

COMMUNE-DRIVEN DEVELOPMENT IN VIETNAM

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The PORIS experience in Nghe An Province

The PORIS project (Poverty Reduction through Institutional Strengthening, 2009-2014) aimed at institutionalising commune-driven development in the framework of the Vietnamese Socio-Economic Development Plan.

PORIS targeted decentralised government structures at Nghe An Province level, Quy Chau District level and Quy Chau's Communes. Its objective was to contribute to a stronger public administration to manage pro-poor growth, poverty reduction and socio-economic development.

Communes were taught how to plan, budget and implement service delivery to the people, and had access to a Commune Development Fund to implement locally identified priorities. The Commune Development Fund was the tool for capacity building, providing on average 27,500 euros per year per commune (750 million VND) to fund three communal needs: small-scale infrastructure, local economic development and public service delivery.

In the course of four cycles, the communes learned to implement a new planning and budgeting approach. At the end of the project they were able to design social and economic development plans making use of multiple resources. For the 2015 planning cycle, there was no more commune development fund available.

PORIS was managed by the department of Planning and Investment (DPI) of Nghe An Province and Quy Chau District. It covered all 11 communes and the district town of Quy Chau District. Its budget totalled 3.7 million euros (101 billion VND), one third Vietnamese contribution, two thirds Belgian contribution.

Stronger local public institutions to reduce poverty

Key points

- The PORIS project proved that with adequate technical and political support, communes can efficiently deliver local services addressing the needs of the citizens. Commune-driven development is effective because it boosts local contributions and facilitates local development initiatives. It also paves the way for increased transparency and accountability.
- By bringing the decision-making process on local service delivery and economic development closer to the citizens, service delivery becomes more efficient. It gives a voice to the citizens and makes them stronger to demand more accountability on the part of the communes.
- The planning approach in the communes has fundamentally changed from an administrative desk job to a participatory and more inclusive exercise for the preparation and implementation of socio-economic development plans.
- The PORIS project showed that communes are the most suitable starting point for decentralised planning, budgeting and implementation of socio-economic development. This approach enhances efficient redistribution of taxes.
- Two major conditions have to be met for decentralised management to be successful. In the first place the commune needs to have access to predictable resources. It needs to know how much money is available from different sources before it can complete its development plan. Secondly, the commune needs to have relative autonomy over its resources to support local development priorities.





Context

Vietnam is a unitary state with one central government, 63 provinces, 680 districts and around 11,000 communes. Each level of government has both legislative and executive authorities. At central level, legislative authority rests with the National Assembly, and executive authority rests with line ministries and agencies. At local level, each tier of government has People's Councils to exercise legislative authority, and People's Committees and line departments to exercise executive authority.

Since the 1990s Vietnam has undertaken continuous efforts to align the national planning system to the requirements of the market economy. Three phases can be identified in the reform of the socio-economic development planning. The first phase experimented participatory planning at the village level (until 2006), the second phase integrated participation in the government planning system (until 2009), and the ongoing third phase of institutionalisation ensures the participatory approach is sustained, and good governance at sub-national level is improved. Currently, provinces are integrating bottom-up practices into their planning system.

Legal framework

Although a national legal document on planning reform is not yet available, there is a legal basis for reforming communal development planning:

- The Law on the organisation of People's Councils and People's Committees. Participatory development planning is essentially the application of a new way to perform the statutory function of the Commune People's Committee.
- Decree No. 79/2003/ND-CP, later upgraded to Ordinance 34/2007/PL-UBTVQH11 on promoting grassroots democracy at the commune/ward level.
- The National Programme on Public Administration Reform (PAR) in 2011-2015. One of the institutional reform tasks in the PAR is 'to build and improve legal regulations on the relationship between the state and the people, with a focus on promoting and guaranteeing people's ownership, consulting people before important state decisions, directives or policies are made, and ensuring people's oversight rights over activities of state agencies'.
- The National Target Programme on the New Rural Development Programme (NRDP). The core and most creative part of this programme is to promote people's spirit of ownership in local development. Communes should have a master plan on socio-economic development and all rural development efforts should be grassroots-level and participatory.

PORIS as a pilot to generate persuasive evidence

So far, more than 30 provinces have reformed local planning. Many provinces have understood the necessity of piloting first, until there was enough persuasive evidence about usefulness and benefits. Some provinces, including Hoa Binh,

Quang Tri, Ninh Thuan and Ha Tinh, have reformed development planning by institutionalising the participatory approach. They introduced guidelines on participatory planning for the communes and created the necessary conditions to sustain the approach, including the provision of development budgets for the communes and integrating training on development planning into the annual curriculum of the provincial government system. Following the experiences of these pioneering provinces, Nghe An province decided in 2014 to institutionalise the socio-economic development planning.

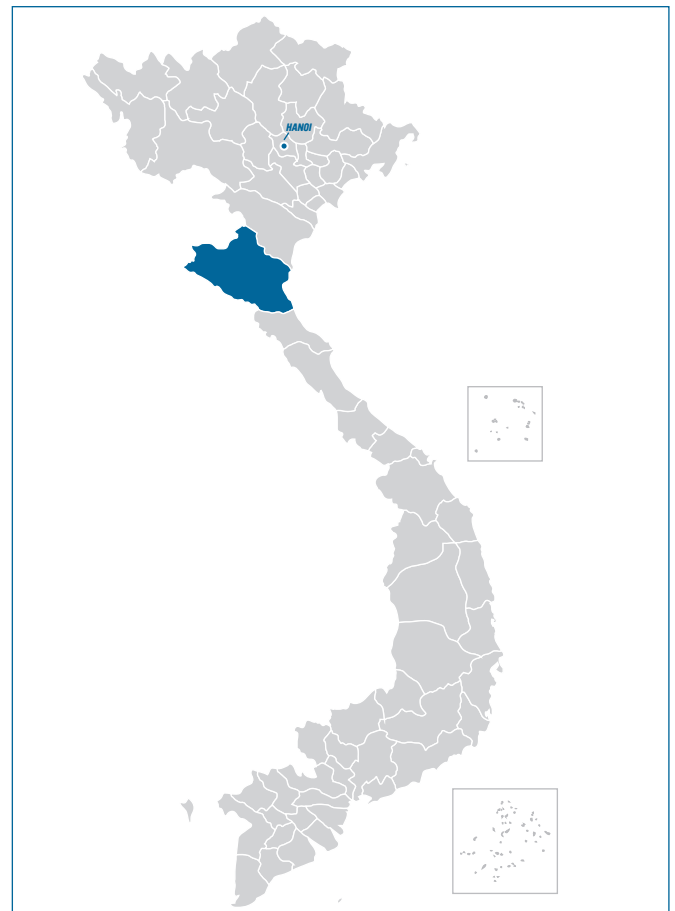


Figure 1: Vietnam - Nghe An Province.

This decision was taken based on pilots in a number of districts, the main one being the PORIS project in Quy Chau District.

PORIS achieved important results. The planning approach in the communes has fundamentally changed from an administrative desk job to a participatory and more inclusive exercise, involving all levels of staff in the province. The participatory approach and the availability of a modest but predictable annual Commune Development Fund created the necessary conditions for the commune staff to become active and enthusiastic development facilitators. The project assisted the communes in becoming investment owners of small-scale development projects. The citizens were sensitised about the importance

“ The PORIS project has achieved significant results, especially in terms of increasing awareness of the communities and enhancing transparency in local governance. ”

Mr. Le Xuan Dai

Vice-Chairman of Nghe An People's Committee

of participating in the development planning. No less than 205 locally prioritised projects have been implemented.

The experiences in Nghe An have shown that, with the right leadership and technical support, it is possible to work towards grassroots democracy and decentralised socio-economic development.

Decentralising public management: Why?

Public sector decentralisation has become a global phenomenon. Many countries pursue it in order to improve service delivery, enhance governance and accountability, increase equity and promote a more stable state. Vietnam is no exception. With 55% of the state expenditures spent at the sub-national level (World Bank 2014), Vietnam is a highly decentralised country.

However, Vietnam still operates a nested budget and planning system within a hierarchical subordination and vertical integration of plans at all levels. This creates tensions in the decentralised system. In different places in the world, the role of local authorities is generally both to 'localise' central policies and autonomously develop and implement their own policies (BTC, 2013). It is in this context that the PORIS project piloted decentralised socio-economic development planning at the communal level.

A 2014 World Bank study confirmed that the fiscal decentralisation system in Vietnam is effective in redistributing revenues to poorer provinces (pro-poor fiscal decentralisation). In a report on Social Cohesion in Vietnam, the OECD states that there is little evidence that this redistribution to the provinces translates into improved service delivery. According to the study, budget allocations should be further decentralised through participatory mechanisms at communal level to ensure that public services meet the needs of the local population (OECD, 2014). PORIS contributed to strengthen this redistributive efficiency.

The benefits one can generally expect of decentralised planning, budgeting and implementation can be summarised as follows:

1. Decentralisation can improve effectiveness. Decentralised public management enhances citizen participation and ownership. Decentralisation allows for more competition

among local authorities, facilitating innovation and best practices. These can positively impact on the outputs of services and public investment.

2. Decentralisation can improve efficiency. Decentralised public management increases the efficiency and the equity of services allocation, and the access to public resources. It yields a better cost-benefit ratio for service delivery. The selected priorities will better address the needs of the population. Irrelevant services are avoided. Local contributions will rise with the greater focus on community priorities.

3. Decentralisation can improve political and financial accountability. Bringing the decision-making closer to the people increases the opportunities for both demand and supply accountability. It is easier for the population to access the decision-makers. Also, the proximity is an incentive for the decision-makers to take people's demands and needs into account.

These are the assumptions under which PORIS has been working. This paper will clarify to what extent these comparative advantages of a decentralised system have been confirmed in the project.

Complexity of decentralised socio-economic development planning

While decentralised planning, budgeting and implementation may clearly generate benefits, it is not an automatic and easy process. Making decentralisation work is complex, and complex changes create proponents and opponents.

In Vietnam, decentralisation efforts faced opposition for a number of reasons. The increased number of stakeholders and the more complex procedures would be too time-consuming for the staff. The communes, as the lowest level of government, lack the technical capacity to manage the planning cycle properly. It was feared that service levels would drop and corruption would rise. Making the communes more accountable would imply complex institutional and fiscal decentralisation changes. Increased local autonomy would undercut the control function of the district and the province.

The Vietnamese political agenda is clear on participation and local democracy, the core elements of decentralisation. Current practice shows that the communes in Quy Chau district have become capable of managing the socio-economic development planning themselves, with little supervision from the district. Grassroots democracy in practice can work.

Is commune-driven development more effective?

PORIS took advantage of the proximity of the citizens to facilitate their involvement in prioritisation and supervision of ser-



“As the Chairman of the Youth Union, I regularly organise meetings for my Union. In the past, I just followed the approach of my superiors. I would stand in front of the audience and give a lecture. I thought this was the way to do it, to be looked at as a powerful and decisive man. After joining the Commune Planning Team, I have learned that I can sit together with the members on the floor of the house, discuss the issues and ask for comments and ideas. I find this is a more effective way of facilitation, and my members also see me more as a friend than as a boss.”

Chau Hoan
Commune staff

vices. Learning by doing was an effective way to strengthen the capacity of local government staff.

Decentralised public management stimulated local initiatives

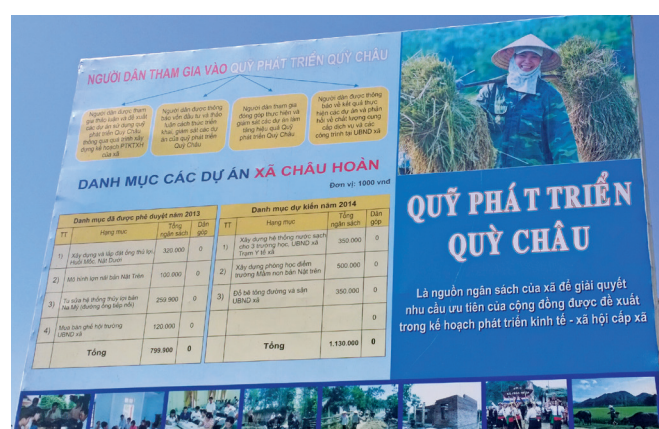
A major weakness of the traditional way of socio-economic development planning is that it is based on the ‘begging-giving’ mechanism, perpetuating a passive and dependent attitude of local government. Commune-driven development planning offers the opportunity to work closely with the citizens on local development. Communities become actors of their own local development, especially through the emergence of village platforms for voicing their needs and overseeing implementation. The village head assists the villagers in selecting promising economic development activities and the most needing beneficiaries.

Commune staff were given training on how to guide the communities and work together with them, on how to use a planning manual and how to select the right channels for effective communication with the villages.

Communities monitoring project implementation

In line with the Grassroots Democracy Ordinance, villagers were given supervisory responsibilities for the implementation of small-scale infrastructure projects. As required by legislation, public projects in villages were supervised by a Community Investment Supervision Board, whose members are knowledgeable villagers. This supervision at village level was introduced by PORIS as part of its capacity development agenda. Supervision by the community is crucial to make sure the contractors deliver quality work. Communities can report bad jobs or irregularities to the communal authorities. However, this requires more technical competencies as well as clear supervision guidelines for the members of the community supervisory committee.

The project also facilitated community access to information on public investments. Lists of priority projects were displayed on posters. Basic project information such as budget, timing, contractor, etc. was displayed to inform the inhabitants on communal activities.



Communal planning board with selected development priorities.

An effective capacity development tool

The lack of capacity of communal staff is very often given as a reason not to decentralise public investment. The most important issue is then to take effective actions to raise capacity at the communal level. Traditional capacity development focuses on training courses, the impact of which is usually very low. The PORIS experience reveals that an effective way to build commune staff capacity is through hands-on activities, with increasing responsibilities and budgets. The Commune Development Fund has been an efficient capacity development tool for the communes. District staff can provide on-the-job training for the communes. PORIS demonstrated that 2-3-years on-the-job training and supervision is sufficient for remote disadvantaged communes to acquire the necessary capacity to execute simple public investments.

Is commune-driven development more efficient?

Decentralised management of public services generally leads to a more efficient allocation of budgets, because the focus will be on local needs and local priorities. This results in a more effective use of the available resources. Decentralised planning also stimulates communities' contribution to the projects.

Commune Development Fund

Through a Commune Development Fund the communes of the PORIS project could decide themselves on the allocation of budgets to implement local priorities. This possibility made planning more meaningful too. At the beginning of the planning cycle, each commune was allocated an indicative budget. This enabled them to prioritise investments for socio-economic development.

The Commune Development Fund is essentially a fiscal transfer system. The allocation of funds to each participating commune varies according to indicators such as population, poverty and remoteness. The Commune Development Fund is not an infrastructure or an investment fund. It is a capacity-building tool and an unconditional grant pilot initiative to demonstrate that communes can effectively plan, budget and manage local services and local development. It was hoped that positive results would encourage further (fiscal) decentralisation to the communes. The allocation criteria could be elaborated and even include performance criteria to stimulate effectiveness and competition among local authorities.

Participatory planning for more realistic needs

The socio-economic development planning by the communes collects proposals from the villages that reflect their most urgent needs. Communal staff facilitate the expression of village needs, which are then aggregated in a Communal plan and prioritised according to available resources. Hence the importance of a predictable Commune Development Fund. This way of working guarantees that the priority needs are much more than a simple wish list.

“ In the past we received targets from the district on what we should do, such as increasing the number of buffaloes in our commune, even though we do not have any buffaloes here. Now we have a long list of locally identified priorities, that surely exceed the available resources. But we discuss the list with all the village heads and decide on the most pressing needs. ”

Chau Binh

Chairman of the commune's People's Committee

In addition to small-scale infrastructure, the Commune Development Fund supported local economic development activities based on an analysis of economic opportunities. In some villages the fund supported chicken, pig or duck farms; in other villages it supported the production of incense sticks.

Commune and district staff were trained in area analysis and priority setting. The success of these support activities was mainly the result of soft methods such as training, extension, close monitoring and technical support during start up.

“ Commune leaders used to decide by themselves which villages should receive funding for small-scale infrastructures. But in the PORIS approach, everything is publicly discussed, considered and decided. Therefore, even when not being given priority, all villages feel satisfied with the decision that is being made. ”

Tan Lac Town
Commune officials

Local government staff works more efficiently

By using the simple six-steps planning method, communal staff learned to facilitate community meetings to identify problems and priority needs. They learned simple prioritisation techniques and how to implement the participatory planning approach in a systematic way. Communal staff confirm that they have improved their knowledge on planning by participating in the PORIS planning process. They learned to set priorities and to link planning with budgeting.

Before the arrival of PORIS they couldn't get things done or decide what should be done first. By the time the project closed, on the other hand, when a request or activity could not be prioritised immediately (due to budget constraints), it would be put on the agenda for consideration in the next planning cycle. In this way, all ideas can be taken into account. Despite an increased workload, communal staff feel more positive about their work.



Figure 2: The six-steps planning cycle.



The budget is spent wisely

Budget efficiency is achieved in different ways. Having one communal development plan that incorporates all development needs and includes all the available resources, will prevent double funding and reduce the risk of listing non-priority needs. It has happened in the past that two different support programmes provided the same equipment or service (e.g. hospital beds, building material, furniture). In addition, when looking at commune priorities, it is possible to combine similar needs from more than one village. In Chau Thang commune, for instance, four villages use one irrigation canal that is renovated both by the National Target Programme 135 and PORIS.

A second way to achieve budget efficiency is to mobilise resources from villagers and the private sector. When villages are more involved in their own development plans, they are also willing to put more efforts in the implementation, not only in kind, but also in cash. Box 1.

Box 1. To deal with water shortages during the dry season, Lau 2 village decided to convert part of a stream into a water tank. The village asked the commune to hire a contractor to design and construct the tank. The villagers were mobilised by the commune to carry out the preparatory work and part of the excavation. A group of specially trained villagers, including the village head, supervised the construction works. Their task was to check the drawings, the concrete dam and the excavation work for the two-meter deep tank. The rules for using the tank water were set during the village meeting. It was agreed not to take water from the tank during the rainy season. All the households would contribute to maintenance of the tank and clean it twice or three times per year. The tank has been in use since May 2013. It provides sufficient water for the entire village during the dry season.



A third way to improve budget efficiency is to look for opportunities where small investments generate relatively large returns. Government subsidies can have a large impact on villages. Box 2.

Box 2. Mr. Phan Doan and Mrs. Dinh Thi Nga from Tan Lac Town have been making incense for ten years. They usually hire seven to eight workers to help them during the incense season, from late September to late December. Before PORIS, they had to cut the paper to cover each incense stick manually. Cutting one stack of paper takes a skilled worker about two hours; per day they can only handle two or three stacks.

With support from PORIS, incense makers in Ward 1 were equipped with a cutting machine. The couple contributed 30% of the investment (VND 7 million). They also rented the machine to villagers from their own ward, with a large discount as agreed during the sale. The machine can operate all day long; it takes 15 minutes per stack of paper.

The cutting machine has improved productivity and reduced cutting costs by 50% to 60%.



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As soon as the communes experienced the positive impact of the PORIS approach, they started to integrate other funding sources (such as National Target Programme 135 on poverty reduction and the New Rural Development Programme) in their socio-economic development planning. In this way the communes began to formulate one single development plan, covering multiple activities and resources.

“ In the traditional approach, a plan was made on paper, but in such a way that many things that were planned could not be implemented [...]. Now the communes make the plan and we have money to implement it. The villagers know that the commune leaders will walk the talk, so they trust them more. ”

Tan Lac Town
Commune officials

Decentralised management = more accountability?

To be effective, decentralised public management requires both upward and downward accountability. Making villages and communes responsible for planning and implementation and allocating budgets to the communes, increases their sense of responsibility and accountability towards the districts (that transferred the funds). The districts were at first reluctant to concede project management ownership to the communes. But once it was agreed to test it, communes had to live up to the expectations. The increased accountability between communes and villages and within the villages themselves appeared to have a significant effect on the efficiency of the decentralisation process. Accountability was introduced both in formal regulations and informal settings. Because of this increased accountability, communes and villages felt more confident in their roles.

Village accountability

The new socio-economic development planning approach brings decision-making closer to the people. Villagers pay more attention when decisions concerning their own livelihood are taken. They are perfectly capable of analysing the various needs in the community and decide on common priorities during meetings.

“ Almost all meetings were held in the evening to allow villagers to attend. I was keen to attend the meetings since they talked about my benefits. ”

Tan Lac Town, Ward 1
People and village planning group

Public goods are assets of the entire village, and therefore the community has to take care of them. Small-scale infrastructures need more care – supervising construction work and maintenance – especially when the investments are co-funded by different communities.

Thanks to PORIS, villagers not only became more responsible for their own lives (through the village meetings and joint planning activities), they also felt more accountable to their entire community. They became more willing to coach other villagers in order to sustain the new local economic development model. A successful pig farmer will more easily support other villagers when they venture in a similar activity.

Villagers have become aware of the importance of analytical skills. In the PORIS project, communal planning officers and the village planning team deal with many suggestions and

requests for support from villagers. Together they select the best solutions. Once agreed, the village heads discuss and defend the proposals at communal meetings. This entire process has enhanced villagers' capacity to view things logically, to identify opportunities and problems, to find solutions, and to negotiate with different stakeholders. And through this process, the village leaders have become more accountable to the villagers.

Commune accountability

Communal staff have become more accountable to their respective villages and districts. By consolidating their needs in a single development plan and having feedback meetings on the draft plan, there was a collective decision-making process. Since every commune officer was assigned to work with one village, the villagers knew who to ask their questions to.

Commune accountability to the district becomes evident, as the commune 'owns' its investments. Communes account for the budget they have been entrusted with. They gradually developed the required capacities, like financial management skills, managing tender procedures and supervising construction works.

Downward accountability was also improved, be it to a lesser extent. Communicating on the planning and budgeting process was part of the communes' duty to inform the communities on the implementation of the decisions related to the socio-economic development plan. Annual budgets allocated to the communes, the list of prioritised projects and the costs were communicated to the villages. This made it easier for the communities to have a general view on the priorities and the communal work. Entrusting the communities with project supervision also increased the demand side of accountability. This could be developed even further through citizen-oriented planning using feedback scorecards.

Can the results be sustained?

The PORIS project showed that communes are the most suitable starting point for decentralised planning, budgeting and implementation of socio-economic development. This approach enhances efficient redistribution of taxes.

Two major conditions have to be met for the success of decentralised management. In the first place the commune needs to have access to predictable resources. It needs to know how much money is available from the different sources before it can complete its development plan. Secondly, the commune needs to have relative autonomy over its resources to support socio-economic development priorities. Some National Target Programmes (e.g. P135, NRDP) are flexible enough to allow some communal implementation and autonomy. The BTC project's Commune Development Fund provided complete autonomy. Within the federalist features of Vietnam's

model, this increased autonomy to the communes is within the responsibility of the Provinces. In order to meet the above-mentioned conditions, it is crucial to have committed leaders at provincial and district level. They guide the districts and the communes towards their new roles.

The communes need a legal framework for medium-term planning. Without it they have no legal ground to act. Also, they need technical instructions, such as manuals, forms, templates and guidelines to put local management into practice. In order to sustain the approach, planning working groups are necessary at all administrative levels. Training and coaching should be provided for staff members on a regular or even continuous basis, so as to make sure that even staff turnover does not impede continuity. The new socio-economic development planning approach tested with PORIS should now be scaled up to district and provincial level. Indeed, districts and provinces have their specific priorities that go beyond the aggregation of the combined commune plans.

Finally, monitoring and evaluation of output and process are valuable tools to know if and when results are achieved. That is important to account for the investments and to be able to adjust the plans for the next period. Knowing whether the planning process has been implemented properly gua-

rantees a continued focus on village needs and commune capacities.

Conclusion

Decentralisation in Vietnam started in the mid-1990s. Since then, significant progress has been made in devolving resources to lower levels of government. However, increased fiscal transfers for poverty reduction do not automatically mean that the money is spent efficiently. In order to move towards more efficiency, greater fiscal and administrative decentralisation of resources and responsibilities to district and commune level is needed.

PORIS has been piloting decentralised planning, budgeting and implementation at the communal level in Nghe An province. The project proved that with adequate technical and political support, communes can efficiently deliver local services addressing the needs of the citizens. PORIS demonstrated that commune-driven development is effective because it increases local contributions and facilitates local development initiatives. It also paved the way for increased transparency and accountability. Implementing this approach on a wider scale in the country may accelerate socio-economic development.



BTC, the Belgian development agency, supports and provides expertise for development programmes for the account of the Belgian State and other commissioners.

Rue Haute 147
1000 Brussels, Belgium
T + 32 (0)2 505 37 00
info@btcctb.org
www.btcctb.org

Have contributed to this publication

Jean-Christophe Charlier
Jos Brand
Vu Cuong

Internet link

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