



In recent months, the Government of Vietnam has been intensifying efforts to prepare for an extensive reorganisation of its machinery and resources, aimed at creating a leaner, more efficient bureaucracy. This restructuring is set to be one of the country's most dramatic changes in decades, involving not only the reduction of governmental ministries and personnel, but also a comprehensive overhaul of the country's administrative map and governance structure.

Although these changes are expected to help Vietnam become a more investor-friendly environment, temporary disruptions to business operations are inevitable. This article provides an outline of the key changes that will likely have a considerable impact on investors and businesses, as well as recommendations on how investors can be prepared for upcoming developments.

A. Key changes to the structure of the Vietnamese Government

The restructuring of the Government of Vietnam consists of two main components: (i) reducing the size of the administration through the reorganisation of ministries and governmental bodies, i.e. government downsizing; and (ii) redesigning administrative units and the local governance model.

i. Government downsizing

The initiative to restructure the government is not a recent phenomenon, as it has been contemplated by the leaders of the Communist Party of Vietnam for some time, and was officially documented under *Resolution No. 18-NQ/TW issued by the Central Committee of the Communist Party of Vietnam in 2017 ("Resolution 18")*.¹ With the accession of the new Party Secretary To Lam in September 2024, the policy received renewed attention and a call for action. Within just a few months, the Steering Committee on the Implementation of Resolution No. 18-NQ/TW, led by the

¹ Resolution no. 18-NQ/TW issued by the Central Committee of the Communist Party of Vietnam on 25 October 2017 on certain issues regarding the continued reform and reorganisation of the political system's organisational structure toward streamlined, efficient, and effective operations.

Minister of Home Affairs, issued *Plan 141/KH-BCDTKNQ18* in December 2024² (“**Plan 141**”) to provide an overarching plan for the restructuring of the government apparatus. Based on the statistics from the Ministry of Home Affairs, there are currently approximately 1.7 million personnel on the government payroll.³ The restructuring is expected to reduce the size of the government on average by 15-20%, with some merged ministries expected to downsize by as much as 40%.⁴ Deputy Prime Minister Nguyen Hoa Binh initially estimated that the planned changes to the central government may affect up to 100,000 government jobs.⁵ However, it has recently become clear that the number is expected to reach at least 200,000, if not more, once the reorganization of the local administrative units is completed.⁶

According to Plan 141, the number of ministries in the government will be reduced from 18 to 14, including the dissolution and merger of several ministries. The changes contemplated by Plan 141 that will have the most significant effect on investors and businesses include:

- The Ministry of Planning and Investment (“**MPI**”) will be dissolved, with its responsibilities being transferred to the Ministry of Finance. Currently, the MPI and its provincial branches oversee all foreign investments, business establishment and operations, and are responsible for issuing the licenses necessary for investors and businesses to operate in Vietnam.⁷
- The Ministry of Home Affairs is expected to assume control of all labour-related functions from the soon-to-be dissolved Ministry of Labor, Invalids and Social Affairs. This includes the registration of labour use and internal labour rules of businesses, work permits for foreign employees, and all other employment-related matters such as the control of labour policies, wages, and social security.⁸
- The Ministry of Resources and Environment and the Ministry of Agriculture and Rural Development will be merged to form a Ministry of Agriculture and Environment. Among other things, the current Ministry of Resources and Environment is responsible for the issuance of land and property certificates, land use plans, and policies.⁹

ii. *Merger of local administrative units*

Under current regulations, the administrative units of the Socialist Republic of Vietnam are organised into three tiers: (i) **provincial level**, which includes provinces and cities directly under the

² Plan no. 141/KH-BCDTKNQ18 issued by the Steering Committee on the Implementation of Resolution no. 18-NQ/TW on 6 December 2024.

³ <https://dantri.com.vn/xa-hoi/20-vien-chuc-huong-luong-ngan-sach-co-the-mat-viec-do-sap-xep-bo-may-20250325130640977.htm>, dated 27 March 2025.

⁴ Plan 141, Section II.1.2; <https://vietnamnews.vn/politics-laws/1689228/government-restructuring-to-reduce-organisations-by-35-40-per-cent.html> dated 18 December 2024.

⁵ <https://laodong.vn/thoi-su/100000-nguoi-bi-anh-huong-khi-sap-xep-bo-may-1438654.laod> dated 21 December 2024.

⁶ <https://thanhnien.vn/so-nguoi-anh-huong-khi-sap-nhap-tinh-co-the-hang-tram-nghin-nguoi-185250325182806755.htm>, dated 25 March 2025.

⁷ Plan 141, Section II.2.2(b)(1).

⁸ Plan 141, Section II.2.2(b)(5).

⁹ Plan 141, Section II.2.2(b)(3).

control of the government; (ii) **district level**, which includes districts, towns, and provincial cities; and (iii) **commune level**, which includes communes, wards, and towns.¹⁰

Concurrently with the downsizing of the central government, Vietnam is also set to condense the size of local governments. In early March 2025, the Politburo issued *Conclusion 127-KL/TW* (“**Conclusion 127**”), which provides preliminary principles for the reorganisation of administrative units.¹¹ Accordingly, there will be a reduction in the number of provincial-level administrative units through the merger of provinces. Additionally, the district level of government will be eliminated altogether, replacing the current three-tier hierarchy with a two-tier local governance model consisting of only provincial-level and commune-level governments. Likewise, district-level police and district-level courts will also be removed. The Party Secretary, To Lam, has announced that following the reorganization, the number of provinces is expected to decrease from the current 63 to 34, with around 5,000 local commune-level administrative units.¹² Although there have yet to be any official plans from the government on the precise details of the reorganisation, Conclusion 127 provides specific timelines for the research and formulation of specific plans for the reorganisation of local administration, the judiciary, and related governmental bodies. In particular, any plans for reorganisation must be presented to the Central Committee of the Communist Party by 7 April 2025, and proposals for amendments to the Constitution and various laws must be presented for finalisation by the National Assembly by 30 June 2025.

B. Purpose of restructuring and potential benefits for investors and businesses

Based on a recent report published by the Vietnam Provincial Governance and Public Administration Performance Index, an initiative of the United Nations Development Programme (UNDP), some of the largest weaknesses in Vietnam’s public governance and administration include low participation at local levels, a lack of transparency, inadequate vertical accountability, cumbersome public administrative procedures, and limited e-governance.¹³ A report conducted by Vietnam’s Ministry of Home Affairs also determined that, currently, at least 20% of government units have overlapping functions and responsibilities, especially concerning land management and inspections, causing great inefficiencies in implementation and difficulties for individuals and organisations in determining the competent authority for certain procedures.¹⁴

The Vietnamese government’s commitment to restructure and modernise its machinery demonstrates a clear determination to improve the quality of governance. The proposed reforms are aimed at

¹⁰ Law no. 65/2025/QH15 on the Organisation of Local Government passed by the National Assembly of Vietnam on 19 February 2025.

¹¹ Conclusion no. 127-KL/TW issued by the Politburo on 28 February 2025 on implementing research and proposal to continue organising the apparatus of the political system.

¹² <https://e.vnexpress.net/news/news/vietnam-plans-to-reduce-63-cities-and-provinces-to-34-4867240.html>, dated 29 March 2025.

¹³ [The 2023 Viet Nam Provincial Governance and Public Administration Performance Index \(PAPI\) Report](#) published on 2 April 2024.

¹⁴ <https://nhandan.vn/cuoc-cach-mang-tinh-gon-bo-may-muc-tieu-thach-thuc-va-co-hoi-post851998.html> dated 23 December 2024.

enhancing efficiency and accountability by creating a leaner and more responsive government, granting more autonomy to local governments, and reducing wastage of public funds and overhead costs. The goal is to continue to drive economic growth by creating a more business and investor-friendly environment, through:

- More efficient and streamlined procedures, reducing administrative burdens by saving time and resources for investors and businesses;
- Clearer regulatory policies and governance, eliminating overlapping authorities and functions to avoid confusion for organisations and individuals; and
- The elimination of district-level courts allows cases to go directly to higher-level courts, promoting consistency and quality of rulings and guidelines.

The Vietnamese government has also taken steps to provide more certainty and assurances to foreign investors during the process of revamping its structure. The Ministry of Foreign Affairs has stated that the government restructuring will not affect the business and investment environment in Vietnam, as the ultimate goal is to simplify procedures to create more favourable conditions for economic actors.¹⁵ More recently, the National Assembly of Vietnam also issued a resolution providing guidelines for the reorganisation process, to provide some certainty and clarity for investors and businesses.¹⁶ More specifically, the National Assembly has provided that the government restructuring process must not prescribe additional requirements or conditions, increase processing time, incur costs, or cause difficulties for individuals or organisations during the implementation process¹⁷ by adhering to the following principles:

- The restructuring process must not interrupt the implementation of commitments to international treaties and agreements to which Vietnam is a party.¹⁸
- Post-restructuring, the relevant competent authorities must not require individuals and organisations to resubmit documents or re-perform administrative procedures that were completed before the restructuring.¹⁹
- Any documents, licenses, and permits issued or granted by the relevant competent authorities prior to the reorganisation that have not expired shall continue to be valid until their expiry dates. Organisations and individuals will not be required to perform any administrative procedures to issue or replace documents issued by the relevant competent authorities prior to the restructuring when such documents have not expired, unless otherwise provided by law.²⁰

¹⁵ <https://vietnamlawmagazine.vn/vietnams-business-climate-unaffected-by-state-apparatus-reshuffle-spokeswoman-73560.html> dated 14 February 2025.

¹⁶ Resolution no. 190/2025/QH15 issued by the National Assembly of Vietnam on 19 February 2025 (“**Resolution 190**”).

¹⁷ Resolution 190, Article 13.3(c).

¹⁸ Resolution 190, Article 2.2.

¹⁹ Resolution 190, Article 10.2.

²⁰ Resolution 190, Article 10.1.

C. Potential challenges

Despite the assurances from the government and the potential long-term benefits of the reorganisation, short-term challenges and disruptions are inevitable during the process of restructuring. In practice, many investors in recent years have already faced such disruptions, driven by fears of corruption investigations and a lack of certainty—a problem that the current restructuring is specifically aimed at addressing. More specifically, investors and businesses may have to face:

- Disruption and temporary slowdowns in the processing of administrative procedures during the transfer of functions and personnel between ministries.
- Delays and hesitancy in decision-making by the relevant authorities due to temporary uncertainties, regulatory changes, and updates.
- New governing bodies may potentially require new licenses and permits.
- The elimination of district-level government may overburden commune-level government or shift the burden onto individuals and organisations to interface with provincial-level government.

D. Key takeaways for investors and businesses

In light of these changes, we strongly recommend that investors and businesses closely monitor updates and regularly track changes in laws and regulations to stay informed. You should also anticipate future regulatory shifts, be prepared for them, and remain flexible to adapt quickly to any unforeseen changes. Finally, businesses and investors should frequently liaise and maintain consistent communication with the relevant regulatory bodies to stay updated and promptly address any emerging issues.

Further information

Should you want to stay updated on the regulatory changes in Vietnam and how these developments may affect you or your business, please get in touch with the following persons:

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