chosen, the control of government dominance - the highest public administration, the exercise of executive power, and the executive body of the National Assembly in the decision-making process of the central bank is necessary. The reason for this fact is that decisions of the central bank are likely to influence the government’s macroeconomic performance, especially economic growth.

*In the short term*, the Law of the state bank should be amended to reduce direct government interventions to the SBV with real powers when the National Assembly decides on basic financial, and national currency regulations, that

means, the National Assembly must be the highest authority in the approval decision as well as the adjustment of national monetary policy. In addition, the roles and responsibilities of the Governor of the SBV in the functioning of the central bank should be promoted. To meet this requirement:

- Abolish the right to regulate the use of instruments and measures to implement the objectives of the national monetary policy of the Government and reserve the right to make this decision to the Governor of the SBV. The Governor of the SBV is responsible to the National Assembly for the effective use of tools and measures to achieve the objectives of the national monetary policy. Adjustments to instruments or objectives of national monetary policy must be decided by the National Assembly.

- Abolish the right to request the State Bank to obey the Government's orders by authorizing the State Bank to reject requests for guaranty to abroad capital borrowing credit organizations, the right to refuse to make advances for the Central budget to handle state budget overspending. In case it is necessary to advance the central budget to handle the State budget deficit, the National Assembly shall have the authority to decide.

- Ensure the sole authority of the SBV for decisions that go under the central bank function. The SBV is the authority to set inflation targets as the basis for the Government to submit annual inflation indicators to the National Assembly. This is a necessary step to move from compliance with inflation targeting to monetary policy management with targeted inflation and ensuring more sustainable economic growth, which means that monetary policies must ensure the stability of the currency value. The State Bank is directly responsible to the National Assembly for maintaining and stabilizing the value of the national currency ([Vien, T.G. 2016.a, 2018](#)).

*In the long term*, it is necessary to study the restructuring of the organizational structure and functions of the State Bank of Vietnam in the direction of transferring the government management functions to banking activities to the Ministry of Finance, the State Bank of Vietnam should retain the central bank's function, with a focus on ensuring the stability of the value of money, taking the central role of banking security and the system of credit organizations (banking function of the banks) and ensure the safety of the national payment system. The State Bank of Vietnam must be an independent institution for the branches of state power ([Le, T.T.T. 2013](#)) so that the performance of the central bank can be as effective as desired. The State Bank of Vietnam needs to continue to be innovated to have a reasonable organizational

model and a synchronous, effective, and efficient operating mechanism in the direction of gradually increasing independence, initiative, and accountability in implementing the objectives of monetary policy management, controlling inflation at a consistent level with socio-economic development orientations in each period, supporting macroeconomic stability, promoting the goal of sustainable economic growth ([Prime Minister, 2018](#)).

#### D. CONCLUSION

Limiting the Government's intervention in the operation of the central bank is one of the factors that ensure the independence of the central bank when performing its functions, duties, and powers. From the reality of Vietnamese law, it can be seen that there are many provisions of the Law on Government Organization, the Law on the State Bank of Vietnam, which allow the Government to have the authority to directly intervene in performing the central banking function of the State Bank of Vietnam. These interventions can be effective in the short term and ensure the Government's economic growth target. However, in the long term, these interventions, if not limited, especially the independence in the capacity of the lender of last resort and making advances to the central budget to deal with the temporary shortage of state budget funds under the Prime Minister's decision, which is essentially a government's loan to the central bank. The State Bank of Vietnam needs to perform well in its accountability to the National Assembly instead of to the Government. In addition, ensuring transparency in decisions on using tools to implement the national monetary policy, ensuring the safety of banking operations and the system of credit institutions as well as the national payment system is important for the good performance of the central bank's accountability.

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