

November 2003

**DECENTRALISATION IN VIETNAM –
WORKING EFFECTIVELY AT PROVINCIAL AND LOCAL
GOVERNMENT LEVEL – A COMPARATIVE ANALYSIS OF
LONG AN AND QUANG NGAI PROVINCES**

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Agency of International Development**

Disclaimer – This report provides a snapshot of the decentralisation issue in Vietnam by focusing on two provincial case studies. It is disseminated with the intention of providing material to contribute to the debate and implementation of decentralisation in Vietnam. This study does not necessarily represent the views of either the Governments of Australia or Vietnam and neither government guarantees the complete accuracy of the translation. Whilst care has been taken with the translation, we apologise for any inaccuracies and note that the English version remains the source document.

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EXECUTIVE SUMMARY

This report deals with aspects of decentralisation in Vietnam, a country that has changed radically since the end of the Vietnam war in 1975, and is now, in the opinion of many, a relative developmental ‘success’, with good performance in terms of social indicators as well as economic growth.

This report examines the Vietnamese decentralisation experiences from a comparative point of view. Existing literature on decentralisation in Asia in general and post-socialist societies in particular focuses on four aspects of the process: administrative decentralisation, fiscal decentralisation, political decentralisation, and new development administration. Administrative decentralisation focuses on the delegation of power from one administrative level to another, while fiscal decentralisation deals with the redistribution of intergovernmental fiscal responsibilities. Political decentralisation focuses on the division of decision making and planning power while the new development administration shifts the emphasis from bureaucratic-oriented to citizen-and-market-oriented services provision. The terms “deconcentration,” “devolution,” and “deregulation” are used to describe these aspects. In Vietnam, the policy of decentralisation has mainly focused on the delegation of administration tasks (*phan cap quan ly*) The delegation of work to the private and non-governmental organisational sectors, known as “socialisation” (*xa hoi hoa*), is only a recent phenomenon.

The report identifies five structural constraints emerging in the 1990s. The first deals with the lack of legal framework for the division of tasks between central and local government units and among local government units themselves.

The second deals with legal authority relations in practice. The current organisational structure has delineated both vertical and horizontal authority relations. Yet, there remain practical problems in at least three areas: relationship between the People’s Council and the People’s Committee; the situation of dual subordination; and inter-departmental coordination.

The third constraint deals with potential problems in planning and management. The current administrative system is decentralised only in a limited sense. There has been a delegation of tasks from central to local government units. In the area of planning and management, however, there is no clear mechanism that promotes the local government’s pro-activity and creativity. While the central administration has expertise and its national programs reflect both national concerns and the means of delivering expertise to the provinces, central administrators may not have enough local information to make decisions. Local planning and management tasks, especially at the district and commune level, require professional expertise.

The fourth constraint deals with fiscal decentralisation. The current system of tax collection at the local level is not appropriate to the tasks assigned to local administrative units. This is especially the case with the commune level.

The fifth deals with the capacity of local officials. Decentralisation of planning, management and fiscal responsibilities require a certain level of knowledge on

planning, management, and finance. However, the educational level of officials and members of local representative bodies is comparatively low in these fields.

The report highlights the fact that decentralisation processes vary locally. Its analysis is based on a relatively detailed but preliminary examination of decentralisation in the area of rural service delivery in Quang Ngai and Long An provinces (Central and Mekong Delta regions respectively). Quang Ngai and Long An represent two different situations of decentralisation in Vietnam.

In Quang Ngai, decentralisation focuses on what is normally called deconcentration – that is, the delegation *inside* the state of responsibilities and functions determined by the central to the provincial level, and from the province to levels of the state below it. Economic development seems to be led by the local state. In the rural service delivery sector, the local state serves as both manager and provider. A private sector is operating but not as strongly as the state and cooperative sectors. This local state, however, turns out to be a relatively weak one. What is needed for this model is the strengthening of the capacity of the local state in planning and management and the strengthening of the sectors responsible for rural service delivery, while providing support for the non-state actors to develop.

Decentralisation in Long An is not limited to the division of labour within the state administrative system, but is also extended to the delegation of tasks to sectors *outside* the state. Discussion of the nature of decentralisation in Long An is thus not limited to the capacity of the local government to manage service delivery, but also extended to whether rural services provided by the private sector have sufficiently and equally benefited all sectors of rural populations.

The implications of this analysis for aid work cover two broad areas. First, that the main constraints upon decentralisation that can be addressed through ODA are mainly to do with training and knowledge development (which can include learning through practice). Second, that project design and preparation must take into account the variation in local conditions within Vietnam's national framework.

A NOTE ON SOURCES

The work for this report was carried out between November 11 and December 2, 2002. The report is based on the following sources:

- (1) Legal documents on decentralisation (see Annex II)
- (2) Secondary sources on decentralisation in Vietnamese (see Annex III)
- (3) Materials in English published by donors and donors' projects (see Annex IV)
- (4) Interviews with selected groups of donors (see Annex V)
- (5) Interviews of local government officials in Quang Ngai and Long An (see Annex VI and VII)

ACKNOWLEDGEMENTS

The authors thank AusAID staff members in Hanoi and Ho Chi Minh City for their help in arranging for the visits to Quang Ngai and Long An.

We also thank MPI and MOHA officials as well as Quang Ngai and Long An provincial authorities for their comments on an earlier draft.

INTRODUCTION

This report analyses the current allocation of decision-making responsibilities, authority and administrative capacities between central and local government in Vietnam and the extent to which they support achievement of substantive program or service outcomes. The term “local government” refers to units at the provincial, district and grassroots level.

The redefinition of central-local government authority relations has been an element of the public administration reform program (PAR), itself endorsed by the Eighth Plenum of the Central Committee (VII Congress) in 1995.¹ The PAR program has focused on the restructuring of the organisation of the government bureaucracy, the simplification of administrative procedures, the rebuilding of the civil service system, and the restructuring of the public finance system. The PAR program has also advocated the decentralisation of responsibilities between central and local government units. The first key aspect focuses on the redefinition of authority relations between central and local government and functions of local government units in the areas of planning and management. The second key aspect focuses on the reallocation of financial responsibilities. In the late 1990s, the process of decentralisation was both reinforced and furthered by two political reform programs adopted by the Vietnamese Communist Party (VCP): the promotion of grassroots democracy, and the Resolution of the Fifth Plenum of the VCP Central Committee of the IX Congress on reform at the grassroots level - commune, ward, and district town - political systems. In practice, the decentralisation policies have been applied differently in the municipalities and provinces and with varying degrees of success.

This report examines the Vietnamese decentralisation experiences from a comparative point of view. Existing literature on decentralisation in Asia in general and post-socialist societies in particular focuses on four aspects of the process: administrative decentralisation, fiscal decentralisation, political decentralisation, and new development administration. Administrative decentralisation focuses on the delegation of power from one administrative level to another, while fiscal decentralisation deals with the redistribution of intergovernmental fiscal responsibilities. Political decentralisation focuses on the division of decision making and planning power while the new development administration shifts the emphasis from bureaucratic-oriented to citizen-and-market-oriented services provision. The terms “deconcentration,” “devolution,” and “deregulation” are used to describe these aspects. In Vietnam, the policy of decentralisation has mainly focused on the delegation of administration tasks (*phan cap quan ly*) with the emphasis going to administrative and fiscal responsibilities. The delegation of work to the private and non-governmental organisational sectors, known as “socialisation” (*xa hoi hoa*), is only a recent phenomenon.

¹ See Thaveeporn Vasavakul, “Rebuilding Authority Relations: Public Administration Reform in the Era of *Doi Moi*,” Report for the Asian Development Bank, Hanoi, May 2002; “Politics of Administrative Reform in Post-Socialist Viet Nam,” in Suiwah Leung, ed. Vietnam Assessment: Creating a Sound Investment Climate (Singapore: Institute of Southeast Asian Studies, 1996), pp. 42-68; and “Rethinking the Philosophy of Central-Local Relations in Post-Central Planning Vietnam,” Mark Turner, ed., Central-Local Government Relations in the Asia-Pacific Region (London: Macmillan, 1999), pp. 166-95.

. The report focuses on Quang Ngai and Long An, provinces in Central Vietnam and the Mekong Delta, as case studies.² It argues that the process of decentralisation has evolved differently in Vietnam's provinces. Quang Ngai and Long An represent two models of decentralisation in rural service delivery, the state-dominated and the market-dominated models. To work effectively at the provincial and local government level, the government and donors should take into account the provinces' diverse experiences and knowledge regarding decentralisation.

This report consists of five sections. The first reviews the current legal authority and the distribution of responsibilities, functions, and resources between the central government and local units as stipulated in legal documents. The second evaluates weaknesses of the current local administrative system and discusses ongoing as well as future measures to solve the problems. The third section reviews donors' evaluations of strengths and weaknesses of the local administrative system and their assistance plans. The fourth examines the process of decentralisation in rural service delivery, with Quang Ngai and Long An as case studies and with the emphasis on the provision of agricultural extension services, social relief, and infrastructure building. The final section concludes by presenting some recommendations on how to work effectively at the local government level.

Although the VCP is a crucial political institution affecting the public administration system, owing to the limited scope of this report, it will not discuss in detail the role of the VCP.³

² The provinces were chosen after discussion with AusAID and to provide information on variation in local practice. Long An was one of the provinces studied in the Aduki Pty Ltd/CERUDEV Sida-financed study of Farmers' Organisations which showed similar results (see www.aduki.com.au for download). A PhD student at the ANU, Natalie Hicks, is completing a study of extension services in Long An, and her preliminary results (some used here with thanks) can be found in 'District Government in the Mekong Delta: New Patterns of State-Society Interactions in Agricultural Development', paper presented at the Vietnam Update Conference, ANU Canberra 2002. The author would like to thank Natalie Hicks for her comments on an earlier draft of the section on Long An.

³ On the changing style of party leadership since renovation began, see Thaveeporn Vasavakul, "Sectoral Politics and Strategies for State and Party Building from the VII to the VIII Congress of the Vietnamese Communist Party (1991-1996)," in Adam Fforde, ed., *Doi Moi: Ten Years after the 1986 Party Congress* (Canberra: Department of Political and Social Change, RSPAS, ANU), pp. 81-135. For general information, see also Hoc Vien Chinh Tri Quoc Gia Ho Chi Minh. *Doi moi moi quan he giua dang, chinh quyen va cac doan the nhan dan cap phuong trong dieu kien kinh te thi truong* (Reforming the relationship between the party, the government and mass organisations at the ward level in the market economy era) (Ha Noi: Chinh Tri Quoc Gia, 1995). More up-to-date information on the party leadership style can be found in the VCP's theoretical journal *Tap Chi Cong San* (Communist Review).

SECTION I

DISTRIBUTION OF RESPONSIBILITIES, FUNCTIONS, AND RESOURCES BETWEEN THE CENTRAL GOVERNMENT AND LOCAL UNITS

1.1 Local Government Structure and Legal Authority Relations

(Figure 1.1.1-Figure 1.1.4)

Vietnam's administrative structure consists of four levels of government: central, provincial/municipal (hereafter called provincial), district/precinct/city under provincial authority (hereafter called district) and commune/ward/township (hereafter called commune). As of late 2002, Vietnam had four municipalities (Hanoi, Ho Chi Minh City, Haiphong and Danang) under direct control of the central government, and 57 provinces. In 2000, there were 604 districts and 10,387 commune-level units nationwide.

The current local government structure and central-local authority relations are delineated in two types of legal documents: general legal documents pertaining to the organisation of the political and government system of the SRV and legal documents pertaining to different socio-economic and cultural sectors under jurisdiction of line ministries. The key documents for the former include: the 1992 Constitution and its revised clauses of 2001; Law on the Organisation of the People's Councils and People's Committees of 1994; Ordinance on the National Assembly's Standing Committee's supervision and guidance and the Government's guidance and inspection of People's Committees dated 15-2-1996; Presidential Ordinance on the Tasks and Authority of People's Councils and People's Committees promulgated following Order no. 50-L/CTN of 3-7-1996; Government Decree no. 60 ND-CP of 7-10-1996 on the Government's guidance and inspection of the People's Councils in the implementation of legal documents issued by upper echelons; and Government Decree 86/2002/ND-CP of 5-11-2002 regulating tasks, jurisdiction, and organisational structure of ministries and ministerial-level agencies. The latter includes a wide range of legal documents pertaining to the management of the economy, culture, education, health care, society, security and defence.

In Vietnam, each level of state administration at the province, district and commune has their respective People's Council and People's Committee, with the People's Committee being the executive agency of the People's Council at that level. According to the Law on the Organization of People's Councils and People's Committees of 1994, People's Councils are elected in term of five years (Clause 6). The size of People's Councils between 15 and 25 at the commune level, between 25 and 35 at the district level, and between 45 and 75 at the provincial level. Hanoi, Ho Chi Minh City and provinces having over 2.5 million inhabitants may have up to 85 elected members. Both provincial and district People's Councils have standing committees and other committees, while commune-level People's Councils have a chair and vice chair. The standing committees of the provincial and district-level People's Councils consist of the Chair, Vice Chair and other members. The provincial People's Council has four committees (*ban*): committee for economy and budget; committee for culture and society; law committee; and committee for minority affairs (in areas where there are ethnic minority inhabitants). The district People's Council has the committee for economy and society and the committee for law (Clause 38). The People's Council elects its corresponding People's Committee, consisting of Chair, Vice Chair and members, with the approval of the chairperson of the higher-

level People's Committee, while the election of members of the provincial People's Committee must be approved by the Prime Minister. The number of committee members totals between nine and eleven at the provincial level (up to 13 in the cases of Hanoi and Ho Chi Minh City), seven and nine at the district level, and five and seven at the commune level.

At each administrative level, there are line representatives (co quan chuyen mon) organised into departments (so) at the provincial level, offices (phong) at the district level, and sections (ban) at the commune level (Figure 1.1.2-Figure 1.1.4). Clause 53 of the 1994 law states that these line agencies "help their corresponding People's Committees realise state management tasks in the locality and ensure a unified management of the sector from the centre to the locality." In the 1990s, local line departments of the People's Committees were restructured following the streamlining of the central ministries. This process has resulted in a substantial reduction of the number of line provincial departments from 15-17 to 8-11 and of district committees or offices from 15-17 to 10.

The current legal authority structure contains both vertical and horizontal dimensions (Figure 1.1.1). The first vertical dimension deals with the relationship of the National Assembly and the government with People's Councils. According to the 1994 Law, People's Councils are under the supervision and guidance of the National Assembly Standing Committee and the central government, which ensures the legality of the council's documents (Clause 8). The process of guidance and supervision is outlined in detail in two key legal documents: Ordinance on the National Assembly's Standing Committee's supervision and guidance of, and the Government's guidance and inspection, of People's Committees dated 15-2-1996; and Government Decree no. 60 ND-CP of 7-10-1996 on the Government's guidance and inspection of the People's Councils in the implementation of legal documents issues by upper echelons.

Another vertical dimension deals with the relationship between the central government and People's Committees. The existing legal documents integrate local government into the political and public administration system to form a unified apparatus, treating the People's Committees at all levels as the local representatives of the central government. The 1992 Constitution and its revised clauses in 2001 grant the Prime Minister the power to endorse the appointment of the heads of the provincial People's Committees, and if necessary to remove them. People's Committees at the district and commune level are under the supervision of the People's Committee at the higher level. Government ministries administer their local line agencies along a vertical line (doc),⁴ giving instructions to local line agencies through circulars or directives and recommending the local People's Committee to pass implementing laws to apply the ministry's ruling at the local level. Heads of local line agencies report to both their line agencies at the upper level and to their People's Committee, and report to the People's Council when necessary (Clause 54).

⁴ In Vietnamese, a clear distinction is made between the 'vertical' – doc – relations between state organisations within the hierarchy (e.g., that between a Ministry and the corresponding Department at province level), and those 'horizontal' – ngang – relations between state organisations at the same level (e.g., that between two Departments at province level). Organisations within a vertical hierarchy such as a Ministry and its local equivalents are referred to as a 'branch' – nganh – in distinction to those within a locality (lanh tho), with the difference referred to as that between state management by 'branch' and by 'locality.'

The 1994 law allows the People's Committee to take charge of the management of personnel, while central ministries are responsible for professional and technical matters (Clause 54). The 1994 law states that the central government has the ultimate power to decide on the activities and organisation of line agencies under a People's Committee (Clause 55). However, the Ordinance on the Tasks and Authority of People's Councils and People's Committees of 1996 grants the People's Committees of the municipalities and provinces the right to set up, merge, dissolve, and decide on the specific authority of the provincial line agencies and units reporting to them, the management and personnel placement of these agencies follow Government regulations (Clause 28).

This vertical dimension of authority relations is further clarified in the revised Law on the Governmental Organisation of 2001 which calls for fiscal decentralisation and decentralisation in personnel management (Clause 9, 16, and 19) as well as "socialisation" (*xa hoi hoa*), a term used to refer to the delegation of work to the private and "non-governmental" organisation sectors (Clause 8-18).⁵ In addition, Government Decree 86/2002/ND-CP of 5-11-2002 on the regulation of tasks, jurisdiction, and organisational structure of ministries and ministerial-level agencies. Decree 86 shows signs of the delegation of power from the government and the Prime Minister to ministries and ministerial-level agencies but with some implications for the vertical authority relations between central ministries and local government units.

Ministries and ministerial-level agencies are responsible for improving the management system under their jurisdiction, and present their proposals on the delegation of tasks to the People's Committee for approval (Clause 7). One key management area to be emphasised is the simplification of administrative procedure (Clause 7). Central ministries will determine professional criteria for provincial line agencies' officials and will set up training plans for them (Clause 12). They will supervise People's Committees at all levels in their implementation of tasks falling under their ministerial jurisdiction. In conjunction with this task, they may supervise, inspect, and suspend the implementation of decisions from provincial people's committees that are contradictory to ministerial legal documents; they may also suggest that the Prime Minister should abolish such decisions. People's Committees will be required to stop the implementation of decisions contradictory to the central ministries' documents, and if they disagree, they may appeal to the Prime Minister (Clause 13).

Ministries' general departments (*tong cuc cua bo*) have full state management functions in the tasks considered to be complicated and not yet delegated to the locality (Clause 20). Decree 86 also defines the relationship between ministers and provincial people's committees (Clause 25). The former guides the latter in the implementation of objectives, programs, and plans already endorsed and in professional and technical matters. It also inspects the Chairman of the People's Committee when the latter applies professional criteria in the selection of department heads. It may request from the Chairman of the People's Committee detailed written comments with regards to the appointments and dismissals of, the granting of rewards, and disciplinary actions to the heads of the central Government-level agencies located on that province's territory.

⁵ See Nguyen Thi Khanh, "Luật Tổ Chức Chính Phủ" (Law on the Organisation of Government), *To Chuc Nha Nuoc*, no. 1+2 (2002): 65-6.

In addition to the two aspects of the vertical relationship outlined above, the People's Committee at each level is placed under the supervision of the corresponding People's Councils. The 1994 law grants People's Councils the authority to abolish any documents issued by the People's Committees that are contradictory to existing laws. The People's Council are granted authority to dissolve People's Councils under their jurisdiction and supervise or inspect work by the corresponding People's Committee. They have the authority to elect or remove the chairperson, vice-chairperson and members of the People's Committee at the same level, supervise the activities of its chair, vice-chairpersons and members of the People's Committee, and supervise the implementation of its decisions by the People's Council (Clause 11-18).

1.2 Distribution of Functions and Responsibilities: Planning, Management and Supervision (Annex II)

The functions and responsibilities of local government units are detailed in both existing general and sectoral legal documents. Annex II identifies selected key documents that address the delegation of tasks among government units.

The Ordinance on the Tasks and Authority of People's Councils and People's Committees of 1996 details the functions and responsibilities of People's Councils and People's Committees at all levels. Each administrative level is assigned a comprehensive range of responsibilities in its territory. According to the Ordinance, People's Councils at all levels are granted authority to decide on plans (quyet dinh ke hoach) and policy lines (quyet dinh chu truong) as well as to supervise (giam sat). They can decide on long and short-term plans on economic development; population; land use, culture, education and society; defence, security and social order; nationality and religious policies; and the maintenance of law and order. For example, in the area of rural service delivery, the Ordinance lists the following responsibilities:

- Deciding on annual socio-economic development plans at their level
- Deciding on measures to allow development of cooperatives and mutual aid teams in their locality
- Deciding on measures to develop agriculture, forestry and fisheries according to guidelines from upper echelons
- Deciding on measures to protect water sources according to national guidelines, and to provide social relief
- Deciding on measures and policies for veterans, families of deceased soldiers, and to mobilise people to help those in need.

The Ordinance of 1996 states that People's Committees at all level are responsible for formulating policy details and organising policy implementation. In practice, this is applicable to a wide range of areas, with the notable exception of *taxation* and *local personnel*. The Central General Department of Taxation appoints a director for the provincial tax department, but with the approval of the head of the People's Committee, and the provincial department is directly in charge of tax collection. The Ministry of Home Affairs is directly responsible for determining the size of local government personnel.

In the area of planning, the Ordinance states that Provincial People's Committees formulate both long term and annual socio-economic development plans, and present them to their corresponding People's Councils for approval and for the government to endorse. They are also required to participate in the construction of general economic plans carried out by the central government and ministries and organise and implement policies assigned (Clause 14). District People's Committees are responsible for drafting annual socio-economic plans and submit them to the upper echelon for approval (Clause 31). They ratify the communes' plans for economic and social development; plan roads within their jurisdiction and make recommendations to the province and the central ministries on the location of capital construction projects. Commune People's Committees are responsible for formulating annual plans and submitting them for approval (Clause 57).

In the area of rural development, People's Committees at all levels are responsible for implementing central government policies on agricultural extension, disease prevention, land management, reforestation, and irrigation (Clauses 15, 31, 57). In the area of social services, People's Committees at all levels implement the policies of the People's Council and the central government on health, family planning, social relief and poverty alleviation (Clause 23, 32, 47). In education, the provincial People's Committee manages teacher training colleges, vocational schools, high schools, and continuing education schools. It maintains teaching standards, administers students' examinations, issues diplomas according to the law, and carries out educational inspection according to the Ministry of Education and Training's guidelines. District People's Committees manage basic primary and secondary schools, organize the network of kindergarten and preschool classes, implement the policy of socialisation of education within the territory of the district, implement illiteracy eradication and other regulations pertaining to teachers and examinations.

Commune People's Committees are assigned tasks from the higher administrative echelons in the following areas in its territorial jurisdiction (Clauses 65-76):

- Planning, budgets and finance
- Organisation and promotion of agriculture, forestry, fisheries, and irrigation
- Promotion of handicraft industries
- Organising the construction of local roads
- Managing trade and services
- Developing education and culture
- Maintaining health services
- Guaranteeing safety and security in the area
- Maintaining religious freedom
- Law enforcement

- Organisation of elections of National Assembly representative and local People's Council representatives

People's Committees' specific delegated tasks, in many instances, are detailed in legal documents on sectoral management passed by the National Assembly or issued by the central government. For example, in the economic development area, Article 58 of the Law on Foreign Investment stipulates that People's Committees of provinces and cities must participate in reviewing foreign investment proposals. They must also consider and issue investment licenses for projects in their locality that fall within their jurisdiction as determined by the government. They also handle administrative procedures related to the implementation of investment projects falling within their jurisdiction.

In the area of promoting domestic investment, Article 19 states that provincial People's Committees and cities under central management must provide a list of projects that need investment promotion and are connected with the socio-economic development guidelines of their localities. In the area of land management, Article 16 of the Land Law divides responsibility between central and local government units.⁶ The government will be in charge of national physical planning (*quy hoạch*)⁷ and land use planning, while the People's Committees at all levels will be responsible for physical planning and planning of land use within their respective areas. The provincial and municipal People's Committees are also allowed to allocate land for uses other than agricultural production and forestry. However, the amount of land they can allocate is limited. Specifically, they are able to allocate the following:

- Up to three hectares of farm land, forest land, land for residential use or urban land, and up to five hectares of waste land or bare hills for projects dealing with the construction of roads, railways, water, oil, and gas pipelines, power lines and dykes
- Up to ten hectares of waste land or bare hills for dam construction projects
- Up to one hectare of farm land, forest land, land for residential areas, or urban land and up to two hectares of waste land or bare hills for any other projects not already mentioned.

In sum, the Ordinance of 1996 outlines a wide range of tasks for the People's Councils and the People's Committees in their territorial jurisdiction. More specific stipulations of delegated responsibilities are found in legal documents focusing on sectoral management and promulgated by the National Assembly or the Government.

So far, there has been no legal document that serves as a framework for decentralisation. Neither is there a separate legal framework to determine functions, tasks, and authority structure of the city and rural administration.

⁶ For a good discussion of the responsibilities of the local government in land management, see Huu Phan, "Luật sua doi, bo sung mot so dieu cua luat dat dai va trach nhem cua chinh quyen dia phuong" (The revised land law and responsibilities of the local government), *To Chuc Nha Nuoc* (State Management), no. 12 (2001): 22-4.

⁷ This term originally referred to planning in distinction from planned activities (in French, 'planification'), but in this context now refers to physical planning.

1.3 Decentralisation of Financial Responsibilities (Figure 1.3.1-Figure 1.3.2)

The division of financial responsibilities is detailed in the Budget Law of 1996, its amendments of 1998, and its revision of 2002.

The Budget Law of 1996 divides the budgetary system into four components: the budget of the central government and line ministries; the budget of provinces and major cities under management of central government (hereafter called provincial budget); the budget of districts, towns and cities under management of province authorities (hereafter called district budget); and the budget of communes, urban wards and small towns (hereafter called commune budget) (Figure 1.3.1- Figure 1.3.2).

The law and its amendments of 1998 grant local units financial responsibilities in several ways. According to Article 25, People's Councils will

- Decide the local draft budget and budget allocations
- Decide policies to implement the local budget
- Decide the readjustment of the budget estimates if needed
- Supervise the implementation of the budget
- Make decisions on the collection of fees, charges, surcharges and other contributions by local inhabitants.

People's Committees will -

- Draft the local budget and draw up the plan for its allocation
- Prepare the local budget accounts for submission to the People's Council of similar level for ratification, and report to the higher state administrative and financial agency
- Examine the resolution on the draft budget and the budget accounts by the lower level People's Council
- Assign the tasks of budget collection and expenditure to each attached agency and unit
- Organise the implementation of the local budget
- Cooperate with superior state agencies in managing the state budget within its territory; and report on the state budget in accordance with the provisions of law.

The law also lists revenue and expenditure sources for the three local administrative levels (Clauses 30-38). The revenue sources of the local administrative unit's budget are divided into revenue to be wholly collected, and revenue divided by percentage among different levels of administrative units. The Government will stipulate in detail the percentage of revenues to be divided between the central budget and the budget of each province and city directly under the Central Government. The provincial

People's Committee will stipulate in detail the percentage of revenue to be divided between the provincial budget and the budget of each district, precinct, provincial town and city and the budget of each commune and township. The percentage of revenue to be apportioned to each level shall be kept stable for three to five years (Article 39). Only the taxation agency and agency to which the state assigns the tasks of budgetary revenue collection shall be entitled to organise state budget revenue collection (Article 59). The spending tasks include regular spending, spending for development investment, and spending for borrowing.

For example, the revenue sources of the provincial budget include the revenue to be wholly collected; revenue divided as percentages between the central and the provincial budgets; and revenues divided as percentages between the provincial budgets, budgets of districts, precincts, provincial towns and cities, and the budgets of communes and townships. The revenue to be wholly collected includes:

- Land rent
- Revenues from the leasing and sale of houses owned by the state
- Registration fees
- Revenues from state-run lotteries
- Non-refund aid donated directly by foreign organisations and individuals to the province in accordance with the provisions of law
- Fees, charges and other revenues to be contributed to the provincial budget in accordance with government provisions
- Money mobilised from organisations and individuals to invest in construction of infrastructure projects in accordance with government provisions
- Voluntary contributions from domestic and foreign organisations and individuals to the provincial budget
- Revenues from the balance of the provincial budget
- Supplementary allocation from the central budget
- Other revenues as provided for by law

Revenues divided as percentages between the central budget and the provincial budget are turnover tax; profit tax, excluding profit tax of units where accounting is done entirely in the service; income tax from high-income earners; tax on remittance of profits abroad; natural resources tax; and tax on the use of budget capital. Revenues divided as percentages between the provincial budgets, budgets of districts, precincts, provincial towns and cities, and the budgets of communes and townships include tax on the use of agricultural land; tax on the transfer of land use rights; house and land taxes; and land rent.

According to Article 31, the spending tasks of the provincial budget include recurrent (“regular”) spending (see below); spending on development investment; payment of the principals of borrowings; supplementing the financial reserve fund; and supplementing lower-level budgets. Recurrent spending at the provincial level is defined as follows:

- Non-business activities in the fields of the economy, education, training, health-care, culture, information, physical training and sports, social affairs, science, technology and environmental and other non-business operations managed by the provincial agencies;
- Tasks on national defence, security and social order assigned to the province
- Activities of the agencies of the state, the VCP, and socio-political organisations at provincial level
- Financial support for provincial social organisations and socio-professional organisations in accordance with provisions of law
- Implementation of social policies
- National programs assigned by the government
- Price subsidies in accordance with state policies
- Payment of interests on borrowings for investment
- Other expenditures in accordance with provisions of law

Provincial spending on development investment includes investment in the construction of socio-economic infrastructure projects and investment and capital support for state-owned enterprises in accordance with provisions of law.

According to Article 34, the revenue sources of the commune budgets include the revenues to be 100% retained and the revenues divided in percentage between the provincial budget, the district budget and the commune or township budget. The revenues to be 100% retained include:

- Trade license tax on small business households
- Animal slaughtering tax
- Fees, charges and contributions to be collected for the commune or township budget in accordance with provisions of law
- Revenues from the use of the public land fund and profits from other public properties
- Money collected from non-business operations managed by the commune or township

- Voluntary contributions to the commune and township
- Non-refund aid directly donated by foreign organizations and individuals to the commune or township in accordance with provisions of law
- Revenue from the balance of the commune or township budget
- Supplementary allocation from the higher-level budget
- Other revenues in accordance with provisions of law

Revenues divided in percentage between the provincial budget, the district budget and the commune or township budget include tax on the use of agricultural land; tax on the transfer of land use right; house and land taxes; and land rent.

The spending tasks of the commune or township budgets as stated in Article 35 are regular spending and spending on development investment. Recurrent spending is that on social work and activities in the fields of culture, information and sports; support for extra curricular education, creches and kindergartens; health care activities; management, repair or maintenance of architectural projects, public properties, welfare projects and roads; activities of the agencies of the state, the VCP and socio-political organisations; militia and self-defence work; maintenance of social order and safety; and other spending in accordance with provisions of law. Commune spending on development investment includes spending on investment in the construction of socio-economic infrastructure projects in accordance with the assignment of responsibilities by the province.

Revenue collection is crucial and, recently, there has been a concrete transfer of financial responsibilities to the local government. Local units are allowed to handle some financial transactions in foreign investment projects, land use, construction and housing. More specifically:

- Provinces issue investment licenses to FDI projects under US\$ 5 million and US\$ 10 million located outside industrial zones and to FDI projects up to US\$ 40 million located within industrial zones.
- The central government decides on land use over 5 hectares in urban areas and over 50 hectares in rural areas. Smaller land areas will be decided by the municipal and provincial committees.
- Different local government levels are delegated the power to issue construction permits, recognise house ownership, and grant the use of land in urban areas.
- District and precinct People's Committees are also responsible for household registration and a number of contracts dealing with the buying and selling of houses, exchanging property, and giving real estate as a gift.

The revised budget law passed by the National Assembly in mid-December 2002 consists of eight chapters and 77 clauses. A number of changes are related to fiscal decentralisation in particular and the improvement of fiscal management in general. First, the law increases the authority and jurisdiction of the National Assembly and People's Councils in deciding on the content of the draft budget. Second, it grants the

province the key role in allocating the budget to districts and communes. Third, the law provides incentives for local government units to balance their budgets. Fourth, the law grants local government units discretionary power (quyen chu dong) over budgetary spending while tightening disciplinary actions and highlighting the need for anti-corruption and anti-waste practices. Finally, the law calls for the implementation of public administration reform in the area of budgetary management with an emphasis going to budgetary transparency. The revised budget law will be applied for the 2004-2005 budgetary year.⁸ It remains to be seen how much the new budget law will activate local revenue potential.

1.4 Planning, Management, and Budgeting for National Programs on Poverty Alleviation: Mapping Hierarchical Relations (Figure 1.4.1 – Figure 1.4.4)

Decentralisation in Vietnam has concentrated on the allocation of functions and financial management from central to local government. Figure 1.4.1 – Figure 1.4.4 are presented here to provide a general overview of how responsibilities and financial resources are allocated in delivering national programs for poverty alleviation. National programs are initiated by the central government to provide local government units with significant funds for basic rural services. These figures are based on the following government documents:

- Prime Minister's Decision no. 80/1998/QD/TTg of 9-4-1998 on the setting up of the National Program Committee for Poverty Alleviation.
- Prime Minister's Decision no. 01/1999/QD/TTg of 4-1-1999 on the promulgation of working regulations of the Steering Committee for the socio-economic program for communes facing difficulties in remote areas
- Prime Minister's Decision no. 135/1998/QD-TTg of 31-7-1998 on the socio-economic program for communes facing difficulties and remote areas
- Inter-Departmental Circular no. 01/1999/TTLT-BKH-BTC-BLDTBXH of 15-3-1999 from the Ministry of Planning and Investment, Ministry of Finance, and Ministry of Labour, War Invalids and Social Policy, guiding the arrangement of programs on poverty alleviation
- Ministry of Finance Circular no. 33/1999/TT-BTC of 29-3-1999 guiding the management and allocation of resources for the national programs on poverty alleviation
- Figure 1.4.1 outlines the administrative organisation of service delivery and its legal authority framework. Poverty alleviation programs are multi-sectoral programs. Figure 1.4.2 shows the scheme for planning and delivery of national programs for poverty alleviation. The Prime Minister approved the program and set up the National Steering Committee for Poverty Alleviation (Ban chi dao chuong trinh muc tieu quoc gia ve xoa doi giam ngheo).

The Committee consists of a Deputy-Prime Minister as chair; the Minister of Labour, War Invalids, and Social Policy and the Minister of Agriculture and Rural

⁸ See Luat Ngan Sach Nha Nuoc (The State Budget Law) (Hanoi, 2003).

Development as deputy-chairs; and the Head of the Committee for Ethnic Groups and Mountainous Areas, the Deputy Minister of Labour, War Invalids, and Social Policy, the Deputy Minister of Planning and Investment, and the Deputy Minister of Finance as members. Each member of the Committee is, in theory, assigned a set of responsibilities related to their ministry's expertise. At the provincial level, there is the Provincial Steering Committee for Poverty Alleviation which consists of the Chair of the Provincial People's Committee and representatives from the Departments of Finance, Labour, War Invalids, and Social Policy, Agriculture and Rural Development, Construction, Transportation, Planning and Investment, and others if needed. Figure 1.4.3 outlines the budgetary preparations for national programs. It shows multiple subordination in financial management. Figure 1.4.4 focuses on the budgetary allocations for national programs on poverty alleviation.

Most of the national programs for poverty alleviation are managed by the province, with the exception of Program 135 which focuses on communes facing difficulties and in remote areas. At its inception, Program 135, to be carried out from 1998 to 2005 under the management of the Ministry of Planning and Investment, covered 1,715 communes, 1,568 of which were in mountainous areas and 147 in the Mekong delta. The program was to encompass 267 districts of 41/61 provinces and municipalities. Program 135 advocated the decentralisation of planning and management methods to the commune level. It also aimed at transferring resources directly from the central government to the commune. In 1999, the project offered a block grant averaging VND 410 million to each of 1,000 communes to be used for a single rural infrastructure project chosen through consultative discussion with local inhabitants. In this sense, the communes are seen as the "owners" of the projects.⁹

Many have argued that this decision was influenced by the example of such donor projects as RIDEF (see below,). However, it is also more likely that the precipitating factor was political unrest in rural areas, especially that in Thai Binh province in 1997 against rampant corruption. This was different from the "traditional" practice when communes and districts prepared projects and passed them up to line ministries for submission to the relevant department of the Ministry of Planning and Investment. Following this practice, only a small number of projects was approved, usually at the provincial level. In practice, however, decentralisation of planning and management has only reached the district level. One of the reasons often cited by provincial authorities, especially those in minority-inhabited areas, is that commune officials are not yet equipped to handle planning, management or financial responsibilities.¹⁰

⁹ The technical Vietnamese term 'chu du an', literally 'project owner', refers to the body responsible for implementation of the activity, which is distinct from the body that receives the outcome (e.g. the school building) once it has been completed. The term 'owner' is used here more generally.

¹⁰ A short but useful article in English on decentralising planning as seen through Program 135 is found in Tran Ngoc Hung, Nguyen Thanh Tung, and Harvey Damaine, "Approaches to Decentralised Planning for Rural Development in Vietnam," in Hans Detlef Kammeier and Harvey Demaine, eds., Decentralisation: Local Governance and Rural Development (Bangkok: Asian Institute of Technology, 2000), pp. 360-71. For sources in Vietnamese, see Van ban huong dan thuc hien chuong trinh 135 phat trien kinh te xa hoi cac xa dac biet kho khan mien nui va vung sau vung xa (Documents guiding the implementation of Program 135 for socio-economic development in communes facing difficulties in mountainous and remote areas) (Ha Noi: Xay Dung, 2001) and Le Xuan Ba, Chu Tien Quan et al, Ngheo doi va xoa doi giam ngheo o Vietnam (Poverty, hunger, and poverty alleviation in Vietnam) (Ha Noi: Nong Nghiep, 2001).

SECTION II: WEAKNESSES OF LOCAL ADMINISTRATION AND ONGOING AND FUTURE REFORM MEASURES

The current system of local government has undergone a series of transformations since the process of *doi moi* began. For one thing, authority relations have become clearer. This is in part due to the process of administrative decentralisation discussed above. A limited number of responsibilities and financial resources have been transferred to local administrative units, especially the province. There are, however, a number of structural constraints, the most important of which deal with the lack of a legal framework for decentralisation in general; the discrepancy between theory and practice in legal authority relations; the potential constraints that centrally-run programs and plans impose on the locality; the complexity of financial management responsibilities; and the limited capacity of local cadres when they are delegated new responsibilities by the central government.¹¹

2.1 Legal Framework and Documents on Decentralisation

As discussed in Section I, information on decentralisation is found in general legal documents on the political and public administration system of the SRV and in legal documents dealing with sectoral management. They are, however, inadequate for forming a clear legal framework for decentralisation. Additional legal documents are needed to clarify and institutionalise the process of delegation of responsibilities. The list should include:

- Legal documents on the rational framework for the division of tasks between central and local government units and among local government units.
- Legal documents clearly distinguishing the organisational structure and functions of urban and rural local administrations.
- Legal documents serving as a framework for classifying whether certain responsibilities fall under the central government's jurisdiction, under the local government's jurisdiction, or are shared by both central and local government units.

2.2 Legal Authority Relations: Theory and Practice

The current organisational structure has delineated both vertical and horizontal authority relations. Yet, there remain practical problems in at least three areas: the relationship between the People's Council and the People's Committee; the situation

¹¹ For a general analysis on central-local government relations and potential structural problems in the 1990s, see To Tu Ha, Nguyen Huu Tri, and Nguyen Huu Duc, eds., Cai cach hanh chinh dia phuong: ly luan va thuc tien (Reform of local government: theory and practice) (Ha Noi: Chinh Tri Quoc Gia, 1998); Bui The Quy and Duong Danh My, Mot so van de ve to chuc hoat dong cua chinh quyen dia phuong trong giai doan hien nay o nuoc ta (On local government activities in the era of renovation) (Ha Noi: Chinh Tri Quoc Gia, 1998); Nguyen Dang Dung, To chuc chinh quyen nha nuoc o dia phuong (Lich su va hien tai) (Local government organisation, past and present) (Dong Nai: NXB Dong Nai, 1997). Two journals are particularly helpful in updating issues currently under debate: To Chuc Nha Nuoc (State Organisation) published by the now Ministry of Home Affairs and Quan Ly Nha Nuoc (State Management) published by the National Institute of Public Administration.

of dual subordination (doc and ngang – see above, fn 3); and inter-departmental coordination.¹² More specifically:

- The existing laws grant the People's Councils a wide range of responsibilities. However, in practice, the Councils do not meet often enough. Its supervisory role is also limited in practice.
- The People's Committee is theoretically placed under the supervision of the Central Government or the higher level of People's Committees, as well as under the supervision of its corresponding People's Council. Provincial and local line agencies are also placed under the supervision of the line ministries and their corresponding People's Councils. Double subordination may be a potential source of tension between national and local interests. More fundamentally, the existing structure also generates potential tension between elected/representative and appointed administrative bodies. A further investigation is needed to assess how the system operates at the local level. Quang Ngai, one of the cases under consideration, for example, is of the opinion that the professional agencies at the province and lower levels are advisors to the People's Committees in their area of expertise; they are placed under direct guidance of the People's Committee but not under the supervision of their line Ministries. Line Ministries only provide guidelines and technical supervision in the area under their jurisdiction.¹³
- The existing system indicates a division of labor among bureaucratic units. So far little discussion has been given to inter-departmental coordination for complicated and multi-sectoral development projects. Currently, multi-disciplinary programs such as national programs on poverty alleviation that involve more than one governmental agency are coordinated by national and provincial steering committees. However, it remains unclear how effectively multi-sectoral programs are managed (Figure 1.4.2).

2.3 Potential Problems in Planning and Management

In the area of planning and management, weaknesses of the system include the following:

- The current administrative system is decentralised only in a limited sense, i.e., the process focuses on the delegation of tasks from central to provincial and district units. In the area of planning and management, the grassroots-level has not yet participated fully in the process. Also, it is not clear how much the existing legal framework allows local government units to be creative and proactive in making decision and planning to exploit the potential of the locality.
- While the central administration has expertise and its national programs reflect both national concerns and the means of delivering expertise to the provinces, central administrators may not have enough local information to make decisions.
- Local planning and management tasks, especially at the district and commune levels, require professional expertise.

¹² For discussion on the subject, see for example,

¹³ Communication exchanges dated My 29, 2003.

- The system of top-down planning in general may not allow an effective way of assessing performance, since there are incentives to report superlative results.

2.4 Some Issues in Fiscal Decentralisation

In the area of distribution of financial responsibilities, there are a number of systemic weaknesses:

- The National Assembly decides on the final central government and local government revenue collection and expenditure. However, People's Councils also decide on revenue collection and expenditure in their locality. Local budgets, then, are determined by two levels of authority, and technically what the local authorities decide has to correspond with the decisions of the National Assembly. The recommendation is that the National Assembly and the government transfer this responsibility to the locality. The role of the central government should be to set up a system that can ensure that all rules related to the budget are implemented. The government should limit its role to defining sources of revenue for central and local government.
- Each administrative level has its own revenue source and its expenditure duties, but collections at the local level are not commensurate with tasks assigned to local administrative units. This is especially the case with the commune level.¹⁴ There is a need to adjust the definitions of state budget revenues and expenditures to the effect of increasing local revenue sources and expenditure obligations; regulating the transfer from higher budget level to a lower one and vice versa; and reinforcing the authority of the People's Committees of provincial cities in determining and administering fees and user charges.
- National programs aside, there is no clear mechanism to ensure that local resources will be distributed to poorer districts and communes. Provinces, though, seem to have various ad hoc mechanisms in place.

The revised budget law, more or less, grants the National Assembly and People's Councils an increasing role in the budgetary process. It remains to be seen what the overall impact of the new budget law will be.

¹⁴ The exemption of agricultural taxes, for example, has deprived the commune from its main source of revenue.

Figure 2.4.1 Educational Level of Commune People's Councils and People's Committees, 1994-1999

Educational Level	People's Councils	People's Committees
Illiterate	0.6%	0.6%
Primary	10.2%	5.6%
Junior Secondary	46.4%	39.9%
Without Political Training	54.4%	42.4%
Without Training of State Management	83.6%	69.3%
Without Professional Training	85.2%	82.2%

Source: To Chuc Nha Nuoc (State Management), no. 4 (2001): 2.

Figure 2.4.2 Professional Level of Commune Officials in the Areas of Office Work, Finance and Accounting, Legal Matters, and Land Management, 1994-1999

Educational Level	Office Work	Finance and Accounting	Law	Land Management
Primary Education	4.7%	4.8%	7.5%	6.2%
Junior Secondary	33.1%	27.8%	40.2%	35.5%
Without Political Training	58.7%	58.7%	67.4%	69.3%
Without Training in State Management	73.4%	84.5%	85%	85.7%
Without Professional Training	79.9%	59%	85.1%	70.7%

Source: To Chuc Nha Nuoc (State Management), no. 4 (2001): 2.

2.5 Capacity of Local Officials

Decentralisation of planning, management and fiscal responsibilities requires a certain level of knowledge of planning, management, and finance. However, the educational level of officials and members of local representative bodies is comparatively low and a long-standing issue. The report now discusses and presents some statistics on the level of education and training of civil servants involved in planning work, officials in the finance sector, members of Commune's People's Councils and People's Committees and commune officials.

A survey conducted in 1997 shows that the Vietnamese administrative system then had 1,217,000 civil servants, of whom 197,894 or 16.3% were administrators. Of this number, 94,744 worked at the central ministerial level and 103,150 worked at provincial and district administrative units. They were involved in planning work. Divided by educational level, 1.3% had a post-graduate degree; 31.2% a university degree; and 44.3% a secondary level degree. Although the percentage of officials with university and post-university degrees was high, most of them had received training during the central planning period. In 1996, a survey of the foreign language proficiency of civil servants at a number of ministries show that 57.2% had a certificate of proficiency in Russian, while only 7.6% had obtained a certificate of proficiency in English.¹⁵

Another survey of the educational level of officials working in the financial sector was conducted in the year 2000. Of 42,000 officials in the sector, around 4% had a post-graduate degree, 30.7% a university degree, 12.6% had received some middle-level political training, 11.6% had some training in state management, 46% had received some updated training, 15.6% had received professional training, 19.1% had proficiency in English, and 14.1% had knowledge of information technology.¹⁶

A survey carried out to investigate the educational level of members of Commune People's Councils and People's Committees during the 1994 and 1999 session shows that around 50% of the members had received primary or junior secondary education. A majority had not received state management and professional training (See Figure 2.4.1 and Figure 2.4.2).

Finally, a series of studies on commune officials' knowledge of budgetary management shows that a majority (60%) were not aware of the need for commune budget management. Almost 60% of them have not actively exploited charges payable to the commune budget in their locality. They rely on supplementary assistance and funding from higher levels. There are situations of over-spending, unreported expenses, illegal spending, making false financial documents, and appropriating public funds. At present, there are around 12,000 commune financial workers nationwide, but only 4.3% have university degrees and another 23% are

¹⁵ See Nguyen Khac Thai, "Mot so van de ve dao tao, boi duong can bo, cong chuc tham gia hoach dinh chinh sach hien nay (A number of problems in training and retraining of cadres and civil servants working in the planning area), *To Chuc Nha Nuoc* (State Management), no. 9 (1998): 1.

¹⁶ See *To Chuc Nha Nuoc* (state Management), no. 3(2002): 23.

college graduates. Around 32% have elementary professional training and 41.4% do not have any degree of professional certificate; 59% of commune budgetary financial workers do not have any professional financial knowledge.¹⁷

2.6 Ongoing and Future Reform Measures

In September 2001, the government of Vietnam adopted the public administration reform master plan for the year 2001 to 2010. This major commitment to PAR will certainly help expedite the PAR process somewhat as provinces will be required to draft their PAR plans to the year 2005 and implement them. Simultaneously, the change in the public administration system in general and the move towards decentralisation in particular has been and will be driven by administrative, grassroots and political reform programs (see 2.6.2).

2.6.1 Master Programme on Public Administration Reform for the Period 2001-2010

The PAR master plan focuses on four key pillars of the reform: institutional reform, reform of the organisational structure of public administration, renovation and improvement of the cadres and civil servants, and public finance reform. Many aspects of the PAR program attempt to institutionalise and further promote decentralisation.¹⁸ Statements related to decentralisation are summarised as follows:

- In the area of institutional reform, the plan includes the reform of People's Committees and the reform of administrative procedure at all levels.
- By the year 2005, new regulations on decentralisation from the central to local levels and among various levels of local administration will be fundamentally issued and put into effective implementation. Decentralisation of administrative work will go hand in hand with decentralisation of financial, organisational and personnel management. It will be important to identify those areas of activity for which decision-making will be entirely assigned to local administrations, those areas for which decision-making by local administrations will require prior endorsement by the central level, or areas that local administrations will implement according to decisions made by the central level.
- Efforts will be made to clearly define functions, tasks, authorities and responsibilities of local administration on the basis of an appropriate degree of decentralisation from the central to the local level. A distinction will be made between urban and rural administrations in terms of their functions and tasks. Based on the amended Constitution and law on People's Councils and People's Committees, the People's Councils and People's Committees at each level will be rationally restructured.
- The professional departments of People's Committees at the various levels should be realigned based on the principles of clear division of tasks and responsibilities.

¹⁷ Bui Tien Hanh, "Ability of financial staff at commune level in Vietnam, actual situations and solutions," a report submitted to the World Bank, 2002, p. 2.

¹⁸ See Government of Vietnam, "Master Programme on Public Administration Reform for the Period 2001-2010 (Attachment to the Prime Minister's Approval Decision No. 136/2001/QĐ/TTg on 17-9-2001)."

- By the year 2010, administrative agencies will be provided with relatively modern facilities.
- The present decentralisation of civil servant management will be reviewed. Cadres and civil servant management authority will be further decentralised to local levels. The decentralisation of personnel management needs to be accompanied by the decentralisation of tasks as well as financial management.
- The mechanism for decentralising financial and budgetary management will be reformed to ensure unity of the national financial management system and the leading role of the Central Budget; this will promote localities' and sectors' proactiveness, dynamism, creativity and accountability in administering finances and budgets allocated to them.
- The right to make decisions on the use of budgets will be reserved for People's Councils at the various levels; favourable conditions should be created for local governments to enable them to proactively deal with the affairs of their locality. The right of ministries, provincial departments, committees and sectors to make decisions on budgetary allocations to their subordinate bodies will be ensured; so will be the right of budget users to proactively make expenditures within their approved budget allocations in compliance with the government's financial regulations and policies.
- The state will develop policies and mechanisms to enable social organisations, mass organisations and the people themselves to deliver directly services which serve production and living requirements. These public service providers will be supported, monitored, and supervised by the state administrative management agencies.

2.6.2 Political Reform Programs

The Vietnamese leadership has promoted a number of political reform policies which has had the effect of pushing decentralisation forward. These reforms include:

Grassroots Democracy: The Third Plenum of the Central Committee (VIII Congress) called for the improvement of the quality of representative democracy by improving the electoral system. It also called for the continuation of administrative reform and the reform of cadre work to upgrade the cadres' moral commitment. Another step to promote grassroots democracy was endorsed by the Politburo Directive in February 1998 on the building and implementation of grassroots democracy. The general principles can be seen in the motto "the people know, the people discuss, the people implement, and the people review" (*dan biet, dan ban, dan lam, dankiem tra*).¹⁹ Grassroots democracy has encouraged popular participation in planning, management and supervision of local government projects. It is also a mechanism that promotes the autonomy, dynamism, and creativity of the commune-level government.

¹⁹ On the process of implementation, see guiding documents in *Van ban huong dan xay dung thuc hien quy che dan chu o co so* (Documents guiding the implementation of grassroots democracy; Hanoi: Xay Dung, 2002). For an evaluation of the implementation of policy in northern mountainous Vietnam, see Nguyen Quoc Pham, ed., *He thong chinh tri cap co so va dan chu hoa doi song xa hoi nong thon mien nui vung dan toc thieu so cac tinh mien nui phia bac nuoc ta* (The grassroots political system and democratisation of social relief in rural, mountainous and minority-inhabited areas in northern Vietnam; Hanoi: Chinh Tri Quoc Gia, 2000).

Resolution of the Fifth Plenum of the Central Committee (IX Congress), March 2002: The resolution focused on the commune level. The resolution issued was entitled “*Doi Moi* and Improving the Quality of the Political System at the Grassroots Level.” Between 2002 to 2005, the focuses of reform will include five areas:

- Clarification of the functions of the basic government unit, including redefining the basic government role in the budgetary process, land administration, household registration, management of investment projects, and tax collection.
- Structural organisation of the People’s Councils and People’s Committees, and training of personnel
- Allocation of the basic government unit’s budgetary authority
- Promotion of grassroots democracy
- Change in leadership style of the upper echelon vis a vis the basic government unit.

The implementation of this resolution will require the revision of a number of laws, including the law on the elections and organisation of People’s Councils candidates, and the ordinance on civil servants.²⁰

Reform of the People’s Councils and People’s Committees: In the area of authority relations, there are debates on the strengthening of the People’s Councils in planning and supervision and the People’s Committees in management. The debates focus on the basic principles to be used to govern the rethinking of the role of elected bodies. They include popular democracy, urban-rural differentiation, delegation of tasks to local government units, and rotation of cadres.²¹ Current discussion on the delegation of tasks to the local government has emphasized the need to (1) closely link sectoral and territorial management (quan ly nganh and quan ly lanh tho – see fn 3 above); (2) delegate tasks in such a way to promote the local government’s creativity in exploiting local economic potential; and (3) transfer tasks to the administrative units that can do them most effectively.

The reform of the People’s Councils and their committees will involve the revision of the current laws governing the organisation of people’s councils and committees. One of the methods suggested is that each professional sector will come up with plans for delegations of tasks and submit them to the committee responsible for the revision of laws related to People’s Councils and Committees. The committee will then analyse the information received and incorporate it into the draft revision.²²

²⁰ See To Chuc Nha Nuoc (State Management), no. 5 (2002): 2-6.

²¹ Tran Ninh Thuc, “Quan triet cac quan diem cua Dang trong sua doi cac luat ve HDND va UBND” (Understand thoroughly the party’s concepts in revising laws on people’s councils and people’s committees), To Chu Nha Nuoc (State Management), no. 6 (2001): 17-18 and 32.

²² Ibid.

SECTION III

NON-VIETNAMESE APPRECIATION OF THE PROCESS OF DECENTRALISATION

The following section is based on a brief survey of existing literature produced by donors and some academic publications, as well as interviews with officials of several bilateral and multilateral donors, and with a number of NGOs that have been actively involved in projects relevant to decentralisation. With regards to the selection of interviewees, in many cases these were limited by the time-frame of the study and the availability of interviewees. Bilateral donors in particular proved to be very busy with preparations for the upcoming Consultative Group meetings in December, 2002, and could not be canvassed as extensively as we would have preferred.²³

Overall, this section is not intended to give a comprehensive overview of donor or external opinions on the process of decentralisation in Vietnam. Rather, it intends to highlight some of the main thinking about the process, as a background for further investigation at a later stage. This section is divided into three parts. The first gives an overall analysis of the way in which donors and analysts have assessed the decentralisation process in Vietnam and summarises some of their important findings. The second section gives an overview of areas of decentralisation in which donors have been working in recent years, broken into multilateral, bilateral and NGO sectors, as these seem to have fairly distinct concerns. Finally, the third section gives a brief analysis of some of the strengths and weaknesses of decentralisation-related projects undertaken by international organisations. In all cases it considers decentralisation to include both support for the central level and formalising the transfer of power to the provincial level and below, and strengthening the capacity of the district and commune level authorities to manage their new responsibilities and incorporate higher levels of people's participation in their decision-making processes.

3. 1 Existing Analysis of the Vietnamese Decentralisation Process

In general, information in the English language concerning decentralisation can be roughly divided between literature prior to 1995 and literature following 1995. Prior to 1995, analysis of developments at the sub-national level suffered from a lack of detailed information. Consequently donor reports tend to be speculative or to emphasise the different policy options available to the Vietnamese government rather than offer a detailed analysis of the situation “on the ground” at the local level (Roy 1993; World Bank 1995). For this reason, this study concentrates on reports after 1995, when more qualitative data gradually became available about local level conditions, and particularly since 1999, when the government's framework for decentralisation was already in place, and began to have noticeable effects.

Reports from the early 1990s highlight the unevenness of service delivery at the local level across the country, which the World Bank identified as stemming from several systemic features: the over-prescriptiveness of central level grants to the provincial

²³ A complete list of people interviewed is given in the annexes. Other considerations also guided the selection of organisations interviewed. For example, while the World Bank has been one of the most active players in the decentralisation process, World Bank views are already thoroughly documented in the extensive list of publications they have produced on the topic (see bibliography) and consequently interviews with the organisation were not a priority. AusAID projects and opinions were also not included in the survey of organisations, as we felt that these would already be familiar to AusAID.

level; making it difficult for local authorities to allocate funding for local priorities; the lack of a clear regulatory framework defining the specific responsibilities at each level of government; the lack of human capacity at the local level; and the absolute lack of funding in many areas (World Bank 1996: 42). Against this background, the “decentralisation framework” adopted by the Vietnamese government outlined in the previous section, has shown a number of positive outcomes.

At the central level, donors emphasise that the legal and regulatory framework put in place by the Vietnamese government has established a clearer and more solid reference framework for both commune and district governments to work more independently, and for international organisations to work more directly with the lowest tiers of government. An IMF and World Bank report concludes that genuine budgetary responsibilities have been devolved to lower levels of government under this framework, particularly under the 1996 Budget Law and its 1998 amendments, although the benefits of these measures have sometimes been undermined by the lack of transparency and monitoring in the budget process at the local level (IMF & WB 1999).

In terms of decentralisation in public administration, a series of workshops on PAR sponsored by UNDP in 2000 highlighted the need to further clarify the division of responsibilities between different levels in order to increase accountability and streamline decision-making across the government.²⁴ At the same time donors felt that the central government framework giving greater responsibilities to lower levels of government was only moving forward very slowly. This was because of perceived government working practices of introducing innovations on a step-by-step basis, and also because of concerns about stability if the reforms proceeded too fast. Nonetheless, donors continue to be very positive about the impact of the legislation and its validity as a framework in which decentralisation activities can take place. The Decree on Grassroots Democracy, in particular, has facilitated the work of international organisations involved in participatory development at the local level.

At the local level, international organisations clearly felt that there was increased willingness among local officials at the district and the commune level to take on responsibility for decision-making and service delivery in their area. However, several organisations stressed that the local authorities with whom they worked were often unaware of the recent legislation that gave them increased decision-making power. They tended to show a great capacity for increased initiative and consultation once they knew their initiatives were supported in a national framework.²⁵

At the same time, all INGOs interviewed illustrated a level of scepticism towards the implementation of decentralisation in Vietnam but supported this move by the Vietnamese government. Through their experiences in dealing with local authorities, they felt that the process of developing a decentralisation plan had been very top-down, with little discussion and participation of local authorities at lower levels. This was illustrated by the lack of knowledge at a local level of key decrees and strategies, such as Decree 29 “democracy at a grassroots level” or knowledge of the CPRGS

²⁴ See bibliography for full series of reports produced by the Government Steering Committee for PAR (Secretariat) in 2000. Reports available from UNDP, Hanoi.

²⁵ Comment raised during the national workshop on ‘Grassroots Democracy and Decentralisation in Planning’, Hanoi, November 15-16, 2002.

(Comprehensive Poverty Reduction and Growth Strategy), both of which are strongly supporting of the decentralisation process and were interlinked with other government plans such as its 10 year socio-economic development plan.

Oxfam GB and Helvetas, among others, worried about the wisdom of producing a centrally orientated plan when local authorities, provincial, district and commune abilities and requirements varied greatly across the country. INGOs felt that the central government had paid significant attention to getting the policy context of decentralisation correct, such as in Decree 29 and the CPRGS, without paying enough attention to the problems of local authority capacity in implementing these programs and decrees.

In contrast with the overall positive impact of the decentralisation process in increasing local initiative, INGOs also expressed some concern that in some localities, local authorities were distrustful of the extra responsibilities and workload implied under decentralisation, and felt that this was often a key constraint to successful implementation of further decentralisation. The meeting with UNDP suggested an alternative reason for their hesitation in supporting decentralisation, namely the concern on the part of poorer localities that they would not be able to support themselves, despite greater revenue generating opportunities.

All NGOs cited local authority capacity as a major problem for the implementation of further decentralisation. Helvetas had been approached by local communes it worked with to strengthen their capacity to implement further decentralisation and participation, and was encouraged that local authorities were acknowledging that this was an issue.

A separate issue concerns the relationship between individual communes and their higher level authorities. The communes Helvetas worked with often complained about transparency at higher authority levels, especially in disbursement of government funds down to them. Consequently Helvetas was considering further ways of making distribution of funding increasingly transparent to local people, in the hope that this strengthening would increase the transparency of government-disbursed funds.

Overall, these impressions from different perspectives imply that the central government's decentralisation framework is not always well known at the local level, and that consequently local officials are still operating within the top-down framework. At the same time the ability and willingness of district and commune level officials to undertake increased planning and decision-making, and to increase the public consultation process in support of their increased responsibilities, have varied widely. Donors continue to emphasise the lack of human capacity at the local level to undertake daily tasks, but often also the lack of human motivation to deal with an increased workload. A significant constraint, as highlighted below, is the significant cost of expanding local participation in the decision-making process.

The decentralisation process has varied significantly in its impact from one locality to another, in accordance with different local conditions. Below are discussed the findings of a study by M. Dupar and N. Badenoch (2002), which illustrates clearly and concisely some of the variations in the decentralisation process, through the perspective of agricultural and forestry management in four areas of Vietnam.

In all cases the study found that there have been higher levels of decentralisation since the Grassroots Democracy decree in 1998, and, in some poorer areas, thanks to government Program 135. This varied significantly, however. In one province, Nghe An, decentralisation involved very little increase in people's participation in decision-making, and the central and provincial levels continued to hand all decisions to the commune level authorities for implementation. At the same time, the local people showed very little interest in land conservation and ensuring sustainable resources. Local officials complained they could not consult widely with villagers because of lack of funding.

By contrast, in two areas, decentralisation was being supported by bilateral donors (the Vietnam-Sweden Mountain Rural Development Programme in Phu Tho, and the Danida-supported Participatory Irrigation Management Initiative in Dak Lak). Both of these projects provided funding for increased public consultation, and training in public participation, closely integrated into the local government context. They showed considerable success in their results, as measured by improved management of local resources. Given the experience of Nghe An province, it is not clear whether participatory planning would continue once donor funding pulled out, despite demonstrable official support for participatory planning.

Finally, in the case of Thua Thien province, commune officials were found to be highly regarded by local people for their part in disaster relief and resource management. They had taken a number of initiatives in these areas to assist the people, independently of instructions from higher level authorities. They were also appreciated for the allocation and management of the land that higher level authorities had given to commune authorities for distribution. The study found that this land was well managed in a sustainable way, with extensive village co-operation networks set up. By contrast, land that had been handed over to large enterprises and remained under the oversight of provincial authorities showed little sign of sustainable environmental management.

The first conclusion to be drawn from this comparison is that decentralisation did take place in each of the four areas under study, but under a wide variety of different conditions, particularly in terms of those initiating decentralisation, and its outcomes. While decentralisation took place in each of these four cases, in the first responsibilities were allocated from the top down, and showed little improvement in sustainable resource use. In two cases, decentralisation was strongly supported and strengthened by international donors working in the area and did effectively lead to improved participation in sustainable resource use. In the final example, commune authorities had shown strong independent initiative in mitigating local natural disasters and were supported by integrated village user networks. In all cases increased participation by lower levels led to better resource management and improved livelihoods; however, those that were supported by bottom-up initiatives or targeted (especially financial and training) support, have shown improved outcomes compared to the top-down "directives" approach of the first example.

In summary, while donors consider that there have been considerable strides in establishing the legal and regulatory framework to support the decentralisation of planning and decision-making at the central level, the real impact that this has had on the ability and willingness of local level officials to increase the participation of people in the decision-making process, and on the willingness of the local officials

themselves to take on more responsibility, has varied considerably. In the final analysis, this means that the ability of the decentralisation process to genuinely have a positive impact on people's lives has also shown considerable variation, depending on the individual situation of each locality.

3.2 Donor Projects Associated with Decentralisation

At the basic level, decentralisation involves working with the government. It involves transferring decision-making capacity from a higher level of government to a lower level, and increasing the capacity of the lower level to involve all stakeholders in a decision-making process that will hopefully also lead back up into national planning and budgeting procedures.

In terms of donor projects related to decentralisation, these tend to be divided between those that strengthen the institutional framework for decentralisation, as elaborated at the central level, and those that take a “bottom-up” approach, by strengthening decision-making processes at the lowest level of government. At the same time, very few donors tend to view their projects exclusively in terms of assistance to “decentralisation”; instead, decentralisation components tend to be included under other headings.

3.2.1 Strengthening the Institutional Framework

At the central level, decentralisation projects are most commonly grouped under the headings of public administration reform, legal reform and financial reform. Each of these areas at the central level is strongly supported by multilateral institutions, in particular the UNDP, World Bank, and to some extent the ADB. World Bank assistance at the central level is particularly in the form of “analytical and advisory activities”, namely research activities and publications that examine the organisational strengths and weaknesses of different sectors, financial transfers between central and local levels (such as the regular Public Expenditure Reviews) and the institutional roots of poverty (World Bank 1995; 1996 and 2001). Much of its sectoral assistance also includes a decentralisation component. The World Bank Higher Education Project, for example, includes a significant component to improve the efficiency and management of higher education administrators, including through improved data collection and planning, and improved management skills, skills that were previously only required by the central government.

UNDP assistance has been more directly in support of decentralisation, through financing advisors to assist in the elaboration of the legal framework for decentralisation and support to public administration reform at the provincial level (HCMC Public Administration Reform project). It also undertook one project to strengthen the capacity of People's Councils, the elected decision-making bodies at the local level, and has had some involvement from the private sector in public service delivery (Haiphong). Most recently (23rd November, 2002) the UNDP signed a PAR Master Program Support assistance agreement with the Vietnamese government, with an important decentralisation component.

Finally in terms of significant multilateral assistance, ADB assistance has been provided particularly in the area of improving administrative capacity of government offices at the central and local levels. This has focused both on facilitating the

activities of business enterprises, such as establishment of a one-stop shop for administrative procedures in Haiphong, and on broader training and assistance for Public Administration Reform under the government's PAR Master Programme.

Various bilateral donors provide funding within the framework of different multilateral PAR, financial and legal reform projects, or provide capacity building as part of sectoral assistance (education, health, infrastructure etc). In general, multilateral and bilateral donors have shown themselves to be most comfortable working with and through government institutions, although in some cases this has been to encourage government offices to increase the participation of groups outside the government, civil society groups and the private sector. In light of the international development emphasis on poverty reduction (as exemplified in the United Nations Millennium Development Goals), and as the organisational and human resource capacity of government institutions in Vietnam has steadily improved, the focus of multilateral and bilateral donors in Vietnam has turned to ensuring the quality of service delivery for the poor. This focus has increased their involvement in an area that has traditionally been the focus of INGOs: *participatory planning*.

3.2.2 Strengthening Bottom-Up Participation

While interviews with INGOs showed that they did not consider themselves to be involved in decentralisation *per se*, many of their concerns and approaches involve increasing planning and decision-making capacity at the local level and empowering local organisations, so effectively strengthening decentralisation from the “bottom up”. Participation at the grassroots level has been a key component of INGO projects in all areas and INGOs are increasingly including components to increase transparency and accountability at the grassroots level. All those spoken with emphasised their commitment to including individuals and local government officials at the village and commune level in decision-making regarding potential programmes to be funded by INGOs. The aim was to ensure that local people at a commune and village level have a say in the direction of programs and ensure that INGO programs go not only where they are needed, but to areas where local populations feel they are needed. As a result, although INGO development programs may not be directly involved in decentralisation, these elements ensure support for the decentralisation process by strengthening local government and local people’s capacity to participate in decision-making and by increasing their knowledge of measures to improve accountability and transparency.

INGOs have also increasingly been involved in working with local NGOs (LNGOs) as these become more established in the country, and this has had some practical implications for decentralisation. One LNGO, LERES,²⁶ has received funding and training from INGOs in order to undertake legal research, produce legal manuals and give legal training and support at a local level, including by disseminating information concerning the various central level decrees concerning decentralisation.²⁷ In another example, ActionAid has fostered a strong relationship with the Centre for Rural Progress (CRP), also based in Hanoi, and has often used this organisation to undertake research and programs at a commune and village level. This has provided

²⁶ Legal Research and Consultancy, based in Hanoi

²⁷ This project is, or will be, supported by Oxfam GB, ActionAid and Plan.

them with important inputs in areas of capacity building and training of local people and authorities. While initially this partnership faced a certain amount of mistrust on the part of local authorities at all levels, they found that over time the local NGO has begun to play a far more important role in local affairs, and the local government was now working through the local NGO in a number of projects.

On the whole, however, while the strength of INGOs has been in their ability to work directly with local groups and local populations, the greatest weakness in the implementation of their projects has tended to be their ability and willingness to work within national and local government frameworks, particularly above the commune level. While some INGOs were working explicitly to strengthen the possible impact of the government decentralisation framework,²⁸ many were most concerned to ensure they identified and worked with organisations and individuals least concerned with government.²⁹ In terms of working with government, Plan was particularly open about some of the problems it has faced in implementation projects at the local level. It recognised that many of its projects had not sufficiently taken into account the government environment. While they had signed Memorandums of Understanding with provincial authorities, and proceeded to work directly with commune level authorities in implementing their projects, they had effectively bypassed district level authorities. This had caused significant delays and misunderstandings during the implementation of their projects. They were working to remedy the situation. The increased existence of non-government partners in Vietnam has certainly strengthened the ability of INGOs to maintain their ideological preference for working outside government.

If multilateral and bilateral donors have shown particular strengths in working at the government level, while INGOs have been particularly concerned to work at the local level, in recent years in Vietnam there have been a number of initiatives to combine the strengths of both these approaches to strengthen decentralisation from “top-down” and “bottom-up” directions simultaneously.

World Bank Sponsored Participatory Poverty Assessments (PPAs).³⁰

This initiative aimed to research the causes of poverty in Vietnam, from the point of view of the poor themselves, through the use of participatory poverty assessments. While not strictly related to decentralisation, the assessments have had a number of impacts on decentralisation from both the government and donor point of view.

The PPAs were undertaken at a time when there was increasing government and donor interest in fighting the direct roots of poverty. The World Bank's Country Assistance Strategy for 1998 identified the need to undertake a qualitative analysis of poverty in Vietnam, and eventually funding was also found for the work from DFID, UNDP and SIDA. After an extended negotiation process, four INGOs were identified as being able to undertake PPAs in different parts of Vietnam.³¹ Once these

²⁸ Helvetas, for example, was incorporating training about the Decree on Grassroots Democracy in all its projects at the local level.

²⁹ See the World Bank sponsored participatory poverty assessments discussed below.

³⁰ A background and evaluation of this initiative can be found in Turk, C. 2001. 'Linking Participatory Poverty Assessments to Policy and Policymaking: Experience from Vietnam.' Report commissioned by the World Bank, Hanoi, Vietnam.

³¹ Save the Children (UK), ActionAID, Oxfam GB, and the Vietnam-Sweden Mountain Rural Development Program.

international organisations had expressed their commitment to the project, eight government agencies were also invited to participate,³² and became closely involved in the process, as part of a Poverty Working Group. “Collectively the four PPAs engaged with more than 1,000 households over the course of the studies” (Turk 2001: 8). Each study culminated in a provincial level workshop to present the findings of the study, and was attended by the members of the Poverty Working Group as well as local level officials. Findings were also correlated with the second Vietnam Living Standards Survey, and have been used to contribute to Vietnam's Comprehensive Poverty Reduction and Growth Strategy (CPRGS).

While the final reports did not focus on decentralisation *per se*, they did give some indication about how concerned people are about government service delivery at the local level. It is notable that while people living in rural areas (Ha Tinh and Tra Vinh provinces) found the lack of government services (rural services, education, government credit etc) to be a major problem, many urban poor complained of excessive over-zealous application of regulations (Ho Chi Minh City). This suggests that while rural areas suffer from a lack of government provision, urban areas might suffer more from a misapplication of government regulations (although the poor in urban areas also suffer from lack of schooling and health facilities).

An evaluation of the PPA process concluded that not only had it brought some new insights into poverty in Vietnam, it had also created greater linkages between INGOs, multilateral and bilateral organisations and central and local levels of government, and greater insights into new areas of poverty for all these groups.³³ It had also brought about direct changes in central and provincial policymaking, such as plans to upgrade slums in Ho Chi Minh City. The studies, it was argued, provided an effective conduit for local concerns to be heard at the national policy making level, besides existing channels such as the Mass Organisations and the Party itself.

National Workshop on Grassroots Democracy and Decentralisation in Planning
(Hanoi, 15-16 November, 2002)

This workshop was held by the Central Institute for Economic Management (CIEM) and the Social Forestry Development Project - Song Da (SFDP), and funded by GTZ in order to bring together the experiences of a variety of different players actively involved in development planning at the grassroots level. The presentations given at the conference summarised some of the most important experiences in participatory development planning, and strengthening the decentralisation process from the bottom-up.

Reports from the government (CIEM and MPI) emphasised the regulatory framework that had been put in place to assist the decentralisation of financial and public service delivery from the government side. For example, the central government had made available a certain amount of funding to support Commune Development Budgets (CDBs) intended for small-scale projects at the village and commune levels which would help to alleviate poverty. Communes were expected to produce development

³² MPI, MOLISA, MARD, General Statistics Office, Committee for Ethnic Minorities and Mountainous Affairs, and the Women's Union; and later the Ministry of Finance and the State Bank of Vietnam.

³³ It is interesting to note that one of the requirements for the studies on the part of the World Bank was an institutional focus, so that the reports could feed into an international World Bank report, *Voices of the Poor*. At the same time INGOs noted that their studies comprised a far greater institutional analysis than would have been the case if this had not been a requirement.

plans every six months, and publicise all related information at the village and commune levels. The government also recognised that not all communes yet had the capacity to undertake such planning exercises, and consequently they were only being implemented on a gradual basis, with districts to provide assistance to communes until the communes became able to undertake the necessary management procedures themselves.

The support for these CDBs showed similarities with lessons learnt from a long-standing participatory development project, also presented at the national workshop. The Rural Infrastructure Development Fund (RIDEF) was initiated by UNCDF in 1995 with bilateral donor assistance. The aim of the project was to eliminate poverty through assistance to small-scale rural development projects that were identified and managed by local authorities in Quang Nam province and Danang city. Such projects included investment in markets, primary schools, roads, bridges and small irrigation schemes. In the first stage of the allocation process, communes were asked to identify priorities based on indicative planning figures, and involve all potential stakeholders in the final identification process to establish which projects would be funded. They were then required to formulate investment reports based on feasibility, study and design cost estimates, and request public bidding for the contracts. Finally, the local authorities oversaw the construction or implementation of the project and inspected the final outcome, as well as ensuring that ongoing maintenance of the project was undertaken. Provincial and local level funds accounted for around a third of project inputs.

As a consequence of the experience in assisting commune and district level authorities in carrying out these responsibilities, the project had drafted some decisions to formalise the authority of the district and commune levels in their management of infrastructure development projects. It had also been involved in significant capacity building of local officials and its experiences had been fed back into government poverty elimination schemes such as Programmes 133 and 135 etc, as well as other bilateral donor projects. The biggest successes of the project were found to be the increase in technical and management skills of the local authorities involved in the projects, as well as an increase in their initiative and creativity in seeking out possible projects. The project management process had also been laid out in a handbook on the 'Local Planning Process' to enable local authorities in other areas to take advantage of the experiences in Quang Nam and Danang. The project had found, however, that small rural infrastructure projects proved far more expensive in remoter and less populous areas, where contractors requested higher prices for their services. It also showed that five years was a very short time-frame in which to achieve the multiple aspects necessary for the success of the projects, such as the training of officials and genuine transfer of responsibilities to the commune level, even before initial projects were selected for implementation.

One of the other experiences also significantly highlighted at the workshop was the Village Development Planning (VDP) process, which had been supported by GTZ since 1995 and recently drawn to a close. By 2002, VDP had been implemented in almost half of all villages (1,378 of 2,989), in all districts of Son La province. The aims of the project were to improve service delivery and to ensure better representation of disadvantaged groups in community decision-making. The process was developed over a long time-frame, in order to ensure the suitability of the approach, the identification of suitable partners for its dissemination, and closer

integration and co-operation with authorities at the commune, district, provincial and even central levels. After three years the project found it was able to contract out VDP training, based on technical and financial guidelines that had been developed in the initial phase of the project. Once these initial steps had been completed, it became easier to get authorities at the district and provincial levels involved in the process, which gave it much greater potential for sustainability. Both the Vietnamese government officials and the international donor community involved in this process felt that it had had some major successes in ensuring that funding genuinely improved the living conditions of the local people. At the same time, however, they warned about the need to be very cautious in the transfer of management responsibilities, and the need for this process to receive significant support, both financial and training, in order for it to be successful in the long term.

The list of participatory projects presented in detail at the workshop was not comprehensive. It is known that Canadian CIDA, for example, has been providing funding for small-scale agricultural activities (with funding channelled to the district and commune level), and very small-scale infrastructure projects identified by the commune level in very remote areas. In this case funding is channelled through the MOF to the treasury at the provincial level. The disbursements have required extensive training in participatory planning and managing the funds. A recent evaluation showed that, as described in the previous section, commune level officials often lack the technical skills and capacity to implement even these small-scale projects, which has been perhaps the major hindrance to their implementation. A detailed report on this workshop, and a follow-up workshop held on November 26, are likely to be available in the near future.

Swedish Sida was also involved in community based participatory planning, through the Vietnam-Sweden Northern Mountains Development Project, while the World Bank began a Northern Mountains Poverty Reduction project in 2002, and a Community Based Rural Infrastructure project in 2001, to support community based decision-making and rural livelihoods.

Overall, the interviews showed donors clearly on the whole satisfied with their capacity to undertake activities in the area of decentralisation, and with the capacity for these activities, whether at the central level or at the local level, to have a beneficial impact on the lives of the people they are intended to benefit. At the same time it was noted that many of the projects in support of decentralisation have a long time-frame for their successful implementation, and require considerable flexibility on the part of donors during their implementation.

SECTION IV

DECENTRALISATION AND RURAL SERVICE DELIVERY IN QUANG NGAI AND LONG AN: TWO MODELS

This section examines the situation of decentralisation in the provinces of Quang Ngai and Long An, focusing on the rural service delivery sector and including agricultural services, infrastructure building and social relief policy. It discusses the general socio-economic situation in the provinces, the public administration reform process, the decentralisation of planning, management and fiscal responsibilities in practice, and the situation with rural service delivery.

This section highlights two models of decentralisation, where the decentralisation occurs either *inside* or *outside* the state apparatus (deconcentration and deregulation respectively). In the case of Quang Ngai, the local government still maintains a close relationship with the central government in planning and managing local development. It has delegated responsibility to local state units to a limited extent, and has tended to continue to dominate the provision of rural services. In the case of Long An, the local government has only a loose tie with central government when it comes to economic planning, has delegated administrative responsibility to its local units and relies on the private or privatised commercial sector to provide services.

4.1 Economic Situation in Quang Ngai and Long An

Quang Ngai, a province resulting from a division of Nghia Binh province in 1989, is often grouped with six other provinces and municipalities - Danang, Quang Nam, Quang Ngai, Binh Dinh, Phu Yen and Khanh Hoa - to form the so-called "South Central Coast Region". These provinces are generally seen as poor and relatively dependent upon outside resources for their development.

The province consists of one provincial town and 12 districts (5 mountainous districts, 1 island district, and 6 lowland and hilly districts) divided into 179 communes, wards, and district towns. In 2002, its population is around 1.2 million. Its GDP comes 37.1% of from agriculture, forestry and fisheries, 24.7% from industry and construction, and 38.2% from services. It is one of the 23 provinces that the central government considers poor, with the percentage of poor households reportedly being 21.7%.

Long An represents a different economic picture. Located in the Mekong Delta, the rice bowl of Vietnam, its economic situation is comparatively good, although districts bordering Cambodia reportedly have met with difficulties at times. In 2002, the percentage of households under the poverty line was around 8%. Program 135, aimed at assisting communes faced with difficulties in remote areas, at the beginning did not cover the province; some communes on the Vietnamese-Cambodian border were added to the list later. As of 2001, the agriculture sector contributed 50% of GDP and the industrial sector another 25%. The former is dominated by private households, while the latter consists of state-owned enterprises (20%), the private sector (30%), and foreign direct investment (50%).

4.2 PAR in Quang Ngai and Long An: An Overview

Neither Quang Ngai nor Long An are at the forefront when it comes to public administration reform, although certain PAR measures are implemented periodically. Since 1989, Quang Ngai has undergone two waves of PAR with measures focusing on the reduction of the number of administrative units at the provincial, district and commune level, and the socialisation of some aspects of the public services, especially education and health care. Implementing the Resolution of the Fifth Plenum of the Central Committee on the reform of the grassroots-level political system, Quang Ngai has focused on defining the roles and functions of its 179 units at the grassroots level; the promulgation of documents related to local cadres' qualifications; regulations on the duties of heads of hamlets; and the application of grassroots democracy.

For the period of 2001 to 2005, Quang Ngai will focus on (1) reorganising the district administration in mountainous areas to enable them to perform their management functions; (2) redefining the functions and responsibilities of professional agencies; (3) redefining the relationship between the leadership and the collective; and (4) retraining local cadres at all levels. One concrete policy is to develop the one-stop shop model for procedures dealing with government-citizen relations. Another is to experiment with the subcontracting of government work (*khoan bien che*) in five administrative units: the Departments of Agriculture and Rural Development, Education and Training, Health, and line agencies under the Nghia Hanh and Duc Pho District People's Committees.³⁴

The PAR process in Long An has also been limited. The province is currently drafting its PAR plan for 2002-2005, following the guidelines given in the PAR master plan adopted by the government in September 2001. Some key problems identified by the Provincial Office for Governmental Organisation include: lack of consistency within the administrative machine; excessive workloads for certain administrative positions; and lack of uniformity within the provincial civil service.

The provincial PAR plan emphasises the four pillars of PAR outlined by the master plan: reform of the administrative system; reform of organisations; rebuilding the civil service; and reform of public finance. Its sub-programs concentrate on reform of administrative procedures, streamlining the bureaucracy and its units' functions, computerisation of the entire administrative system, retraining local cadres, subcontracting out the administrative units and promoting socialisation. The first two priorities for reform are identified as training cadres and modernising the government system. In provincial administration's staffing, Long An's plan is to rejuvenate and standardize its staffing of civil servants, while senior cadres with limited education and old mindset will be advocated to take early retirement (female cadres at the age of 50 and male cadres at the age of 55), so as to make room for younger and more competent cadres.

The process of PAR in the two provinces has so far been slow. PAR measures to the year 2005 currently adopted by the two provinces will undoubtedly affect the structure and operation of the local government system. However, there is no clear indication how they will affect the rural services delivery sector.

³⁴ Interview with officials at the Provincial Committee for Government Organisation, November 22 2002 and official written exchanges dated December 5, 2002. See also Tran Ngoc Cang, "Quang Ngai voi cong tac sap xep to chuc, tinh gian bien che va xay dung chinh quyen dia phuong (Quang Ngai and work on the organisation and simplification of the civil service system and building local government)," *To Chuc Nha Nuoc* (State Management), no. 8 (2002): 89-91.

4.3 Decentralisation of Planning, Management and Fiscal Responsibilities in Quang Ngai and Long An

Discussions with provincial leaders gave the clear impression that Quang Ngai and Long An are very different in three areas which indicate the process and levels of administrative decentralisation: their planning strategies, distribution of management responsibilities and allocation of fiscal responsibilities,

In Quang Ngai, the provincial Department of Planning and Investment (DPI) advises the People's Committee in providing concrete guidelines to the departments, agencies and district/township People's Committee to make plans. The planning process itself follows Ministry of Planning and Investment's guidelines. The short-term (annual) planning process starts from June of the preceding year. The DPI advises to the People's Committee to issue a plan contents guideline, which is then sent to departments, agencies and People's Committees of districts and township. The latter, in addition to making plans, will also review their first six months' performance and their plans to meet the yearly plan, then send this report to DPI within one month. The DPI will consolidate all reports into a master plan for the whole province, which will be submitted to the People's Committee. This plan is then sent to the Standing Committee of provincial VCP, approved by the provincial People's Council and then submitted to the Ministry of Planning and Investment by September. The annual plan is then re-adjusted after the province receives specific information on the tasks assigned to them by the Government. The adjusted plan will be used as a basis for the provincial People's Committee to assign annual plans to departments, agencies and People's Committees of districts and township.

Information gathered from the interviews indicates that there are some difficulties in the planning process. The quality of information gathered by local administrative units is not high, leading to the need for the readjustment of plans during implementation. At the provincial level, the DPI has to rely on the Development Strategy Institute (Vien Chien Luoc) to help with the final drafting of the plans and their readjustment where necessary. The planning process is also constrained by a lack of market information for provincial agricultural and industrial products. For example, the province has advocated the planting of both sugarcane and manioc for the state-owned Tinh Phong Flour Company and the two state-owned sugar companies. In practice, manioc is much more profitable, a fact recognised by both the provincial leadership and local inhabitants. However, the province has not completely switched to investing in the planting and processing of manioc. One of the reasons given is that in the long run, the province does not have sufficient information whether and how long the market for manioc and flour will be stable.³⁵

Regarding the decentralisation of planning tasks to lower administrative units, the provincial leadership in general and the DPI in particular felt that planning and management could be decentralised to the district level. There is some ambivalence about the capability of the commune as a planner and manager of projects. Leaders of the Department of Labour, War Invalids and Social Policy pointed out that although Program 135 was aimed at encouraging the commune to participate in planning and

³⁵ Other reasons given for not completely switching to invest in growing manioc is that the province sees the need to keep the agricultural structured diversified, that sugarcane is a traditional crop of the province, and that the only manioc processing company in the province has not yet been able to absorb all raw materials supplied.

managing poverty alleviation projects, the province could only decentralise the process to the district level. The DPI found that donor projects that require commune-level participation in planning and management need a lot of preparation work for the project to yield good results. Information from the Committee for Government Organisation indicates that the province currently has 3488 commune-level cadres. About 48% received junior secondary education while 16% received primary education and 35% received senior secondary education. About 7% of the cadres received primary professional training, 11% received secondary professional training, and only 1% received university-level professional training. So far, the province has organised training courses on state management to 135 cadres (3.8%).³⁶

On fiscal decentralisation, Quang Ngai's economic conditions do not seem to allow it to fully benefit from built-in flexibility that the policy of decentralisation might have offered. The provincial budget comes from the central budget for national programs, as well as provincial revenue and local contributions. As a poor province, local revenue sources are limited and the transfers from central government have formed a major part of the provincial budget (See Figure 4.3.1).

By contrast with Quang Ngai, Long An's planning system is "market-oriented". In this sense, it is possible to argue that provincial planning in Long An is much more decentralised. The Vice-chair of the People's Committee used the term chu dong (flexibility/proactiveness) to characterise the planning process. He stated that the central government's physical planning was far less rigid for the Mekong delta. Also, the province's proximity to Ho Chi Minh City enables its leadership to receive market signals in good time.

Following the national pattern, planning is carried out by the DPI in conjunction with the People's Committee and other departments. The province solicits assistance from both local and central consultants, including the Central Institute for Strategy, the Centre for Research on Southern Vietnam under the Ministry of Planning and Investment, and state and private research agencies. The issue under current consideration by the provincial leadership is whether it is necessary to push physical planning (quy hoach – see fn 5 above) down to district and commune level. In Long An, 30 of 183 communes have physical planning for their locality.

Within the province, there is a policy to encourage decentralisation of responsibilities to the district and commune levels. The province has also allocated tasks to the district level to decide on infrastructure building, issuance of construction permits and business permits as well as small business enterprise operations. Land management has already been decentralised to the district and commune level (30%). However, the capacity of the local cadres has also been identified as a major obstacle to any further decentralisation scheme. The province reportedly invested large sums of money to train local cadres to prepare them to manage Program 135. According to Long An, "decentralisation is most evident in provinces that have authorized their commune administration to be project owners in certain areas, such as construction of crucial facilities and provision of services to the population."³⁷

³⁶ Communication exchanges dated December 4, 2002.

³⁷ Communication exchanges dated May 14, 2003.

One major problem in decentralisation of responsibilities brought up by the provincial leadership deals with the question of personnel. Long An's administrative units are overloaded with tasks, while their staffing cannot be expanded to cope with this increased workload because of the restrictions in total number of administrative staff members imposed by the central government and because the reshuffling of staff members across departments has not been implemented. On the other hand, the application of IT in public administration at the local level is still very limited, resulting in low productivity and unsatisfactory level of effectiveness in management.

Long An also takes advantage of the fiscal decentralisation scheme. The province has autonomy in planning its revenue and spending, with the exception of having to remit required tax revenues. The province had never received a subsidy from the central government until value added tax was applied, making it, for the first time, collect less revenue than expected. In this sense, Long An was quite exceptional as the majority of provinces in Vietnam need a transfer from the central government. The decentralization of responsibilities and financial management has been implemented at all three levels of administration in the province. Annual plans are developed by lower levels of administration and submitted to the higher level for approval. The province enjoyed the right to plan and manage foreign investment and land according to the provisions of law. However, in the area of foreign investment, the leadership feels that its authority to manage a maximum of US\$10 million for the industrial zone and \$5 million outside it are amounts that are too small in practice. At the commune level, up until 2002 the commune kept all the taxes it collected. However, a forthcoming change will mean that the commune has to transfer land taxes to the district and province, keeping only 30%. The province thus will have to find another source of income for the commune.

The process of decentralisation in Long An, according to provincial authorities, is frustrated by the lack of capacity by local level government cadres, a weak grassroots administrative apparatus, incompetent project management, especially at the commune level in rural service delivery. The commune level of administration still relies too much on higher levels and is not yet proactive in planning and in delivering services to the population. Long An considers the capacity of professional cadres at the local level as on key factor shaping the process of decentralisation.

Figure 4.3.1

Plan for State Budget Revenue and Expenditure of Quang Ngai and Long An for Year 2002

	Quang Ngai	Long An
Unit: Million Dong		
Total Revenue in the Locality	219,450	580,000
Ratio of Revenue Distribution to the Province's Budget	100	100
Transfers from Central Budget to the Province's Budget	453,370	340,670
Total Budget Expenditure of the Province	641,010	834,320
Centrally-Financed Expenditure for National Targeted Projects and Programs	116,738	111,168

Source: Ministry of Finance. Vietnam State Budget: Final Accounts for 2000 and Plan for 2002. Hanoi: Financial Publishing House, 2002.

4.4 Rural Services Delivery in Quang Ngai

In Quang Ngai, rural services delivery is state-dominated, a collaborative undertaking among state administrative units, provincial state-owned enterprises, state research agencies and the cooperative sector.³⁸ Although the province records 375 private enterprises operating, most are not involved in rural service delivery. The Department of Labour, War Invalids and Social Policy is in charge of social welfare and poverty alleviation programs.

4.4.1 Agricultural Services Delivery

Figure 4.4.1 provides a sketch of how certain components of agricultural services are provided in Quang Ngai. The key actors in service delivery are state-affiliated. The state-owned Agricultural Supplies Company (Cong Ty Cung Ung Vat Tu Nong Nghiep) provides fertiliser, pesticide and seed for farmers. The Centre for Science, Technology and Agricultural Extension (Trung Tam Khoa Hoc Ky Thuat Nong Lam Nghiep va Khuyen Nong) is responsible for agricultural extension activities. Set up in 1993, the Centre is a scientific technical and professional unit (don vi su nghiep khoa hoc ky thuat) under the jurisdiction of the Provincial Department of Agriculture and Rural Development. The Centre of Water Resources and Environmental Hygiene for Rural Areas (Trung Tam Nuoc Sinh Hoat va Ve Sinh Moi Truong Nong Thon), set up in 1990 and also a scientific technical and professional unit under the Department of Agriculture and Rural Development, provides clean water for rural areas. The cooperatives, placed under the management of the Department of Agriculture and Rural Development and Department of Finance and Prices, also provide agricultural extension services.

The Agricultural Supplies Company: This is a provincial SOE that operates on the basis of business accounting. The company has three shops at the district level and a comprehensive system of local retailers that total around 400. The company covers about 80-85% of the market share, the remaining 10-15% being supplied from outside. The company works closely with the provincial sugar company to provide agricultural supplies to sugar cane farmers.

In evaluating the current system of agricultural supplies, the agricultural leadership feels that the supplies are not always responsive to the needs of local inhabitants. Prices for its services are not always lower than the market price but, according to the company leadership, farmers seem to accept them as product quality is guaranteed. The agricultural sector hopes to be able to mobilise more resources from the central government and foreign donors to help promote services in rural areas.

The Centre for Science, Technology, and Agricultural Extension: In the area of agricultural extension, the centre is responsible for carrying out research to develop and experiment on new seed, new animal breeds and new forest tree species. It is also responsible for promoting knowledge of agriculture and forestry among local inhabitants. The centre's revenue comes from two sources: the government budget and

³⁸ Currently, Quang Ngai has 17 central and 34 provincial SOEs but of the latter, only 29 are currently operating. Between 2002-2005, the province has plans to corporatise nine SOEs.

collections from fee-paying activities. The former mainly goes to agricultural extension workers while the later goes back to workers involved in the production of new seed and animal breeds. At times, the state budget is also used to subsidise scientific research.

The centre works through a network of its own units, local administrative agencies, mass and popular organisations, and state-run companies. It has its own technical stations that work on new seed and animal breeds. It has 13 agricultural extension units in all districts of the province to advise and assist the district on technical matters. Owing to limited resources, it has not yet set up stations in communes. Whenever needed, the district authorities in collaboration with the district agricultural extension unit will organise training sessions for commune agricultural extension collaborators (cong tac vien khuyen nong xa), most of whom work on a voluntary basis. The centre also works with local popular organisations including agricultural extension clubs, agricultural extension units, mass organisations (especially the Association of Vietnamese Veterans, the Women's Union and the Youth Union), and farmers' self-help units. As there are problems with the provision of agricultural supplies, the centre coordinates with a number of state-run companies to help distribute seed and fertiliser in a timely fashion.

There are signs of decentralisation in the centre's agricultural extension work. In the past, it drew up agricultural extension plans for districts and communes, but recently it has let districts draw up their own proposals. The centre would select projects appropriate to the local budget for districts to implement. The centre would involve itself directly in projects considered to be of high technical difficulty.

The centre leadership identifies both achievements and difficulties in agricultural extension work. Achievements include successful experiments in the intensive planting of rice in certainly areas, the production of F1 rice seed, and the raising of the Mong Cai pig in mountainous districts – examples of the development of new seed or animal breeds that yield good results. The key difficulty is in the training of commune agricultural extension workers. As there has not yet been a systematic and long-term training program, the professional knowledge of these collaborators remains limited.

The Centre for Water Resources and Environmental Hygiene for Rural Areas: The centre is responsible for providing clean water for rural areas, managing hygiene and the environment, training cadres on hygiene and the environment, and promoting general hygiene in rural areas. It does not have branches at the district and commune level. The centre's annual budget is reportedly around VND 100 million (or US\$6,500), the only source of revenue.

The centre's leadership points to both the achievements and limitations of its activities. Despite the fact that provision of clean water is a national policy objective, the budget allocated to this area is extremely limited. At the same time, clean water is still a subsidised item. To promote environmental hygiene, the centre organises classes to propagate knowledge about hygiene. So far, attempts to handle human waste have been partially successful but there have been no systematic measures to handle animal waste. Investment, well-trained management cadres, and a system of technical assistance at the commune level responsive to local conditions are needed.

The Cooperatives: The cooperatives play a crucial role in rural service delivery in Quang Ngai. In the low-lying parts of the province, there are 185 agricultural cooperatives and production units (tap doan). All were set up in 1978 but were reorganised according to the Law on Cooperatives of 1997. These cooperative are in principle responsible for providing at least six rural services. They provide electricity and irrigation (sub-contracted from the Irrigation Office), help farmers prepare for harvest season, decide on investment sites, supply new seed, and provide information on preservation of foodstuffs to local inhabitants. Some of the services are fee-paying, while others are not. Provincial records indicate that approximately 26.6% of the existing cooperatives provide a wide range of rural services (irrigation, electricity, seed, supplies, credits, etc.). About 59% provide one or two services, such as irrigation and electricity or agricultural extension. Only 4.4% provide marketing information to local inhabitants.

Few cooperatives are reportedly effective. One of the reasons most often cited is the educational level of cooperative workers. Provincial statistics show that about 42% of cooperative chairpersons have only primary level education, 16% have secondary level education, 10% have university and college level education, and 32% are without any formal education. About 50% of accountants have primary level education, and 40% have secondary level. Training for cooperative leaders, especially their chairs, vice-chairs and accountants is considered the most urgently needed task.

4.4.2 Provision for Poverty Alleviation and Social Relief (Figure 1.4.1 - Figure 1.4.4)

In Quang Ngai, the Department of Labour, War Invalids and Social Policy is responsible for poverty alleviation and social relief. The delivery of services goes through government channels (similar to the model presented in Figures 1.4.1 to 1.4.4). The department relies on the commune to provide a list of poor households. At the local level, in the past the Association of Vietnamese Veterans was involved in setting up the list but later the Farmers' Association assisted the commune authorities in identifying the poor. The definition of a poor household follows that given by the Ministry of Labour, War Invalids and Social Policy, that is, income less than VND100,000/month in rural areas and VND120,000/month in urban areas. Funds for poverty alleviation are transferred to the Bank of the Poor to be used as loans. The bank has branches at the district level and each commune has its own credit units. Funds are also used to help poor households.

When evaluating its social services policy, the department's leadership is of the opinion that poverty alleviation and social relief have to be carried out in conjunction with the promotion of agricultural growth in general. Regarding the planning and implementing agency, opinion is in favour of the district level as commune cadres are not yet qualified to do planning and management work.

4.4.3 Local Capacity in Service Delivery: Perspectives from Binh Duong and Tinh Son Commune, Quang Ngai province

The province arranged for the team to visit three communes to discuss rural service delivery with the local leadership, mass organisations and inhabitants. The purpose was to ascertain the effectiveness of the system from the recipients' perspective. For

comparative purposes, information gathered from group and individual discussion with two of the communes is summarised as follows:

- Binh Duong residents confirm their participation in identifying the poor, beginning with investigations at the hamlet level before the information is passed on to the commune authorities. However, in Tinh Son commune, popular involvement came after a decision on policies had been made. The commune leadership would organise meetings to get opinions on implementation. The commune also participated in supervision (to giam sat nhan dan). Often, local inhabitants participated through material contributions.
- State budget allocated to communes was not enough; commune leadership had to seek local sources of revenue. Currently, Binh Duong receives VND 227 million per year. However, there is a need for VND 1.2-1.4 billion to cover local activities. The commune thus has to seek additional local revenues, including renting out the commune's 5% land and the collection of taxes at the market.
- The two communes rely on two providers for irrigation needs, the Province Irrigation Company and the cooperative.
- Each commune has one cooperative that provides services in the areas of irrigation, electricity, and agricultural supplies such as fertiliser and seed, capital to poor families, and technological transfers. In Binh Duong, the cooperative covers 100% of irrigation needs, 70% of supply needs (the other 30% being supplied by private traders), and 20% of capital needs. Members can borrow money and repay it after the harvest, and members over 70 years of age can be helped with 40 kg of paddy rice each year. The cooperative loans money at 1% interest (over a 3-6 month period), with a maximum of VND 5 million and a minimum of VND100,000.
- Seed prices are high.
- Farmers feel that growing manioc is much more profitable and easier than growing sugar, but sugar growing is subsidised.
- Local inhabitants' needs fell into three main categories: assistance to promote agricultural production (especially capital and inexpensive seed); infrastructure (especially inter-commune roads); and measures to prepare for natural disasters.

The generally statist flavour of local development in this poor area is relatively clear. The system is not very sensitive to market conditions, and solutions are seen in terms of what the state at various levels can do.

4.5 Rural Services Delivery in Long An

Rural service delivery in Long An differs from that in Quang Ngai in at least three aspects. First, there is a clear and developed division of labour in planning and management between the provincial government and local administrative units on the one hand, and between the government and the private sector on the other. Second, agricultural service delivery in Long An is mostly market-oriented/fee-paying. Third,

Long An's network of rural services delivery in general, and of agricultural extension in particular, are both more extensive.

4.5.1 Provision of Agricultural Services (Figure 4.5.1)

Figure 4.5.1 sketches the system of agricultural service delivery in Long An. The role of the Department of Agriculture and Rural Development is limited to "state management" without getting involved in direct provision of services. The department relies on the Centre for Agricultural Extension to work on agricultural extension activities. The provincial responsibility for seed provision is limited to quality control of the seed registered. In the area of clean water supply, the provincial responsibility concentrates on physical planning for investment purposes. All projects are initiated by the district and commune. Mostly, at the district level, district water supply companies are responsible for providing water; at the commune level, local inhabitants manage their own water needs. In the area of infrastructure building, the department manages projects that are inter-provincial in nature. It has delegated authority to the district office to manage small infrastructure projects.

The state and the collective economic sectors are not active. There are only a few SOEs in the agricultural sector, most which, according to the provincial leadership's assessment, are operating at a loss. The province plans to complete the corporatisation of the state sector by 2005. The province has a small number of water stations that provide irrigation services to local inhabitants on a fee-paying basis. The province has 12 cooperatives, but only two are considered to be operating effectively. The one often mentioned is in Duc Hoa, where a dairy cooperative was set up in 1996. Its development opportunity came thanks to contributions from the district extension office and cooperative directors, who worked with research institutes that invested large sums of money in introducing new breeds and technology for experiments by the cooperatives.

Private providers abound. It is possible to speculate that the provincial Centre for Agricultural Extension itself, the first agricultural extension centre to emerge in Vietnam, has been partially, if not entirely, privatised. The centre has 182 extension workers working in 183 communes. This is spectacular given that only about 40% of communes in Vietnam have agricultural extension offices that are covered by the government budget. Extension workers work with local farmers' groups to discuss, provide training, and to organise conferences that allow farmers to share their experiences with others. There is a multitude of local farmers' organisations that provide support to farmers in various ways. At the grassroots level it was reported that these were registered as so-called co-operation units (*to/doi hop tac*), each of which has between 10-15 members; the total number is around 4,000.³⁹

4.5.2 Poverty Alleviation

In the area of poverty alleviation, Long An fares much better than other provinces in that the percentage of poor households reached a mere 8% in 2002. Long An's

³⁹ This is confirmed in the Aduki Pty Ltd/CERUDEV Sida-financed study already mentioned. This study also surveyed Quang Tri, in the Centre of Vietnam where conditions are not dissimilar from those in Quang Ngai, where only around one in twenty households belonged to such organisations, compared with around one in two in Long An.

poverty alleviation policy follows the general guidelines put out by the central government. One minor difference is that the province's criterion is higher than the national average, i.e. income under VND 120,000/month in rural areas and under VND 150,000/month in urban areas. The Women's Union plays an important role in identifying poor households. According to its leadership, the union has also been active in providing assistance to poor women who are in addition heads of households. As well, the province is responsible for other social relief programs, most of which are funded by the government budget (Figure 1.4.1- Figure 1.4.4).

4.5.3 Local Capacity in Service Delivery

Evaluating the current system of rural service delivery, the provincial leadership identifies a number of areas that need attention. First and foremost, there is a need to modernise the local government system, including computerising the management system. In the area of agricultural service delivery, the provincial leadership felt that there was need to upgrade the technical knowledge of agricultural extension workers. There is also a need for a more extensive provision of rural credit, as the province can only supply around 60% of the capital needed. In supplying clean water, the province is faced with a number of difficulties as it does not have qualified cadres to inspect the water quality. The province is also unable to set prices for water which vary depending on investors and local inhabitants. The need for the provision of new seed is also mentioned.

The team did not have a chance to meet with local inhabitants and thus is not in a position to assess strengths and weaknesses of the delivery system from the recipients' perspective. There are at least two questions that need to be answered in order to assess the effectiveness of the rural service delivery in Long An. The first is whether the commercialised nature of the economy in Long An in general and of service provision in particular has had a major impact on the poor of the community and on isolated farming units, and whether the current system of services is responsive to their needs. The second question deals with the extent to which rural services benefit female farmers. According to the statistics provided by the Women's Union, the percentage of female agricultural labourers is around 80%. However, only 10-15% of those attending extension classes are women. Also, around 27.7% of poor households have women serving as their heads, and over 50% of households regressing into poverty have female heads. As female labour forms a major part of agricultural labour, there is a need to ensure that female farmers benefit from service delivery.

4.6 Two Models of Rural Services Delivery Compared

Quang Ngai and Long An represent two different situations of decentralisation in Vietnam. Decentralisation in Quang Ngai focuses on what is normally called deconcentration – that is, the delegation of responsibilities and functions determined by the central to the provincial level, that is, *inside* the state. Economic development in Quang Ngai seems to be led by the local state. In the rural service delivery sector, the local state serves as both manager and provider. A private sector is operating but not as strongly as the state and the cooperative sectors. This local state, however, turns out to be a weak one. What is needed for this model is the strengthening of the capacity of the local state while providing support for the non-state actors to develop.

Decentralisation in Long An is not limited to the division of labour within the state administrative system, but is also extended to the delegation of tasks to sectors *outside* the state, something quite close to the term “deregulation.” The question on decentralisation in Long An thus is not limited to the capacity of the local government to manage service delivery, but is extended to the responsibilities of the local government to make sure that rural services provided by the private sector have sufficiently and equally benefited poor households and female farmers. These two outcomes, it is clear, derive from different local histories and conditions. However, this is beyond the scope of this study.⁴⁰

⁴⁰ “Deregulation” is largely a product of the fact that Southern Vietnam only followed the state socialist model after 1975; Long An was one of the very first that experimented with a reform policy in the early 1980s.

SECTION V

WORKING EFFECTIVELY AT PROVINCIAL AND LOCAL GOVERNMENT LEVEL: SOME CONSIDERATIONS

From a developmental perspective, the delegation of tasks, and by implication, the resulting delegation of authority and power, is not an end in itself. The ultimate objective is for the policy of decentralisation to improve the effectiveness of the public administrative system in such a way that it can promote socio-economic development while at the same time maintaining social equality and justice. An examination of the delegation of tasks and how it evolves in practice not only allows overseas development agencies to see the strengths and weaknesses of the system with which they come into contact and potential difficulties in dealing with it, but also serves as a frame of reference for their assistance programs.

This section concludes this examination of decentralisation in Vietnam by presenting some thoughts on how overseas development agencies may contribute to the process. It looks at how they may support different aspects of decentralisation policies in general and how they may be able to support the process in particular provinces.

5.1 Nature of A System in Transition

Vietnam is a country in transition from central planning to a market economy and away from a state socialist system, as the Vietnamese political system during the Doi Moi period has become more inclusive. This can be seen, for example, through the division of responsibilities among key political institutions including the VCP, the government and its bureaucracy, and the National Assembly; participation in political life by civil society following the grassroots democracy decree; and openness in the area of idea exchanging.

The process of PAR in general and decentralisation discussed in this report in particular also marked a change in the structure of the one-party administrative state. Within the wider process of change, provinces went through these experiences at different paces and with different focuses. Certain provinces are quick to implement PAR measures. One example is the adoption of the “one-stop shop” model in some provinces and not in others. Provinces are also selective in their choice of reform priorities, although they draft their plans following guidelines provided by central government. It remains to be investigated what are the determining factors shaping the process in practice. Hypothetically, they range from the locality’s political relationship with the centre and local historical experiences to the proximity to markets, level of economic development, and the impact of foreign direct investment.

Whatever the reasons for provinces’ different paces in adopting PAR and decentralisation, the situation that we observe is that some provinces appeared to be more open and inclusive than others.

5.2 Supporting the Decentralisation Project

The PAR project in general and the decentralisation project in particular are multi-dimensional, and they are situated within wider processes. From a wide range of

evidence, we conclude that practical measures to strengthen decentralisation in general, should focus upon knowledge and skill development, and may include:

- Promoting knowledge of comparative legal systems among local officials
- Promoting knowledge of forms of decentralisation
- Training officials at all levels involved in drafting legal documents for implementation purposes
- Training officials in the areas of planning (including the procedure for participatory planning), information gathering, management, and organisation of implementation
- Promoting leadership skills for managing multi-sectoral and inter-departmental programs
- Performance assessment through internal supervision, opinion surveys and other forms of feedback.
- However, we consider that knowledge development is best attained through ‘learning by doing’; in the Vietnamese experience, one should not ‘teach people to cook without meat’ (‘day chay’). The effects of context and incentives upon the learning process may be crucial, and here the differences between Quang Ngai and Long An are thought-provoking.

5.3 Diverse Experiences, Diverse Assistance Models: Quang Ngai and Long An

Quang Ngai and Long An show two aspects of the evolution of the decentralisation process in practice, each with their own advantages and disadvantages. To work effectively at provincial and local government level, AUSAID needs to take into consideration the strengths and weaknesses of the systems and provide support accordingly.

To support decentralisation in Quang Ngai, emphasis should be given to the improvement of the capacity of the local government in planning and management in, especially in the sectors responsible for rural service delivery. This includes:

1. Improvement in information gathering and planning methods that focus on market signals
2. Strengthening the capacity of grassroots-level officials to manage new responsibilities assigned to them (in general, planning, financial management, the participatory planning process, project selection and information gathering)
3. Encouragement of a higher level of people’s participation in the decision-making process.

To work effectively in Long An, emphasis should be given to:

1. Support for state-private sector coordination in providing services to different strata of farmers
2. Strengthening the capacity of grassroots-level officials involved in rural service delivery, with emphasis given to technical training to catch up with market-determined changes
3. Organisation of rural services and support for poor households, especially those repeatedly falling below the poverty line after receiving poverty alleviation assistance in general
4. Female farmers, given that 80% of agricultural labour in Long An is female.

For both provinces, there is a need to increase the leadership role of the People's Committee in managing programs that require inter-departmental contributions and coordination.

As a final consideration, and bearing in mind the scope and extent of work in this area, we note that it is quite clear that in Vietnam ODA project preparation methods, and project work (whether as stand-alone bilateral or the larger multilateral project) have to cope in some way with the clear variation between provinces in basic issues to do with the internal structures of the local state, the relationship between the local and the central state, and the relationship between the local state and the local population. These seem linked. Whilst coping with this reality must strongly influence project outcomes, this report has, beyond the discussion in Section III, not examined in great depth where bilateral and multilateral experiences are heading. However, the need to adapt to varying local conditions places a considerable burden upon the technical aspects of project preparation.

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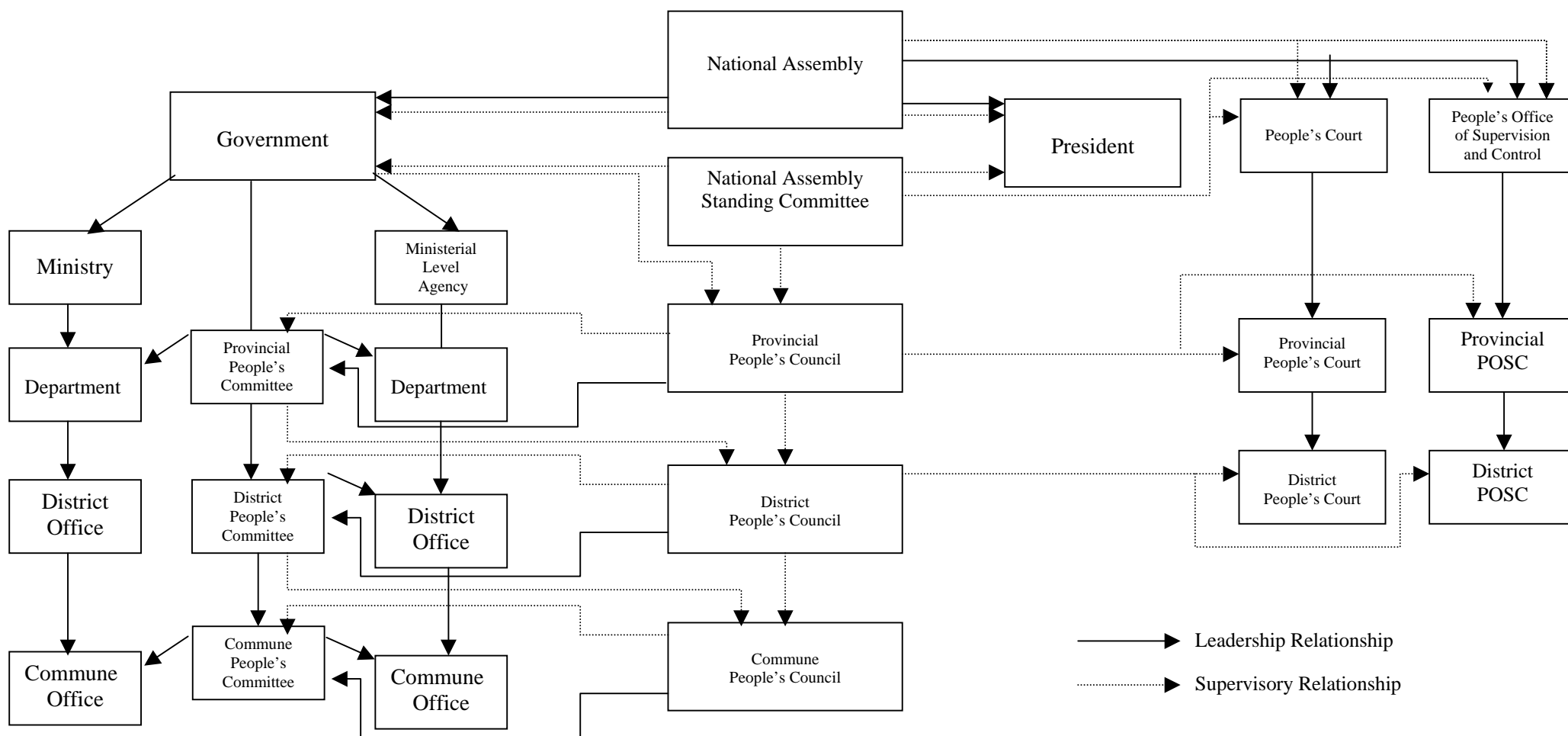


Figure 1.1.1 Organisation of the Vietnamese Political System Based on the Revised 1992 constitution

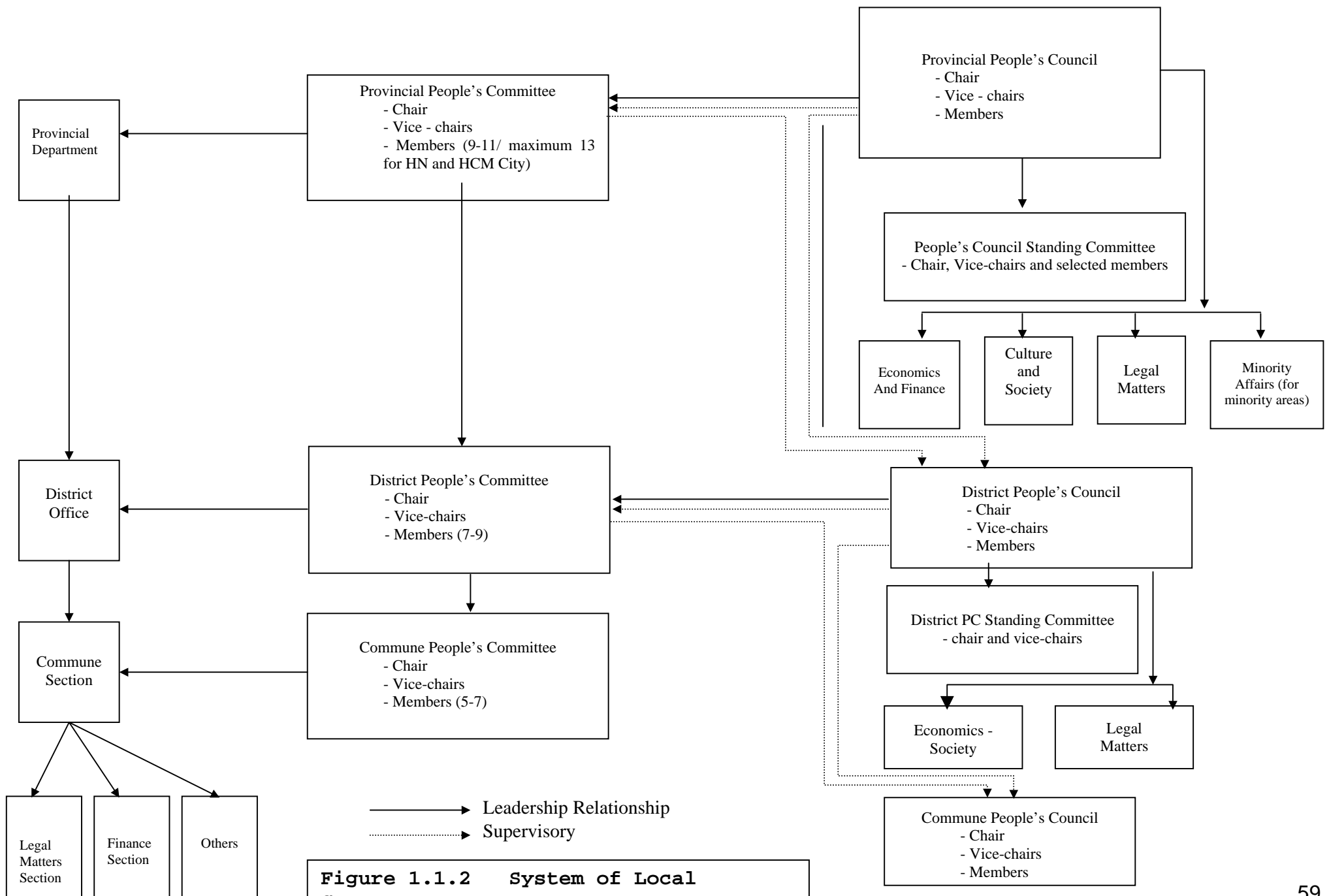


Figure 1.1.2 System of Local Government

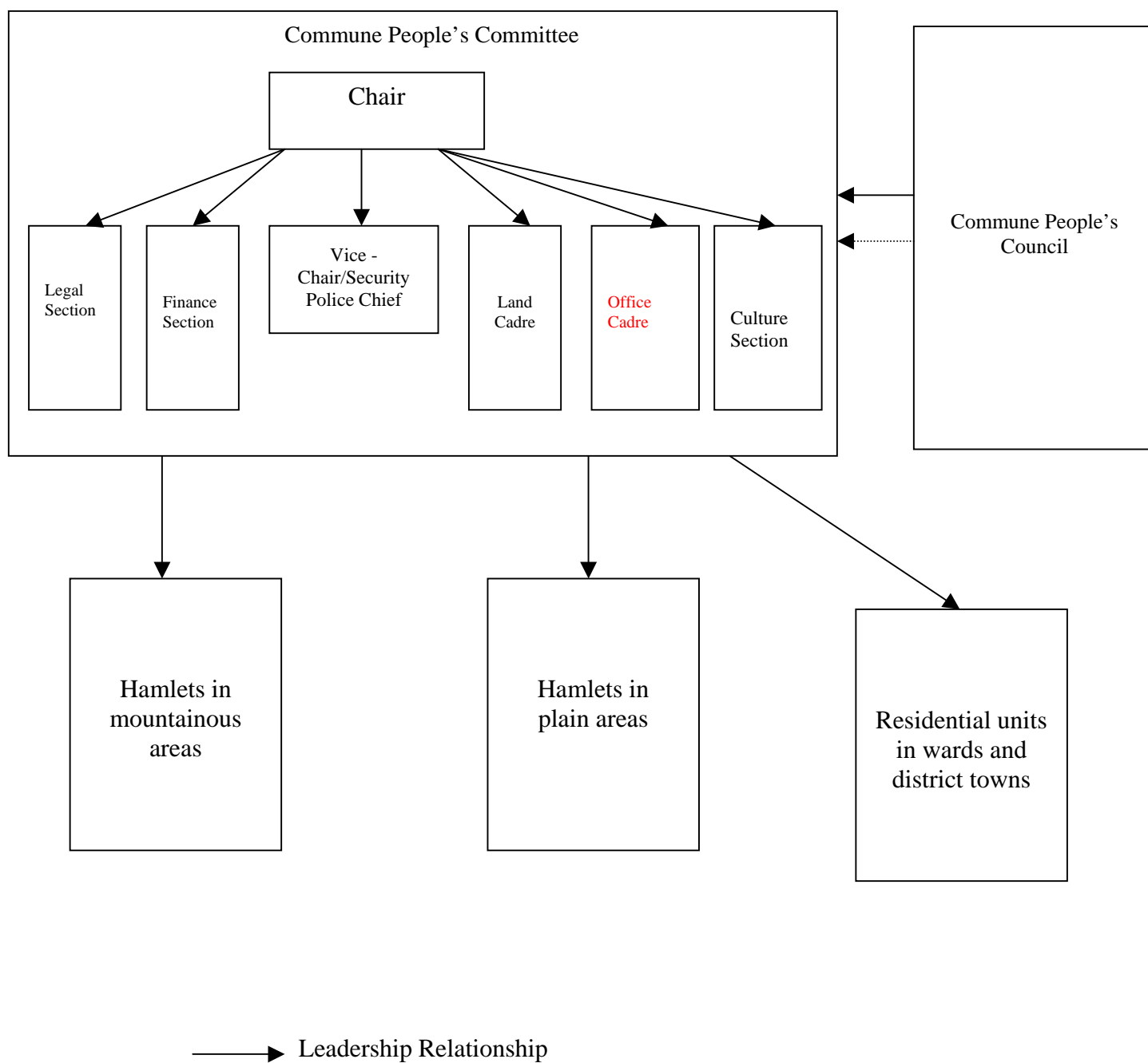


Figure 1.1.3 Grassroots Administration (Commune, Ward, and District Town)

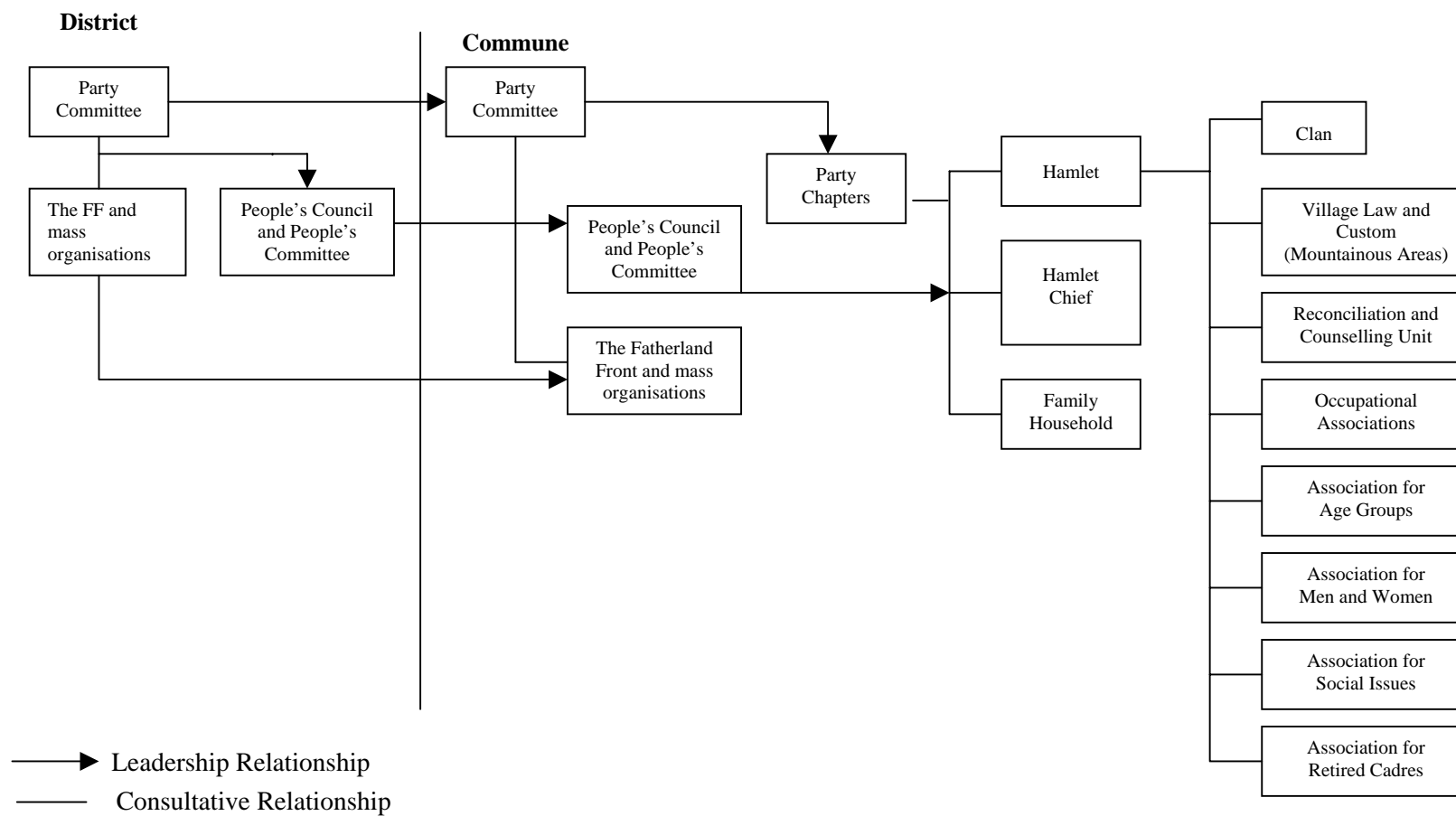


Figure 1.1.4 Political System at the District and Commune Level

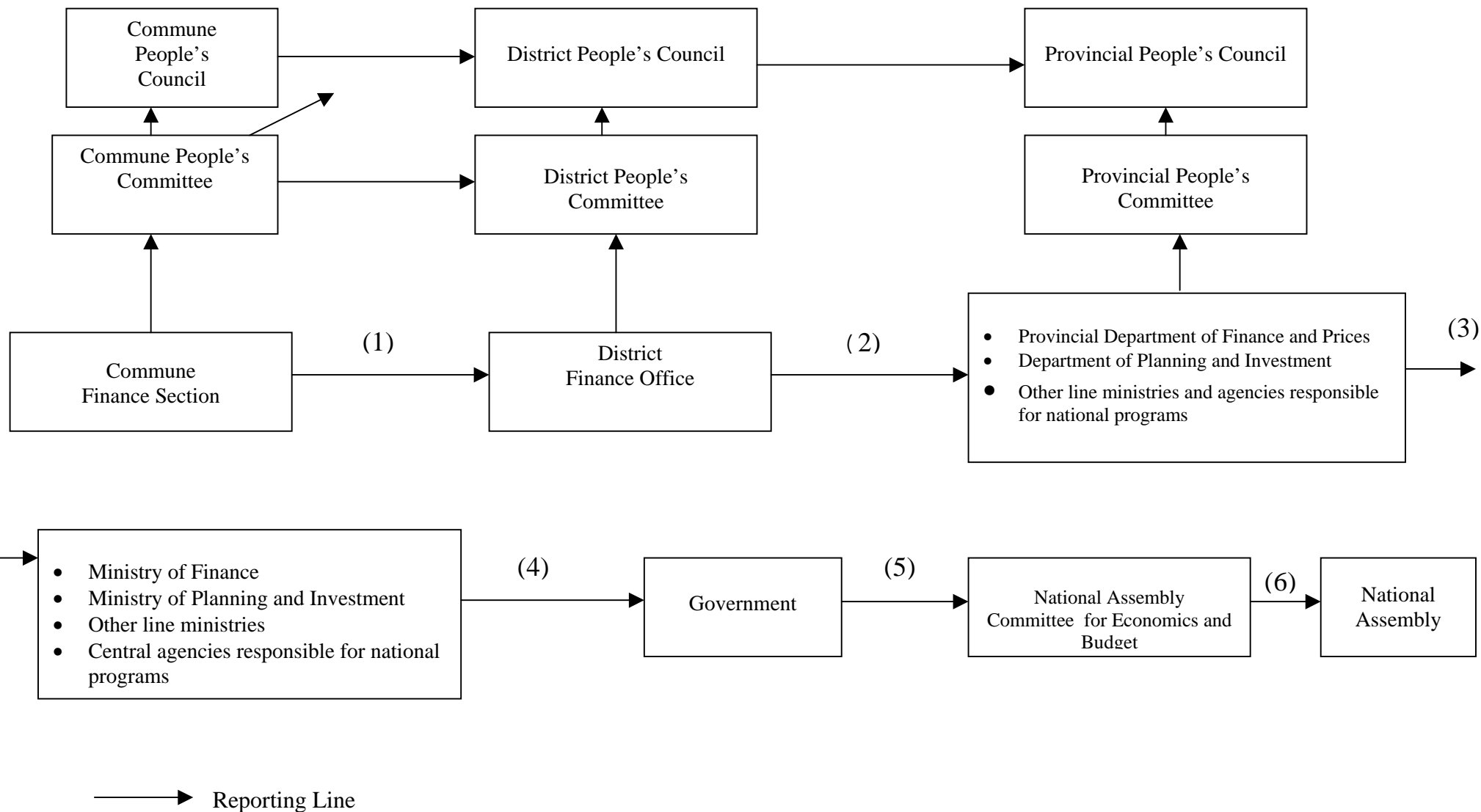


Figure 1.3.1 Budget Preparation Process

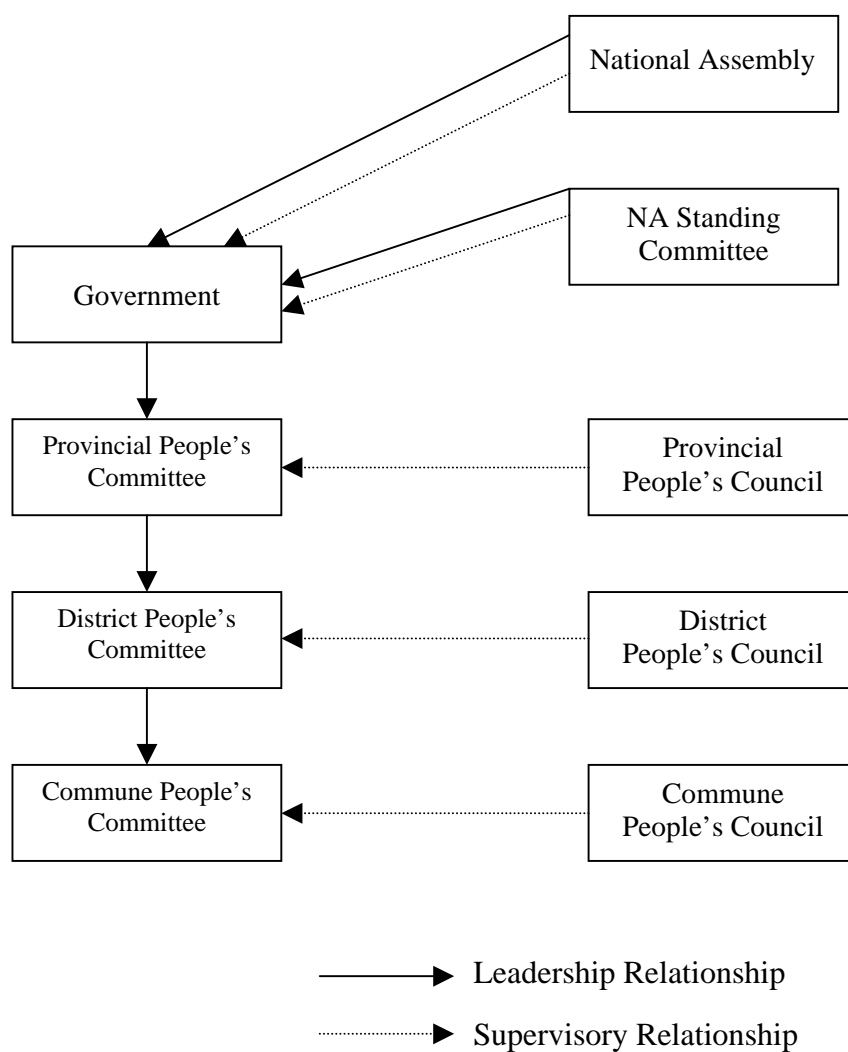


Figure 1.3.2 Budget Management Responsibilities

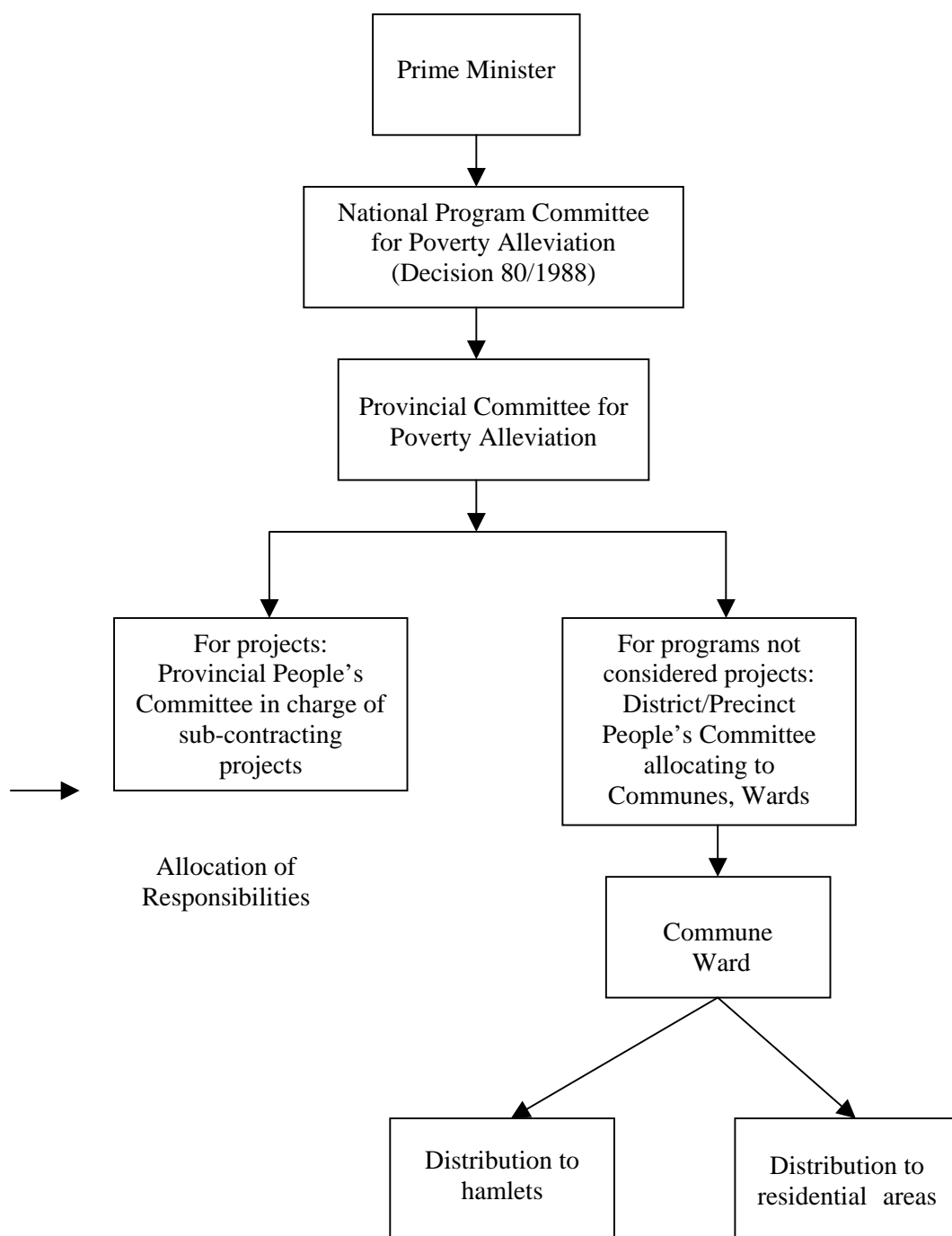


Figure 1.4.2 Planning and Delivery of National Programs for Poverty Alleviation

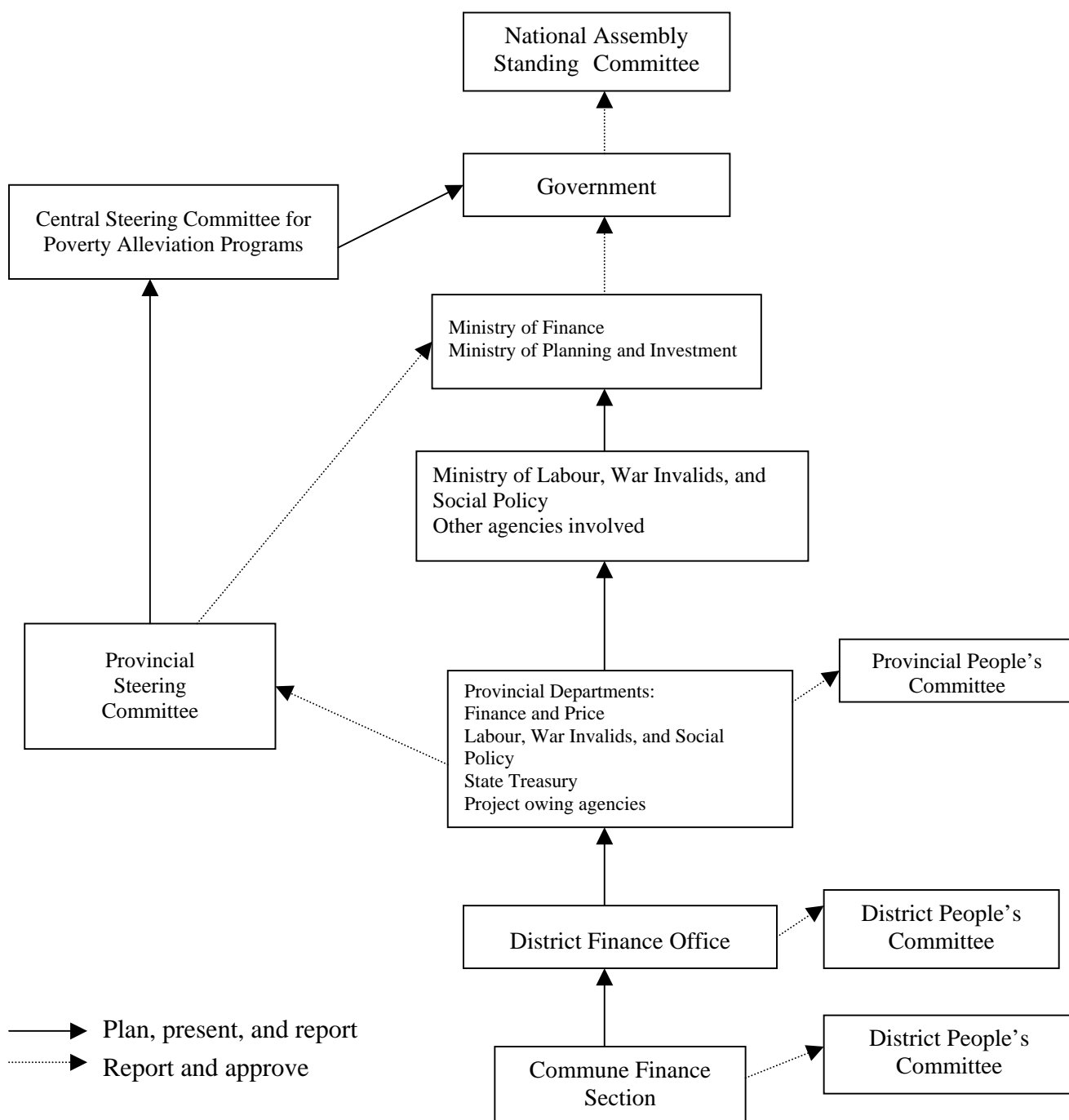


Figure 1.4.3 Budgetary Preparations for National Programs for Poverty Alleviation

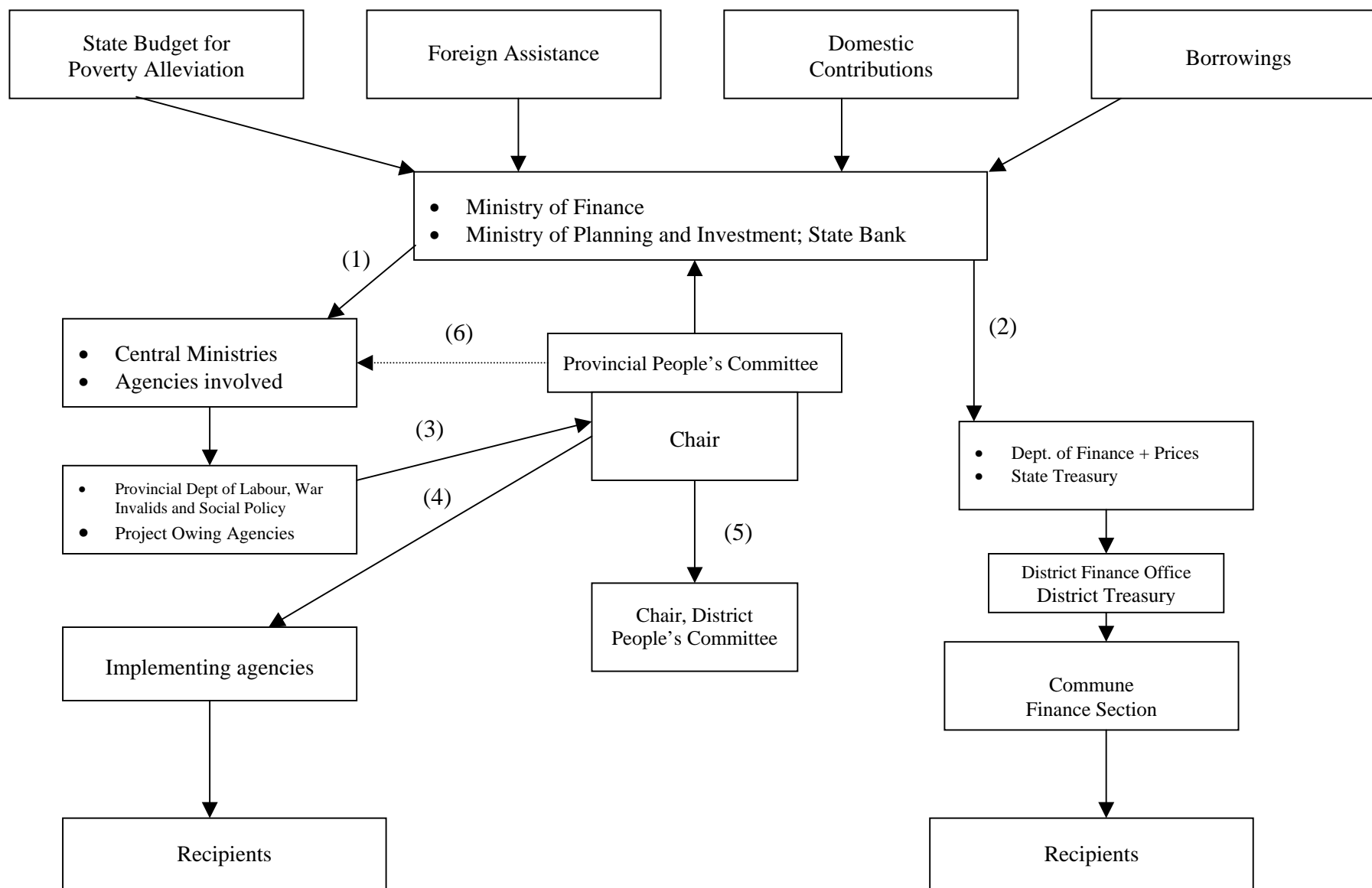


Figure 1.4.4 Budgetary Allocations for National Programs on Poverty Alleviation

Notes for Figure 1.4.4

- (1) Direct allocation to central Ministries and organisations involved in the projects
- (2) Allocation through the Provincial Department of Finance
- (3) Provincial Department of Labour, War Invalids, and Social Policy as well as project owing agencies set up plans to implement the projects and outline detailed budgetary needs and submit to the Provincial People's Committee to use as a basis for the Department of Finance to disburse funds
- (4) Chair of the Provincial People's Committee allocating funds to project owing agencies
- (5) Chair of the Provincial People's Committee allocating funds to Chair of the District People's Committee to distribute to communes (for programs covering entire communes)
- (6) and (7) The Provincial People's Committee reporting the distribution of funds to central ministries responsible for the projects and to the Ministries of Finance and Investment and Planning to be used as the basis for follow-up work.

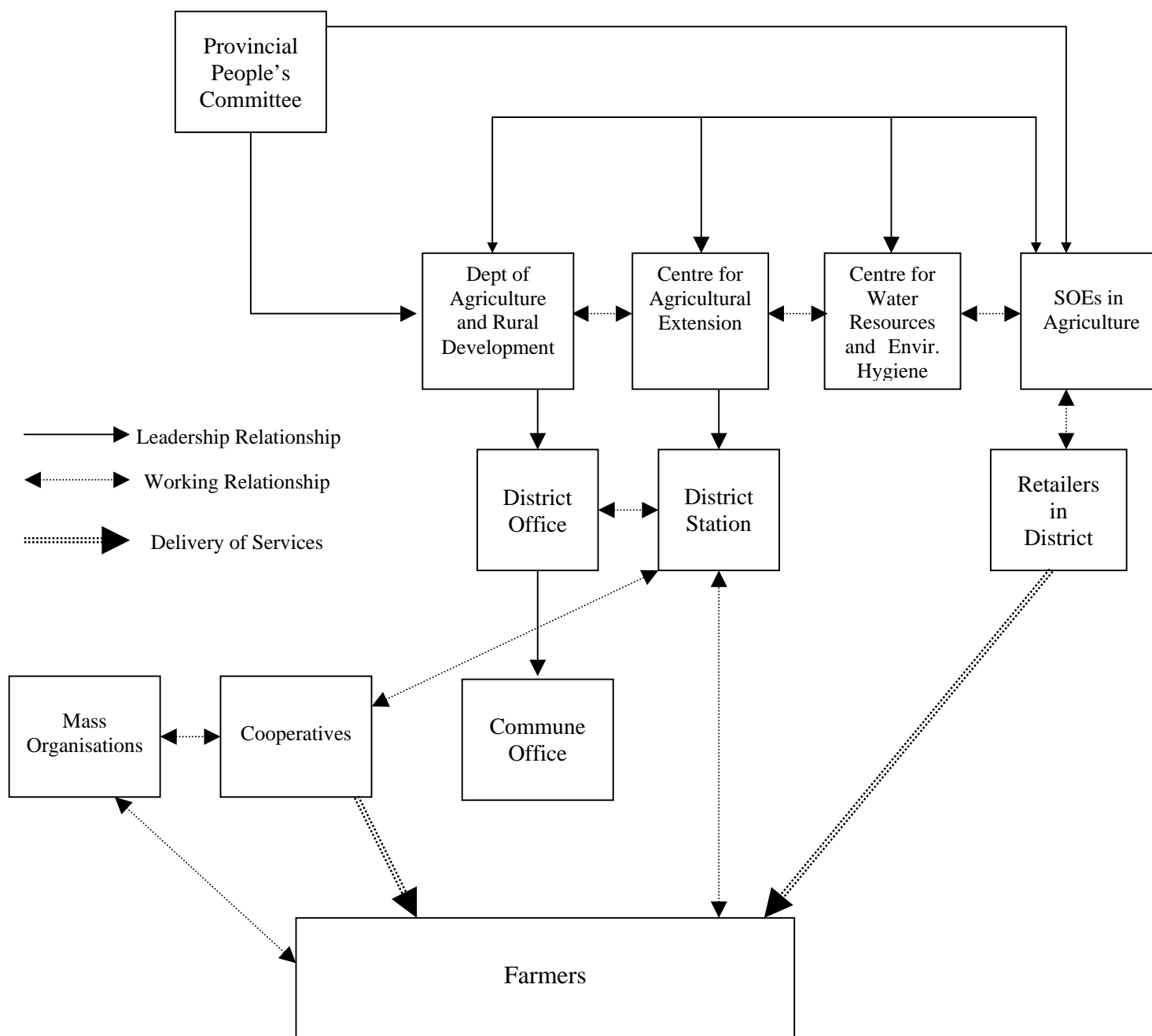


Figure 4.4.1. Rural Services Delivery in Quang Ngai: A Preliminary Sketch

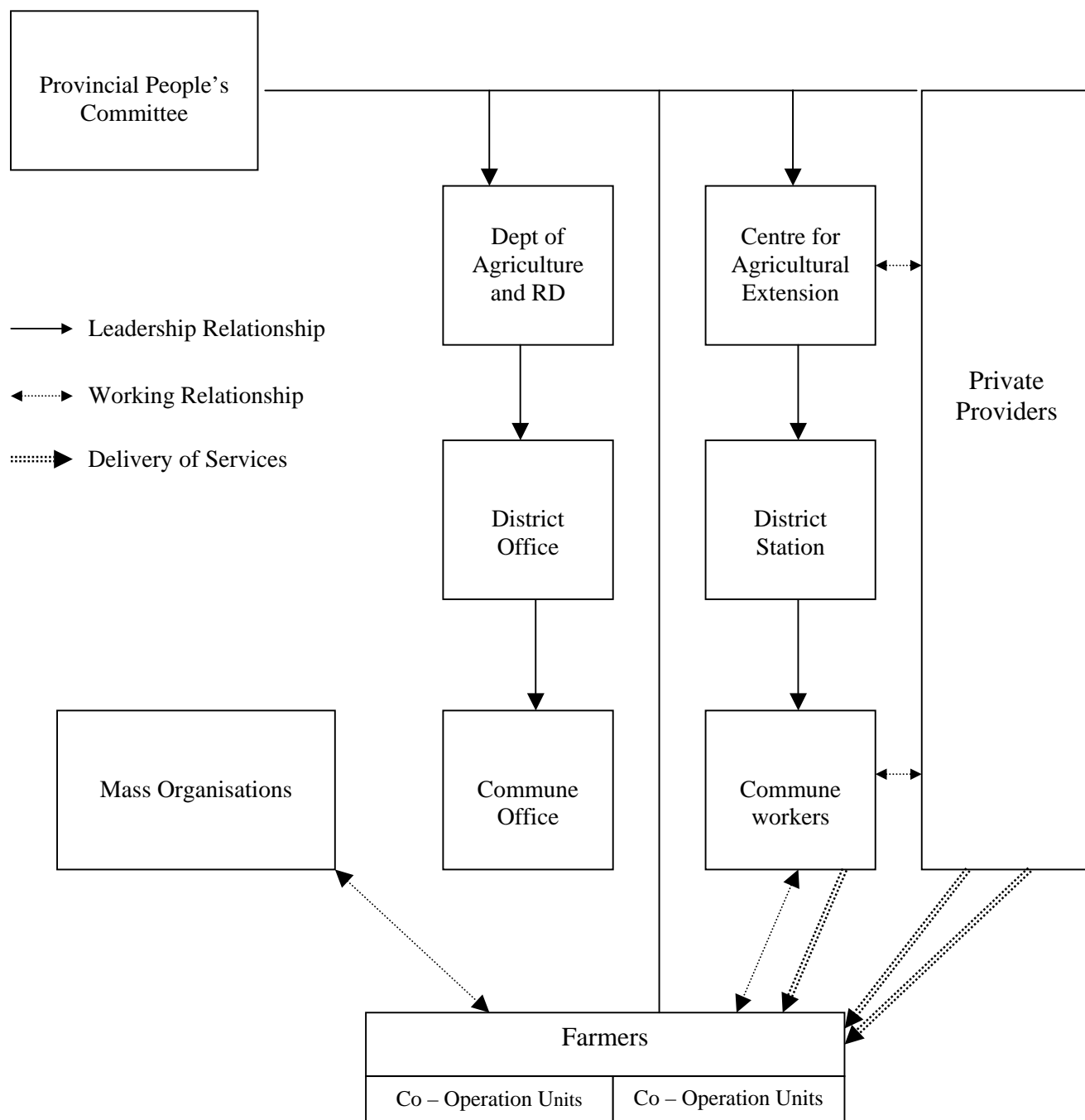


Figure 4.5.1 Rural Services Delivery in Long An: A Preliminary Sketch

ANNEX II
LIST OF KEY LEGAL DOCUMENTS FROM THE GOVERNMENT OF VIETNAM ON PUBLIC ADMINISTRATION REFORM DECENTRALISATION,
AND GRASSROOTS DEMOCRACY, AND SUMMARIES OF SELECTED DOCUMENTS
(BY AREA AND IN CHRONOLOGICAL ORDER)

1. Public Administration Reform

Legal Documents	Content
<ul style="list-style-type: none"> • Law on the Organisation of the Government, 1992 	<p>One of the first to focus on the structure of the government, a political entity that is unimportant under central planning. This legal document focuses mainly on the structure and functions of the central government and its ministries.</p>
<ul style="list-style-type: none"> • Decree no. 15-CP of March 2 1993 on the tasks, authority, and responsibilities of ministries and ministerial-level agencies in state management 	<p>Provisions on the authority and responsibilities of ministries and their equivalents and the relationship between ministers and their deputies.</p>
<ul style="list-style-type: none"> • Resolution no. 38-CP of May 4 1994 on the reform of administrative procedure 	<p>Focusing on one key aspect of the public administration reform, i.e., the simplification of administrative procedure</p>
<ul style="list-style-type: none"> • Law on State-Owned Enterprises, 1995 	<p>Regulations governing SOEs during the transition period from central planning to a market economy. Key stipulations are on the new management system, the general corporation model, and the sale or subcontracting of small SOEs. Two underlying principles are to separate SOEs from line ministries and to apply the principle of business accounting to SOEs.</p>
<ul style="list-style-type: none"> • Decision 280-TTg of April 29 1997 on the setting up of a computer network system 	<p>Stipulations on the modernisation of the government apparatus.</p>
<ul style="list-style-type: none"> • Decree no. 11/1998/ND-CP of January 24 1998 on government work rules 	<p>Clarifications of responsibilities and authority relations among central government members and units (Prime Minister, deputy Prime Ministers, Ministers), the process of drafting and promulgating legal documents, and the handling of petitions and denunciation cases.</p>
<ul style="list-style-type: none"> • Ordinance on Anti-Corruption Campaigns of March 9 1998 	<p>Details of the process of asset declaration.</p>
<ul style="list-style-type: none"> • Decree no. 44/1998/ND/CP of June 29 1998 on the equitisation of SOEs 	<p>Clarification of the process and lists of SOEs to be and not to be equitised.</p>
<ul style="list-style-type: none"> • Decision no. 207/1999/QD-TTg of October 25 1999 	<p>The Decision advocates further restructuring of the role of government ministries as well as that of the Office of Government.</p>
<ul style="list-style-type: none"> • Decision 230/1999/QD-TTg of December 12 1999 on the subcontracting of administrative work 	<p>A measure to reform the civil service system through the reduction of personnel</p>
<ul style="list-style-type: none"> • Resolution no. 16/2000/NQ-CP of October 18 2000 on staff reduction administrative and professional organisations to the year 2002 	<p>Downsizing measures in an attempt to redefine the functions of government apparatus and to improve the quality of cadres and civil</p>

- Revised Law on the Organisation of the Government, 2001
servants
Clarification of the law of 1992 with more details given to each ministry's responsibilities and the relationship between central and local line agencies. The revised law states that all government members have to be directly in charge of anti-corruption work.
- Master Program on Public Administration Reform for the Period 2001-2010
(Attached to Prime Minister's Approval Decision no. 136/2001/QD/TTg of September 17 2001)
Details four key PAR programs (institutional reform, reform of the organisational structure of public administration, reform of the civil service system, and reform of the public finance system), and seven sub-programs to be implemented to 2010. Although very general and without clear internal connections, it is the most comprehensive document on PAR.
- Decree no. 86/2002/ND-CP of November 5 2002 on the regulation of tasks, jurisdiction, and organisational structure of ministries and ministerial-level agencies
Decentralisation of responsibilities among central government agencies with implications for the relationship between local elected bodies line ministries.

2. Decentralisation

2.1 Local Government Structure and Authority Relations

Legal Documents	Clauses Related to Decentralisation	Content
• National Assembly Standing Committee Ordinance on government guidance and inspection of People's Councils (February 15 1996)		Detailed aspects of the role of the National Standing Committee in supervising and guiding activities of People's Councils and the role of the government in guiding and inspecting the implementation of government legal documents. The National Assembly Standing Committee also assigns the National Assembly's committees to take responsibility for areas related to their jurisdiction. A useful document showing vertical authority relations.
• Law on the Elections of People's Councils (June 21 1994)		The law identifies qualities of members of People's Councils and details rules for the elections of the councils, including the size of representative bodies, election sites, candidate selection procedure, and organisation of elections. The law is currently under review and is expected to be revised before the next local elections.

- Revised Law on the Organisation of People's Councils and People's Committees (June 21 1994)
- Ordinance on the Functions and Jurisdiction of People's Councils and People's Committees (June 25 1996)
- Revised Law on the Organisation of the Government, 2001
- Master Program on Public Administration Reform for the Period 2001-2010

- Decree no. 86/2002/ND-CP of November 5 2002 on the regulation of tasks, jurisdiction, and organisational structure of ministries and ministerial-level agencies

2.2 Legal Documents on Sector Management

Economic Management

- Land Law
- Law on Cooperatives
- Law on Water Resources

Clauses related to Responsibilities of People's Councils and People's Committees

Clause 7-8, 14-15
16, 18, 23-24, 28-29
31-41, 45-47, 49, 51,
54, 57, 59, 64-65
Clause 12, 14-18, 20,
45-46, 51
Clause 10, 14, 17, 25,
36, 37, 40-43, 48

Details on the structural organisation as well as general responsibilities of people's councils and committees. The document discusses authority relations between people's councils and committees at the same level and among levels. Clauses 53-55 briefly discuss the authority relation between local representative bodies and line agencies.

Details on responsibilities of People's Councils and Committees at three administrative levels.

There are clauses on the delegation of power to the locality, especially in the areas of budget and organisation of personnel

This document addresses various aspects of decentralisation: reform of local elected bodies, delegation of tasks, fiscal decentralisation, decentralisation of personnel management, "deregulation" of some public service delivery tasks, etc. The document states that by the year 2005, new regulations on decentralisation from the central to local levels and among various levels of local administration will be fundamental issues that will be put into effective implementation. Decentralisation of responsibilities will go hand in hand with fiscal decentralisation.

Clarification of the relationship between central line ministries and local elected bodies.

• Law on Foreign Investment	Clause 58, 62
• Law on Domestic Investment (revised)	Clause 37
• Law on Enterprises	Clause 115
• Law on State-Owned Enterprises	Clause 15, 19, 27
• Law on Commerce	Clause 246, 259
• Law on Value Added Tax	Clause 27
• Law on Land Transfer Tax	Clause 27
• Law on Enterprise Taxation	Clause 32
• Law on Agricultural Land Tax	Clause 8, 11, 13-18, 24, 34
• Ordinance on the Preservation of Transportation Projects	Clause 8, 25, 27
• Ordinance on the Use and Protection of Irrigation Works	Clause 5, 16, 23, 29, 31

Education, Culture, and Health

• Law on Education	Clause 47, 87, 90, 92
• Labour Code	Clause 15, 181
• Special Treatment for Revolutionaries, War Heroes and their Families, Veterans and Revolutionary Contributors	Clause 3, 24
• Ordinance on Persons with Disabilities	Clause 28
• Ordinance on Special Treatment for Revolutionaries, War Heroes and their Families, Veterans and Revolutionary Contributors (revised)	Clause 24

2.2 Fiscal Reform and Decentralisation

	Clauses Related to Delegation of Financial Responsibilities	Content
• Council of Ministers' Decision no. 07/HSSBT of January 14 1990 on the transfer of responsibility for the state budget to the Ministry of Finance		Decentralisation of responsibilities at central government level
• State Budget Law, 1996	Clause 25, 28-29, 44, 49-50, 52-53, 59, 62, 68, 70	Details on responsibilities of People's Councils and People's Committees at each administrative level, and lists of revenue sources and spending tasks for each administrative level
• Decree 87/1996/ND-CP of December 19 1996 on the decentralisation of management in the budgetary preparation area		Details on the process of budgetary preparation and reporting lines

- Prime Minister's Decision on amendments and supplements to Decision 225/1998/QD-TTg of November 20 1998 on financial disclosure of the state budget for all levels of government, budgetary planning units, state-owned enterprises and funds with revenue contributed by the people

3. Grassroots Democracy

Legal Documents

- Decree no. 89/CP of August 7 1997 promulgating regulations governing the handling of citizens' grievances
- Government Decree no. 29-1998-ND/CP of May 11 1998 on the promulgation of regulations to implement grassroots democracy at the commune level
- Prime Minister's Directive no. 24/1998/CT-TTg of June 19 1998 on the building and implementation of village laws and customs
- Law on Petitions and Denunciations (December 2 1998)

Disclosure of data on final state budget accounts and plans

Content

Stipulations for all administrative units to provide office space and determine hours to meet and discuss issues with citizens.

Promoting popular participation in an attempt to rectify local corruption and mandarinism.

Promoting the use of customary laws of villages as mechanisms to maintain local order.

Institutionalisation of the process of petitions and launching denunciations plus details of the handling process. Citizens may file petitions or letters of denunciation at their workplace, to the office of the People's Committee, and the courts.

ANNEX III

SELECTED SECONDARY SOURCES IN VIETNAMESE

On Central-Local Government Relations

- Bui The Quy and Duong Danh My. Mot so van de ve to chuc hoat dong cua chinh quyen dia phuong trong giai doan hien nay o nuoc ta (On local government activities in the era of renovation). Ha Noi: Chinh Tri Quoc Gia, 1998.
- Dang Duc Dam. Phan cap quan ly kinh te (Decentralisation of economic management). Ha Noi: Chinh Tri Quoc Gia, 2002.
- Dao Tri Uc. Nha nuoc va phap luat cua chung ta trong su nghiep doi moi (The state and law in the era of renovation). Ha Noi: Khoc Hoc Xa Hoi, 1997.
- Dinh Van Mau, Luu Kiem Thanh. Cam nang cong tac chinh quyen cap xa (Guides to government work at the commune level) TP. Ho Chi Minh: Nha Xuat Ban Thanh Pho Ho Chi Minh, 2002.
- Hoc Vien Chinh Tri Quoc Gia Ho Chi Minh. Doi moi moi quan he giua dang, chinh quyen va cac doan the nhan dan cap phuong trong dieu kien kinh te thi truong (Reforming the relationship between the party, the government and mass organisations at the ward level in the market economy era). Ha Noi: Chinh Tri Quoc Gia, 1995.
- Nguyen Dang Dung. To chuc chinh quyen nha nuoc o dia phuong (Lich su va hien tai) (Local government organisation, past and present). Dong Nai: NXB Dong Nai, 1997.
- Nguyen Quoc Pham, ed. He thong chinh tri cap co so va dan chu hoa doi song xa hoi nong thon mien nui, vung dan toc thieu so (cac tinh mien nui phia Bac nuoc ta) (Grassroots political systems and the democratisation of society in mountainous and minority areas). Ha Noi: Chinh Tri Quoc Gia, 2000.
- Quan Ly Nha Nuoc (State Management), 2001-2002, published by the National Institute for Public Administration
- Tap Chi Cong San (Communist Review), 2002
- To Chu Nha Nuoc (State Organisation), 2001-2002, published by the Ministry of Home Affairs
- To Tu Ha, Nguyen Huu Tri, and Nguyen Huu Duc, eds. Cai cach hanh chinh dia phuong: ly luan va thuc tien (Reform of local government: theory and practice). Ha Noi: Chinh Tri Quoc Gia, 1998.

On Rural Development

- Bui Huy Dap and Nguyen Dien. Nong nghiep Viet Nam tu coi nguon den doi moi (Vietnam's agriculture from the beginning to renovation) Ha Noi: Chinh Tri Quoc Gia, 1996.
- Dao The Tuan, ed. Khoa sat cac hinh thuc to chuc hop tac cua nong dan nuoc ta hien nay (Survey on the forms of farmers' cooperation) Ha Noi: Chinh Tri Quoc Gia, 1995.
- Dao The Tuan. Kinh te ho nong dan (Household economy). Ha Noi: Chinh Tri Quoc Gia, 1997.
- Pham Xuan Nam, Be Viet Dang, and Geoffrey Hainsworth, eds. Rural Development in Vietnam. Hanoi: Social Science Publishing House, 1999.
- Trung Tam Tu Van Dau Tu Ho Tro Phat Trien Nong Nghiep, Nong Thon VACVINA (CECARDE), Nong nghiep, Nong thon trong giai doan cong nghiep hoa, hien dai hoa (Agriculture and rural areas in the era of industrialisation and modernisation). Ha Noi: Chinh Tri Quoc Gia, 1997.

Vien Nghien Cucc Quan Ly Kinh Te Trung Uong. Ban Chinh Sach Phat Trien Nong Thon. Phat trien nong nghiep nong thon tron giai doan cong nghiep hoa va hien dai hoc o Viet Nam. (Rural Development in the era of industrialisation and modernisation) Hanoi: Nha Xuat Ban Nong Nghiep, 1999.

On Social Policy

Bui The Cuong. Chinh sach xa hoi va cong tac xa hoi o Viet Nam thap nien 90 (Social policy and social work in Vietnam in the 1990s). Ha Noi: Khoa Hoc Xa Hoi, 2002.

Le Xuan Ba, Chu Tien Quang, Nguyen Huu Tien, Le Xuan Dinh. Ngheo doi va xoa doi giam ngheo o Viet Nam (Poverty, hunger and poverty alleviation in Vietnam). Ha Noi: Nong Nghiep, 2001.

ANNEX IV

MATERIALS ON DECENTRALISATION IN ENGLISH AND INFORMATION ON DONORS' PROJECTS

ActionAid Vietnam. (*) 1999. Ha Tinh Province: Participatory Poverty Assessment Report. Report available from the World Bank, Hanoi.

ADB. 2002. Ensuring Good Governance for Poverty Reduction. Report prepared by the Asian Development Bank, Hanoi. [This report is representative of a gradual shift that has been taking place within the ADB towards a greater focus on governance, and the importance of governance issues in poverty reduction. After a general analysis of what constitutes governance, the document looks at the Vietnam situation. It concludes that prior to 2001 there was no integrated strategy of the direction for governance, but this has changed with the development of the Government's PAR Master program, which includes the decentralisation of functions to the provincial level. The implication is that this will help to overcome some of the blockages in the development of the country.]

Bird, R.M., J.L. Litvack et al. 1995. Intergovernmental Relations and Poverty Alleviation in Vietnam. World Bank, Washington D.C.

Bo Nong Nghiep va PTNT. (*) 2002. 'Hoi thao quoc gia ve qui phat trien xa va thon ban xoa doi giam ngheo o cac vung kho khan.' Nha Xuat Ban Thanh Nien, Hanoi.

Coulby, H., 2000, Advocacy in ActionAid Vietnam: A Review of the Period 1998-2000, Hanoi, ActionAid Viet Nam

Dupar, M. and Badenoch, N. 2002. Environment, Livelihoods, and Local Institutions - Decentralisation in Mainland Southeast Asia. World Resources Institute. [An excellent study of decentralisation of agricultural, forestry and land decentralisation in Southeast Asia, including thorough analysis of practical examples from Vietnam (pp.19-26). In Vietnam, it studies the effects of decentralisation in four rural provinces, and shows that while there has been some decentralisation in all cases, the specific responsibilities taken up by the different levels of local government, and the level of people's participation in decision-making, have varied considerably]

Fritzen, S. (*) 2000. Decentralisation and Local Government Performance: A Comparative Approach with Application to Social Policy Reform in Vietnam. Dissertation for the Degree of Doctor of Philosophy, Woodrow Wilson School of Public and International Affairs. [This study examines decentralisation in Vietnam through the focus of the government's National Program of Action for Children. He argues that the main focus of decentralisation in Vietnam has been to increase accountability by unifying the planning framework and increasing the ability of the government to measure outcomes. He concludes that central government has been reinforced through the use of national programs, although some discretionary power has been devolved to provinces, particularly poorer provinces which have benefited from an increased distribution of funds. At the same time he finds that these are still not supplying minimum service delivery needs and that higher levels of government continue to stress the weak capacity of local authorities to manage their affairs.]

Geppert, M., T.D. Nguyen and G. Buchenrieder¹, 2002, Participatory Agricultural Research and Decentralisation in Vietnam, International Symposium Sustaining Food

Security and Managing Natural Resources in Southeast Asia - Challenges for the 21st Century; January 8-11, 2002 at Chiang Mai, Thailand, available from website http://www.uni-hohenheim.de/symposium2002/pa_full/Full-Pap-S2-3_Geppert.pdf

Government Steering Committee for PAR (Secretariat). (*) 2000. Review of Public Administration Reform in the Field of Organisational Structure of the Government Apparatus and State Management - Roles, Functions, Responsibilities and Structure. Hanoi. Report available from UNDP. [These reports were the result of a series of Vietnamese government workshops held in 2000 to discuss public administration reform in Vietnam, sponsored by the UNDP. The reports of these discussion sessions stress the commitment of the government to clarifying the division of responsibilities between different levels of government and between different offices at the same level, particularly in order to streamline the implementation of government policies, across all the dimensions covered by the reports. In terms of decentralisation, the report of "Group 3" on the "organisational structure of the government apparatus and state management" is the most relevant. It emphasises the need for the organisational apparatus to be properly defined in accordance with existing and new regulations, and underscores the government's structural-functional approach to decentralisation ("It is important to identify which functions, roles and responsibilities should be transferred from one agency to another, which ones should be delegated or decentralised from higher administrative agencies to lower administrative agencies, in order to conduct reshuffling and eliminating or streamlining subordinate agencies, cutting off or phasing out any unnecessary duplications and overlaps in terms of functions and responsibilities, and eradicating troublesome bureaucraticism and delays and any inhibitors of the renewal process." (p.18)]

Government Steering Committee for PAR (Secretariat). (*) 2000. Review of Public Administration Reform in the Field of Institutional Reform. Hanoi. Report available from UNDP. [This report considers there are three areas for institutional reform: the legal and regulatory process, the legal institutions and administrative procedures. With regard to local government, the report stresses the need to reduce the number of administrative procedures in transactions and service delivery, and stresses the importance of creating one-stop shops for administrative procedures. It criticises the fact that administrative procedures are still not sufficiently clearly designed.]

Government Steering Committee for PAR (Secretariat). (*) 2000. Overall Report - Review of Public Administration Reform. Hanoi. Report available from UNDP. [The overall report summarises the findings of the working groups, and presents a section on the future directions for public administration reform. Of interest for the present study is the emphasis it places on the need to streamline and clarify the division of responsibilities across the government, and the need for the commune level to have sufficient power and authority to undertake its duties. "Local government should be given power to make decisions on organisational structure, as consistent with the nature of the locality."]

Government Steering Committee for PAR (Secretariat). (*) 2000. Review of Public Administration Reform in the Field of Public Finance Management. Hanoi. Report available from UNDP. [The report examines the responsibilities of different institutions under different existing laws (budget law, official financial policy, etc). In terms of local authorities it stresses that these have an important role under the budget law, and that they have been successful in increasing revenue collected for the state

budget. It also asserts that provinces are now able to make decisions on larger projects than previously. The biggest problems with local authorities have been the level of reporting, “the integrity of national financial management and the leading role of the central government”.]

Government Steering Committee for PAR (Secretariat). (*) 2000. Review of Public Administration Reform in the Field of Human Resource Management and Development (Applicable to Civil and Public Servants). Hanoi. Report available from UNDP. [The report stresses the need to clarify the mandates of organisations at all levels, especially those of the ministries, local People's Councils and People's Committees. It also emphasises the importance of training to increase capacity, and reorganisation of the central and local structure in order to clarify the division of responsibilities.]

Government Steering Committee for PAR (Secretariat). (*) 2000. Stances and Guidelines of the Party and the State of Vietnam on Public Administration Reform. Hanoi. Report available from UNDP. [This report identifies 1994 as the breakthrough point in the government's decision to undertake PAR, which culminated in the Government Resolution on PAR in January 1995. This report is particularly concerned with the importance of organisational and civil service reform.]

GTZ (*) 2000. Sustainable Management of Natural Resources in Vietnam: Sector Programme of GTZ in Vietnam. Report available from GTZ Office, Hanoi.

IMF and World Bank. 1999. Vietnam - Toward Fiscal Transparency. Report available from World Bank, Hanoi. [Very good brief overview and analysis of the division between different government levels in financial matters (pp.35-41, Annex 4). It argues that there have been some genuine movements towards the decentralisation of the budgetary process, particularly since the 1996 budget law and its various amendments in 1998. It argues, however, that more needs to be done in terms of increasing the transparency of accounts at the local level and improving systems of reporting and monitoring, without succumbing to a common tendency of central governments to become more prescriptive with the increased availability of information]

Le, T.T. (*) 2002. Direct Investment on Villages and Communes with the Participation of the People. Presentation given to the national workshop, Hanoi, November 15-16, 2002. [Presentation from the Deputy Director, Dept of Agriculture and Rural Development, MPI. She outlines the development of the Commune Development Budget (CDB) that enables communes and villages to take part in the planning process through decisions about small-scale local projects, financed by the central budget. These plans are intended to take place every 6 months in areas with sufficient capacity. Other areas to be given training as necessary. It is supported by a Commune Development Committee (CDC). She felt that this method had been very successful where it was used in increasing people's participation in planning, but there needed to be better prioritisation on the part of the local authorities, and better guidelines and supervision given by the higher level authorities.]

Litvack, J.I. 1999. Market Reform in Vietnam. Quorum Books, London.

McCarty, A. (*) 2001. Microfinance in Vietnam: A Survey of Schemes and Issues. Report commissioned by DFID and State Bank of Vietnam.

Ministry of Health. 1999. Health Services in Vietnam Today. Report available from Ministry of Health, Hanoi. [This report gives an overview of the structure and responsibilities of different government levels in the health sector.]

Narayan, D. (*) 1994. Crumbling Foundations, Conflicting Relations: Gender, Institutions and Poverty. Poverty Group, PREM, report produced by the World Bank. [While this report does not concern only Vietnam, it offers some useful insights into the role and capacity of NGOs to bring service delivery to the poor, and is closely related to the aims of decentralisation. It argues that generally NGOs also miss the poorest of the poor, and often have difficulty expanding their programmes through government linkages. Overall their spread and success tends to be very uneven, even from one locality to the next.]

Oxfam (GB). (*) 1999. Tra Vinh: A Participatory Poverty Assessment. Report available from the World Bank, Hanoi.

Pedersen, K.R., 2001, Civil Society in the Context of Development Aid – the case of Vietnam, Working paper IKL/CBS, Copenhagen, available from website <http://www.un.org.vn/donor/civil/pedersen.doc>

Pham, H. (*) 2002. Methodology of Village Development Planning. Presentation given to the national workshop, Hanoi, November 15-16, 2002. [Presentation given by the Director for the Department of Territories and Local Economy, MPI. Stresses need to provide local authorities with enhanced role for initiative and participation in poverty reduction projects, along with finance to accomplish this. Also improved legal framework to support this, with the appropriate rights and responsibilities structured in. It highlights some of the practical areas that need strengthening at the local level to increase planning capacity, as well as the need to improve the legal framework in support of these functions.]

Presentations given at the national workshop on Grassroots Democracy and Decentralisation in Planning, Hanoi, November 15-16, 2002. (Agrawal, N. 2002. “The Grassroots Democracy Decree and the Implementation of the CPRGS.” Presentation given to the workshop; UNDP, 2002. RIDEF Implementation in Quang Nam province and Danang city. Report available from UNDP, Hanoi; Foerster, E. 2002. “Decentralised Planning - How to Get Started?” Presentation given to the; national workshop, Hanoi, November 15-16, 2002. Department of Planning and Investment, Son La province. 2002. Report on the Evaluation of Village Development Planning (VDP) in Planning Innovation and Grassroots Democracy. Presentation given to the national workshop, Hanoi, November 15-16, 2002.)

Prohl, W, K. Schwarz, S. Tsogt-Ochir and M. Mattner, 2001, Strengthening Local Democracy through Increasing Participation: report on a two year pilot project in Vietnam, Konrad Adenauer Stiftung.

Roy, R. F. (*) 1993. Study of Government Monitoring and Evaluation Systems: the Case of Vietnam. CEO Evaluation Studies, No.4/93, Country Evaluation Office of UNDP. [This study gives a detailed analysis of monitoring and evaluation processes at central and local level, and an analysis of strengths and weaknesses of monitoring systems in various institutions across sectors at central and local levels. The study is a good foundation for evaluating what improvements have taken place since 1993.

Overall it highlights the problems of weak information due to lack of qualified personnel, lack of funding, and the focus of input-based decision-making which has led to an overall lack of evaluation of outputs.]

Save the Children (UK). (*) 1999. Ho Chi Minh City: A Participatory Poverty Assessment. Report available from the World Bank, Hanoi.

Sinh, B.T., 2001, Civil Society and NGOs in Vietnam: Some Initial Thoughts on Developments and Obstacles. Paper presented at the Meeting with a Delegation of the Swedish Parliamentary Commission on Swedish Policy for Global Development to Vietnam 26/2-3/3/2002, at Horison Hotel, March 2, 2001, available from website <http://www.un.org.vn/donor/civil/CSandNGOs%20in%20Vietnam.rtf>

Tran, X.L. (*) 2002. Some Major Issues in Planning the Renovation Process. Presentation given to the national workshop, Hanoi, November 15-16, 2002. [This paper argues that the introduction of a market economy has necessitated many changes, in particular the inability of the central government to make all planning decisions, and the need for local levels of government to make decisions for their local area. At the same time planning needs to be properly coordinated at all levels. He emphasises the need to strengthen the participation of all different groups in the planning process, improving plan targets and improving the systems supporting planning, including the attitudes of local officials. The biggest problems of the current system he sees are poor information systems (collection and collation of information), the attitude from central planning of “asking-giving”, rather than responsible planning, and the lack of a sense of responsibility for planning at the local level.]

Trinh, D.L. (1996) “Vietnam” in P.L. McCarney (ed.), The Changing Nature of Local Government in Developing Countries. Toronto, Centre for Urban and Community Studies, University of Toronto Press.

Turk, C. 2001. Linking Participatory Poverty Assessments to Policy and Policymaking: Experience from Vietnam. Report commissioned by the World Bank, Hanoi.

UNDP (*) 1998. UNDP Vietnam: 1998 and Beyond. Report available from UNDP, Hanoi.

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UN-MOLISA. 1999. Basic Social Services in Vietnam - An Analysis of State and ODA Expenditure. Report available from UNDP, Hanoi. [Of particular interest are the two case studies from Thai Binh and Long An provinces, that give the breakdown of provincial level expenditure and central level transfers to the two provinces. This shows that both provinces commit significant provincial level expenditure to social sectors such as education, health, and social security.]

Vietnam-Sweden Mountain Rural Development Programme, (*) 1999: Lao Cai: A Participatory Poverty Assessment. Supported by the World Bank and DFID. Report available from the World Bank, Hanoi.

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World Bank (*) 1994. Vietnam Transport Sector: Serving an Economy in Transition. Report No. 12778-VN. East Asia and Pacific Region, Country Department I, Infrastructure Operation Division [The report gives the decision-making process and division of responsibilities in the transport sector (pp.86-9). Also gives an analysis of some of the major problems of the decision-making structure (overlapping and top-heavy responsibilities), and offers some solutions to overcome these issues - including future decentralisation of decision-making]

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World Bank. 1996. Staff Appraisal Report, Socialist Republic of Vietnam Rural Finance Project. Report No. 15088-VN. Agriculture and Environment Operations Division, Country Department I, East Asia and Pacific Regional Office.

World Bank. 1996. Vietnam Fiscal Decentralisation and the Delivery of Rural Services: An Economic Report. Report No.15745-VN, Country Operations Division,

Country Department I, East Asia and Pacific Region. [An important report that outlines the division of responsibilities in financial management between central and local authorities. It also analyses the strengths and weaknesses of different levels of government, and argues that while National Programs have gone some way towards redirecting financing in priority sectors towards areas in need, this has often been hindered by the lack of flexibility allowed local authorities in allocating funding for local priorities. At the same time there have not been sufficient checks in place to ensure that the funding goes to the poorest areas, as planned in the National Programs.]

World Bank. 2000. Vietnam: Attacking Poverty. Report available from the World Bank, Hanoi.[This report summarises the provincial level studies that the World Bank supported in a number of provinces. See under ActionAID, Save the Children (UK), and Oxfam (GB). These reports are participatory poverty assessments of the attitudes of poor people to why they are poor. While they do not concern decentralisation per se, they do give some indication about how concerned people are about government service delivery at the local level. It is notable that while people living in rural areas (Ha Tinh and Tra Vinh provinces) found the lack of government services (rural services, education, government credit etc) to be a major problem, many urban poor complained of excessive over-zealous application of regulations, suggesting that while rural areas suffer from a lack of government provision, urban areas might suffer more from a misapplication of government regulations (although the poor in urban areas also suffer from lack of schooling and health facilities).]

World Bank. 2001. Country Assistance Strategy Progress Report. Report No. 22887-VN, Vietnam Country Management Unit, East Asia and the Pacific Region.

World Bank. 2001. Northern Mountains Poverty Reduction Project. Report No. 21233-VN. Rural Development and Natural Resources Sector Unit, East Asia and Pacific Region.

ANNEX V
LIST OF INTERVIEWS WITH DONORS

ActionAid, Mr T.S. Ramesh Khadka, Country Director.
Asian Development Bank, Ramesh Adhikari, Principal Governance Specialist.
Canadian Embassy, Camille Baudot, First Secretary Development.
GTZ, Kristina Kurths, Programme Officer.
Helvetas, Ms Sylvaine Rieg, Program Director.
Oxfam (GB), Mr Do Thanh Lam, Program Coordinator.
Plan, Mr Le Quang Duat, Program Support Manager.
Save the Children (UK), Ms Pham Thi Lan, National Coordinator.
UNDP, Mr Nguyen Tien Dung, Program Officer, Governance and Public Policy Reform Unit.
UNDP, Ms Rini Reza, Senior Assistant Resident Representative/Head Governance Cluster.

ANNEX VI

CONTACTS IN QUANG NGAI

- Vice-Chair, People's Committee of the Province of Quang Ngai
- Department of International Cooperation
- Department of Planning and Investment
- Department of Agricultural and Rural Development
- Department of Labour, War Invalids and Social Policy
- Office of the Government Organisation
- Centre for Agro-Forestry Extension
- Centre for Water Resources and Environmental Hygiene
- Agricultural Supplies Enterprise
- Nghia Chanh Cooperative
- People's Committee of Binh Duong Commune, Binh Son District
- Representatives of Mass and Local Organisations, Binh Duong Commune, Binh Son District
- People's Committee of Tinh Son Commune, Son Tinh District
- Representatives of Mass and Local Organisations, Binh Duong Commune, Binh Son District

ANNEX VII

CONTACTS IN LONG AN

- Vice-Chair, People's Committee of the Province of Long An
- Department of International Cooperation
- Department of Planning and Investment
- Department of Agricultural and Rural Development
- Department of Labour, War Invalids and Social Policy
- Office of the Government Organisation
- Women's Union of the Province

ANNEX VIII
TERMS OF REFERENCE
ANALYSIS OF DECENTRALISATION IN VIET NAM -
WORKING EFFECTIVELY AT PROVINCIAL AND LOCAL
GOVERNMENT LEVEL

1. BACKGROUND

The new AusAID Viet Nam Country Strategy

AusAID, in conjunction with the Government of Viet Nam (Ministry of Planning and Investment), is currently preparing a new strategy for the bilateral development cooperation program for the period 2002-2006. Bilateral high level aid consultations in March 2002 endorsed a discussion paper setting out the broad thrust of the new strategy, along with a list of areas for further analysis before strategy finalisation. The analytical work is expected to be undertaken during 2002, with a draft strategy paper prepared by the end of the year. Final endorsement of the strategy is anticipated in early 2003.

The approach for the new strategy focuses on: (i) targeted, market-oriented rural development interventions; and (ii) support for institutional reforms (as the key requirement for economic growth). Sectoral focus will be on rural development and governance, with an ongoing commitment to water supply and sanitation programs. The program will increasingly concentrate on the Mekong Delta and central coast regions. The list of areas for further analysis includes, among others:

- working effectively at provincial and local government level;
- policy and institutional issues for the rural development sector;
- effective approaches to linking the poor to markets;
- working with ethnic minorities;
- Australia's response to the GoV/donor partnership agenda;
- defining a role within the broad governance agenda in Viet Nam; and
- a regional poverty analysis to inform new interventions in the Mekong Delta.

Decentralisation in Viet Nam

Following the promulgation of Decree 17 on ODA and FDI management, and in accordance with a broader decentralisation agenda in Vietnam, donors are increasingly working directly with provincial and lower levels of government. However, problems of capacity and the lack of clear operating systems (for

example, regarding decision-making authority and budget management) are generally constraining the effectiveness of decentralisation. Further, participatory processes are not well embedded and the role of 'civil society' and the mass organisations is evolving.

The Public Administration Reform (PAR) Program is focusing attention on basic structural or institutional reform, such as the development of the civil service and an effective, streamlined machinery of government, with a commitment to decentralisation and local government reform. These are long-term programs and strategies. In the meantime, pressing problems in service delivery need to be confronted. Within the PAR framework, some successful pilot projects have produced service delivery improvements at district and provincial levels, especially in Ho Chi Minh City. However, so far, these have not been articulated across the system more widely. Part of the next stage of PAR is to expand on these initiatives and seek to emulate and replicate them more systematically. The Ministry of Home Affairs (formerly GCOP) together with the Office of Government are seeking to manage and coordinate this process.

Constraints to decentralisation include: over-centralisation in formal or legal authority, which creates obstacles to local changes except by special central fiat or legislative change; and vertical communication and command mechanisms within specific sectors such as land administration and rural development, which places obstacles in the way of both learning at the centre and dissemination to the localities. Central ministries are all-powerful in some regards, but impotent when administrative compliance and local cooperation are required.

Under decentralisation plans, more financial and management autonomy may be given to provincial and / or district levels of government, but the allocation of powers, functions and authority within particular sectors of policy and administration (such as rural development) needs also to be addressed. The need to strengthen local accountability is important and increased attention given to implementation of the Grassroots democracy decree at the 5th Party Plenum in 2002 (see www.cpv.org.vn) and through the CPRGS refers to this issue.

2. GOAL/OBJECTIVE OF THE ASSIGNMENT

In order to target Australia's assistance effectively, this analysis will provide a clearer understanding of the nature of relations between central, provincial and local units of government and the barriers to effective local service delivery and private sector regulation/facilitation that arise from these relations.

The goal of this initial analysis is to: (i) underpin practical discussion with the GOV on key decentralisation issues; (ii) compile available information; and (iii) identify and analyse strengths and weaknesses. Once this analysis is finalised, AusAID will decide whether to undertake further work through more rigorous diagnostic analysis to: (i) provide practical guidance to new and ongoing projects which will build capacity and assist project implementation at these levels; and (ii) support the identification of new activities during the strategy period.

The objective of the assignment is to analyse the current allocation of decision making responsibility, authority, and administrative capacities in Viet Nam between

central and local government and the extent to which they support achievement of substantive program or service outcomes.

3. SCOPE OF THE ASSIGNMENT

The consultant will undertake the following tasks, using specific reference to case studies in: (i) rural service delivery; and (ii) business/trade facilitation and regulation:

- identification, collection and collation of relevant documentation regarding existing political and institutional *structures and processes* regarding decentralisation from GOV policies, legislation and development plans, AusAID, other donor studies, and academic papers, including new thinking in the area of decentralisation;
- identification, collection and collation of relevant documentation regarding ongoing and planned decentralisation *programs* by GOV, other donors, international credit agencies and NGOs;
- the above will require a *survey and analysis of previous research* (for example, World Bank research on fiscal decentralisation and donor project evaluation studies, such as the UNCDF Rural Development Infrastructure Fund and UNDP/UNCDF/CIDA Institutionalisation of Participatory Planning Study; survey of documents on PAR reform relating to local government; analysis of official statistics and public finances);
- through consultation with key officials and donors (including Australian Team Leaders of AusAID projects), an overview of the *current distribution of responsibilities, functions and resources* between GOV central and local units, including current and proposed reforms to sub-national governments and to inter-governmental financial relations;
- assessment/analysis of the above information to highlight *strengths and weaknesses* of policies (including legislation) and institutions for decentralisation;
- in the context of GOV decentralisation policies and PAR, the overall *capacity* of and services provided by provincial line agencies and other organisations involved in provincial services and development, through consultation with key counterparts such as OOG, Ministry of Internal Affairs, Provincial People's Committees;
- in keeping with the new *geographic focus* of the Australian aid program in Viet Nam, the discussion of these issues should acknowledge any factors specific to the particular circumstances of the Mekong Delta and Central Coast provinces;
- discussions with officials in OOG, Ministry of Home Affairs and People's Committee of a selected Provinces, and selected District level officials, of *perceptions of needs and priorities* in relation to:
 - the distribution of responsibilities, functions and resources between central and local units, and
 - ways to improve local service delivery;
- additional *networking* with professional colleagues to test ideas.

- *liaison* with the Post in Hanoi and AusAID, HCMC, to 'reality-check' analysis and conclusions
- preparation of a *concise final report*, written for a management/planning audience within both GOV and the donor community, which includes:
 - the above analysis;
 - an assessment of the main issues;
 - flow charts of relationships, funding flows, approval processes (between central and provincial and between provincial and lower levels) as a means of developing understanding of the system;
 - a brief summary of all key policy and legal documents governing decentralisation, grassroots democracy and public administration reform. This could be in the form of a matrix with brief summary of provisions and implications for ODA delivery; and
 - a list of references and contacts relevant to the analysis
- Presentation of the analysis at workshops for interested stakeholders in Hanoi
- Provision to AusAID the full *set of reference documents* collated during the study

4. DURATION AND PHASING

A total of 23 days is required for the study: 15 days for the work with a further 8 days for analysis and report finalisation. Travel within VN will be required for discussions at Provincial level. This is expected to be to Quang Ngai in the week beginning 18 November (to link with an AusAID visit for minimal disruption) and An Giang province in the Mekong Delta. The study is proposed between October and November 2002. The final report will be made available by 18 December 2002.

5. SPECIFICATION OF THE CONTRACTOR

An understanding of administrative and financial dimensions of central-local relations in Viet Nam and an appreciation of generic service delivery issues is required to undertake the analysis. The nature of the analysis suggests the need for involvement by locally-based experts.

The contractor undertaking this analysis requires high-level skills in the following areas:

- political analysis;
- strategic judgement;
- capacity to translate analysis into practical conclusions;
- understanding of Vietnamese government institutions and organisations; and
- compilation of analytical reports to short deadlines.

6. REPORTING

A draft report, of no more than 20 pages plus relevant attachments, will be made available to AusAID, Hanoi and Canberra by 2 December 2002 and will include all the elements outlined in Section 3 (above). The final report will be produced by 18 December 2002, no later than 1 week following receipt of AusAID comments on the draft report.

Together with the final report, the contractor should also provide to AusAID the full set of reference documents collated during the study.