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the PORIS experience in Nghe An Province

Commune driven development in Vietnam:

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1. The PORIS project

PORIS was a project that institutionalised Commune driven development in the framework of the Vietnamese Socio-Economic Development Plan (SEDP). Communes were in charge of the planning, budgeting and implementation, and had access to a discretionary fund allocation to implement locally identified priorities. The project was managed by DPI Nghe An Province and Quy Chau District and covered all 11 Communes and district town of the District. The project ran from September 2009 – September 2014 with a budget of 101,500,000,000 VND (€ 3.7 Million), one third Vietnamese contribution, two thirds Belgian contribution.

The project used a Commune Development Fund (CDF) as the tool for capacity building, averaging 750 million VND/year/Commune (±€ 27,500). The CDF funded three Commune needs: small scale infrastructure, local economic development and public service delivery. In the course of 4 planning cycles, the Communes learned to practice a new planning and budgeting approach. At the end of the project, for the 2015 cycle, the Communes were able to design a single Commune SEDP (C-SEDP) making use of multiple resources. For this 2015 planning cycle, there was no more CDF available.

The project achieved important results. The planning approach in the Communes has fundamentally changed from an administrative desk job to a participatory and more inclusive exercise for the preparation and implementation of C-SEDP. The capacity of communes in participatory planning, budgeting and managing projects has been developed and new planning procedures have been introduced that improve the quality of communal plans and increase their feasibility. The local authorities and the communities have been sensitised about the new approach, their roles and the potential benefits they could expect. The CDF provided the communes with funds to implement the identified priorities and served as a capacity building tool for local services and public investment management. The introduction of the participatory planning approach (C-SEDP) and the availability of a modest but predictable annual fund (CDF) created the necessary conditions for the Commune staff to become active and enthusiastic development facilitators. The project assisted the Communes in becoming investment owners.

In practice, Communes have assisted in the provision of community houses, roads, health centres, irrigation systems, bore wells for schools and equipment for one stop shops. Communes have also supported local economic development activities based on an analysis of the local economic opportunities. The project contributed to improve the appraisal and supervision of Communes' work by the District Departments, improve accounting and financial management by Communes and District, increase supervision of the works by Communes, relevant District Departments and communities. Finally, it significantly contributed to increasing the allocation efficiency of public services and community contributions.

Achieving the PORIS results took integrated efforts at Commune, District and Provincial level. Communes and District installed Planning Working Groups; village planning teams were established to collect and submit their prioritized needs to the Commune. The District Working Group became the supporter of the Commune staff, both in training and coaching. In their turn, Commune staff were responsible for coaching village planning teams. The capacity building role of the District has been crucial in the process of empowering the Communes; they were not only the agency that communicates the government regulations, but they also had the task to support the Communes in their planning task towards the villages.

Box 1: Quotes from Mr. Dai, Vice-Chairman
PPC: "The project has achieved significant gains, especially in terms of increasing awareness of communities and enhancing transparency, implementing C-SEDP in combination with a CDF and improving the capacity of the Commune government. The project has also coordinated with other donors in the province in their support to SEDP reforming effort of the Province"

Result

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The Province provided regulatory and strategic support via various consultancies and training to districts and communes. To ensure sustainability of the C-SEDP approach, the Province issued Decision 811 in March 2014 regulating the C-SEDP process piloted by the project for the entire Province and providing operational budget for this process (6-7 million VND/Commune/year), starting with the 2015 planning cycle. Together with the revised guidelines, this Decision makes C-SEDP the default planning approach in the Province.

NghêAn is one of the provinces that have successfully experimented with a Commune based planning approach, others are for instance Hoabinh, Quang Tri and Ha Tinh. The experiences in these provinces show that – with the right leadership and technical support – it is possible to work towards the ideals of grassroots democracy and decentralised socio-economic development; this paper presents the evidence from the PORIS project.

2. Justification for decentralisation of planning

Public sector decentralisation has become a global phenomenon. Many countries pursue it with intentions like improving service delivery, enhancing governance and accountability, increasing equity, and promoting a more stable state. Vietnam is no exception. With 55% of the state expenditures spent at the sub-national level, Vietnam is comparatively a highly decentralised country.

While working in an increasingly decentralised context, Vietnam still operates a nested budget and planning system within a hierarchical subordination and vertical integration of plans at all levels. This creates tensions in the decentralised system; the role of sub-national authorities is both to “localise” central policies and autonomously develop and implement their “own” local policies. It is in this context that the project piloted decentralised SEDP at the commune level.

A recent WB study¹ confirmed that the fiscal decentralisation system in Vietnam is effective in redistributing revenues to poorer provinces (pro-poor fiscal decentralization). In a report on Social Cohesion in Vietnam², the OECD states that there is little evidence that this redistribution to the Provinces translates into improved services delivery. According to this study, budget allocations should be further decentralised through participatory mechanisms at Commune level to ensure that public services meet the needs of the local population. PORIS contributed to strengthening this redistributive efficiency.

The expected benefits of decentralised planning, budgeting and implementation can be summarised as follows:

1. *It improves effectiveness:* Decentralised development helps to achieve the intended objective to improve services delivery and local development. The allocation of predictable funds increases people participation and contribution to local development and services. The selected priorities will better suit and address the needs and demands of the population. Decentralisation also allows for more competition in public services between local authorities whose performance is being monitored. These can positively impact on the outputs of services and public investment
2. *It improves efficiency:* the cost-benefit ratio of service delivery is increased with decentralised development. Decentralised planning and budgeting increases the

allocation efficiency, e.g. villages and Communes ensure that the allocated budgets are spent wisely, opportunities for village contributions increase and irrelevant services are prevented. Creating competition among Communes for autonomous funding may increase efficiency as well.

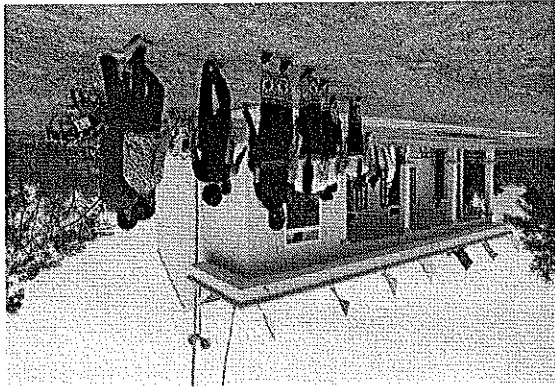
3. *It improves Political and Financial Accountability:* bringing the decision making closer to the people increases the opportunities for both demand and supply accountability. It is easier for the population to access the decision makers. The proximity also increases the incentives for the decision makers to take people demands and needs into account.

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

3. Complexity of the decentralised Commune SEDP

While decentralised planning, budgeting and implementation may clearly generate benefits, this is far from an automatic and easy process. Making decentralisation work is complex. And complex changes create proponents and opponents. Indeed, this type of decentralisation has met with considerable criticism in Vietnam, the main ones being:

- The increased number of actors/stakeholders and more complex procedures will be too time consuming for the staff
- The Communes, as the lowest level of government, lack the technical capacity to manage the planning cycle properly; service levels will go down and corruption increase
- Making the Communes more accountable will imply complex institutional and fiscal decentralisation changes
- Increased local autonomy will decrease the control function of the District and Province.



Apart from the last reason, which is a normal sign of resistance from the current power holders, these types of constraints have not been seen in the PORIS project. The Vietnamese local agenda is clear on participation and local democracy, the core elements of decentralisation. Current practice is showing the evidence; after a few years the Communes in Quy Chau Districts have become capable to manage the C-SEDP themselves, with little supervision from the District: grassroots democracy in practice.

The paragraphs that follow will assess whether the decentralised system as piloted within the PORIS has made service delivery and local economic development more effective, efficient and accountable.

³Several statements made by the party and the government emphasise the importance of grassroots democracy. For example: (1) *Promotion of grassroots democracy has strategic importance for the development process of our country*" (The 6th Party Congress Document, 1986). (2) *The crucial and urgent task in the coming years is to promote democracy at grassroots level... [it is the location that] directly implements all the Party's and government's directives and policies, and [that] needs the most direct and broadest implementation of people's ownership rights* (Directive 30-CT/TW of the Politburo on Development and Implementation of Grassroots Democracy, dated 18 Feb 1998); (3) *Respect people, maintain close relationship with people, understand people, learn from people and be accountable to people... is the crucial solution to remove bureaucracy, corruption and waste* (Public Letter 159-TB/TW to release Conclusion of the Politburo on the result of six year implementation of the Directive 30)

4. Does decentralised planning, budgeting and implementation make service delivery and local economic development more effective?

The project intended to reduce poverty by strengthening the institutional capacities at the village and Commune level through locally identified services and local development. From the village perspective, they know best what is most needed; the Commune staff helped them to formulate these needs in a systematic way and stimulated them to address these needs in the most effective way. At the same time, the Commune staff learned a new approach that they can also apply in other situations.

4.1 Participatory planning generates more realistic needs

The C-SEDP collects proposals from the villages that are based on their most urgent needs. The commune staff make sure that the village needs are prioritised and are aggregated in a Commune plan which can be prioritised against available resources (importance of predictable CDF); this makes the Commune priorities more than a wish list. See box 2 and 3 for examples from Commune staff.

In the past we received targets from the District on what we should do, for instance: "increase the number of Buffaloes in our Commune", even though we do not have any buffaloes in the Commune. Now we have a long list of locally identified priorities that likely exceed the available resources. With all the village headmen together we discuss the list and decide on the most pressing needs. Chau Binh, Interview with the Chairman of Commune People's Committee, 2014

"In the traditional approach, commune leaders usually decide by themselves which village(s) should first receive funding for small scale infrastructure investment, even if it leads to questions from others why the priority was not given to them. But in the PORIS approach, everything is publicly discussed, considered and decided. Therefore, even when not being given priority, all villages feel satisfied with the decision that is being made"
 Tan Lac Town, Interviews with commune officials, 2014

In addition to small scale infrastructure, the CDF supported local economic development activities based on an analysis of local economic opportunities. In some villages, chicken raising was more promising, in others pig or duck raising. Commune and District staff were trained in soft methods such as training, extension, close monitoring and technical support during start up. For an example how the support turned out in practice, see Box 4 on chicken raising in Chau Tien Commune.

Box 4. Mr. Bui Viet Mai and Mrs. Nguyen Thi Hoa from Hop Tien Village in Chau Tien Commune were raising chicken for family consumption. They did not dare to raise chicken on a large scale, because they were afraid of a chicken epidemic; more villagers had tried this before but failed. At first, it was very difficult to persuade Mai and Hoa to receive the livelihood support in the form of 80 "seeding" chickens. But after receiving the right technical information and being trained, they understood that chicken diseases can be prevented, and decided to go along with the support activity. It turned out to be a success. Starting with the initial 80 chickens, they have now sold hundreds, and they still have about 60 chicken in the range and 200 eggs in the hatching nursery. They sell eggs to people in Hop Tien and people from other surrounding villages and communes. The profits are about 2 to 3 times the costs. Chickens are now raised in almost every family in Hop Tien. The village has become an "exporter" of chicken, not only within their own Commune, also towards other Districts. Hoa replicated the model to her daughter's residence in QuePhong District - a neighboring district of Quy Chau, one among the poorest districts of NgheAn province. Now, her daughter has about 150 chickens and also sells chicks and eggs for other people to hatch.



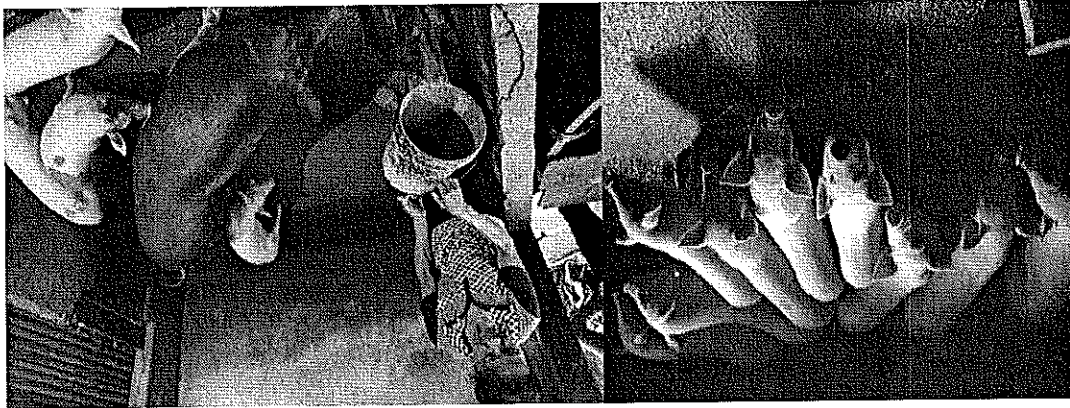
4.2 Stimulation of initiatives from the villages and Communes

A main flaw of the traditional way of socio-economic development planning is that it is based on the 'begging-giving' mechanism, leading to a perpetuation of a government dependent relationship. C-SEDP provides the communities with tools to become actors of local development, especially through the emergence of a village platform for voicing their needs and checking implementation. The village headman assists the villagers in selecting promising economic development activities and selecting the most potential beneficiaries, see box 5.

Box 5. A business model for breeding pigs

Mr. Nguyen Don Binh and Mrs. Vo Thi Song, a farming house holding Chau Tien was given one seed pig at the initial weight of 6-7 kg. In order to receive the pig, she had to provide a contribution equivalent to 30% of the support as a sign of commitment. Later this amount was refunded and used for constructing a shed for the pigs. She accepted the challenge and also persuaded other poorer farmers to make the contribution. After a year, the pig had two breeding times, with 12 to 15 baby pigs each. She raised the baby pigs up to 50-60kg, and then sold them to butchers. The pigs became her family's major source of income.

She followed all the instructions to raise the best pig, and even did more than required. Her daughter-in-law is now also raising a pig with her support. Over time, she became a demonstration farmer, guiding others in pig breeding. Some farmers approached me for advice when they saw their infant pigs died when were drabbed by the mother pig. I told them that in the first delivery, the mother pig may not be experienced in how to keep the infants alive. But don't hastily sell her. Keep her for the second delivery, then everything will be fine. They followed my advice and now they had a very nice pig family".



The Commune staff was trained in using the tools to guide the communities, e.g. the planning manual, technical guidance and organisation of effective communication channels with the villages. Commune officials have gradually developed a new approach to meeting management, see Box 6.

When experiencing the positive impact of the FORIS approach the Communes also started integrating other funding sources such as NTP 135 (on poverty reduction) and the New Rural Development Programme (NRDP) in the C-SEDP. In this way the Communes began formulating a single C-SEDP, covering multiple activities and resources.

In conclusion: "In the traditional approach, a plan was made on paper, but in such a

Box 6: "As the Chairman of the Commune Youth Union, I regularly organise meetings for my Union. In the past, I just followed the approach of my superiors, stood in front of them and gave a lecture. I thought this was the way to do it, to be looked at as a powerful and decisive man. After joining the Commune Planning Team, I have learnt another way of facilitating the meeting. I can sit together with the members on the floor of the house, discuss the issues and ask for comments and ideas. I find this is a more effective way of facilitation, and my members also see me more as a friend than as a boss."

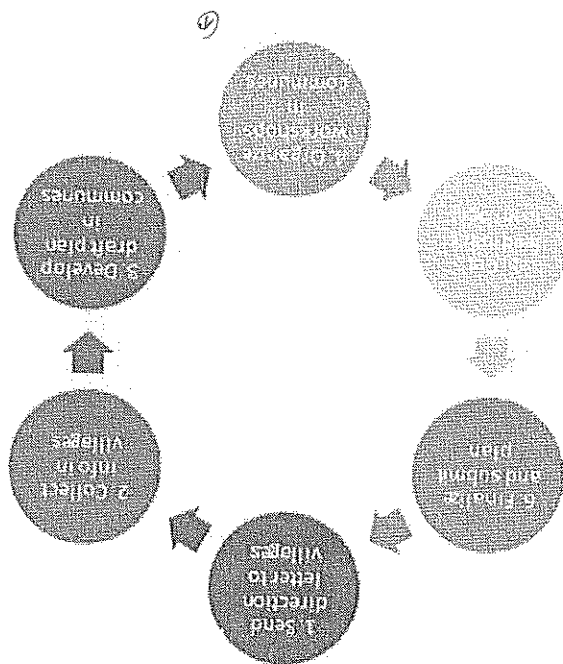
Chau Hoan commune, staff

way that many things that were planned could not be implemented [...]. Now the commune made the plan, and we had money to implement it. So, now the villagers know that the 'commune' leader will not only talk but also implement it, so they trust them more" (Tan Lac Town, Interviews with commune officials, 2014).

5. Is Commune driven development more efficient?

The planning approach introduced by PORIS has two main efficiency gains: (1) government staff works more efficiently and (2) the budget is spent wiser. By using the simple 6-step model (see figure 1), the Commune staff have learned to structure their time and implement their activities systematically. Commune staff express that they increased their knowledge on planning by participating in the PORIS planning process; they learned to set priorities and to link planning with budgeting. In the former situation they were always busy but were not able to get things done or decide what should be done first. Now when a request or activity cannot be prioritised immediately (due to budget availability), it is put on the agenda for consideration in the next planning cycle. In this way, all ideas can be taken into account.

Figure 1

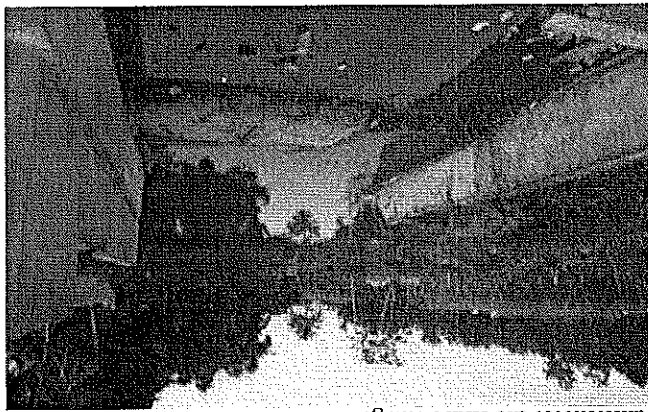


Budget efficiency is achieved in different ways. First, via the formulation of the single C-SEDP allocation efficiency is achieved. Having one Commune plan that incorporates all development needs and incorporating all the available resources prevents double funding and reduced the risk of less optimal priorities. In the past it occurred regularly that two different support programmes provided the same equipment or service (e.g. hospital beds, building materials, furniture). In addition, when looking at Commune priorities, it becomes possible to combine similar needs from more than one village, e.g. in Chau Thang Commune, 4 villages make use of one irrigation canal that is (partly) renovated by both NTP 135 and PORIS.

A second way to achieve budget efficiency is to mobilise resources from villagers and private sector organisations. When villages are more involved in their own development plans, it appeared they were willing to also put more efforts in the implementation; not only in kind, also in cash. An example of in-kind contribution is the construction of a water tank in Chau Binh Commune, see Box 7. Box 8 gives an example of in cash contribution. It means you can do more with less.

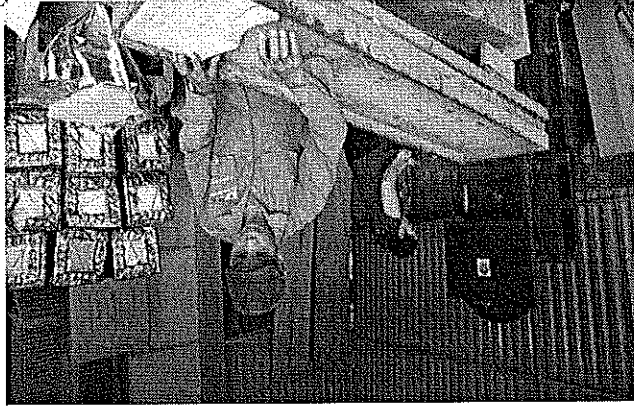
Box 8. In Ward Hoa Wai of Tan Lac Town the street lighting system was built by funds mobilized from the residents. There was no financial PORIS support, but officials replicated its participatory approach to plan for the process. Through a series of meetings this village lighting project was planned and budgeted, only with internal village resources.

Box 7. To address the constraints of water shortages during the dry season, Lau 2 Village decided to convert part of a stream to a water tank. The village asked the Commune to hire contractors for design and construction. The villagers' labour was mobilised by the Commune and they carried out the preparatory work and part of the excavation work. The construction supervision was done by a group of villagers led by the village headman, who were especially trained for this job. Their task was to check the drawings, the concrete dam and the excavation work for the 2-meter deep tank. In the village meeting the rules for using the tank water were set. It was agreed not to take water from the tank during the rainy season. Tank maintenance will be done by all households; 2-3 times per year they will clean the tank from dirt and bushes. The tank is in use from May 2013, the villagers have now used the water for one dry season. The amount of water was sufficient for the entire village



The third way towards budget efficiency is to look for opportunities that create relatively large returns for relatively small investments. Thus, government subsidies can have a large impact on the villages. An example of this kind of efficient budgeting is provided by Mr. Phan Doan and Mrs. Dinh Thi Nga from Tan Lac Town, Box 9.

Box 9. The couple has been making incense for 10 years. They usually hire 7 to 8 workers to help them during the "incense season", from late September to late December. Before PORIS, they had to cut the paper to cover each day they can only handle 2-3 stacks. With PORIS support, incense makers in Ward 1 were provided with a cutting machine made specially to suit their need of cutting papers to wrap incense sticks. The couple's contribution was 30% of the price of the equipment (VND7 million). They also rent out the machine, but for villagers from their own Ward with a large discount, as agreed during the sale. This and other agreements are documented and agreed by and informed to people living in the Ward. The machine can cut all day long; it takes 15 minutes per stack of papers. Estimated by Thanh, the machine has saved about 50%-60% of the cost of cutting paper by hand. Moreover, the machine has helped to improve productivity.



An additional source for achieving increased efficiency is to provide more supervisory responsibilities to the villages in case of small scale infrastructure projects, in line with the Grassroots Democracy Ordinance. As required by legislation, public projects undertaken in villages and co-funded by the community, were supervised by a Community Investment Supervision Board, whose members are knowledgeable villagers. Government staff is added to this Board. PORIS's small scale infrastructure projects were also subject to such supervision.

This supervision at village level was introduced by PORIS as part of its capacity development agenda. A new way of coaching was introduced from Province to District, from District to Commune and from Commune to village. It ensured that each level assisted the level below in improving their capacities. Through this approach the project proved, if proper trained is done, each level can coach the level below. The same approach is also applied to newcomers within the organisation or village.

6. Does decentralised planning, budgeting and implementation improve accountability?

In the PORIS project, the increased accountability between Commune and villages and within the villages appeared to have an important effect on the decentralisation process. Accountability was introduced both in formal regulations and informal settings. Because of these increased accountabilities, Communes and Villages felt more confident in their roles.

6.1 Village accountability

C-SEDP brings decision making closer to the people; the villagers become more attentive when it concerns decisions on their own livelihood. Villagers appear able to carry out an analysis of the various needs that are emerging in the community and decide on joined priorities in meetings; they talk about their own needs, see box 10.

Box 10:

"Within the project, there were a lot of meetings. Almost all meetings were held in the evening to allow villagers to attend. I was keen to attend the meetings since they talked about my benefits".
"Just attend! Why not, since it is for our own benefit?"
 Tan Lac Town, Ward 1, interview with people and village planning group, 2014

"Once informed, our villagers were willing to attend the meetings. Even if it was raining, people just took a palm leaf as an umbrella to go"
 Chau Hoan commune, Nat Duoi village, interviews with people and village's planning group 2014

Because public goods are assets of the entire village, these are to be taken care of by the community. In the case of small scale infrastructure, there is more care – in the form of construction supervision and maintenance – even more when the investments are co-funded by the communities.

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

In order to make Commune driven development a success, we believe that the predictability and autonomy conditions are to be guaranteed. For that to happen, we will need:

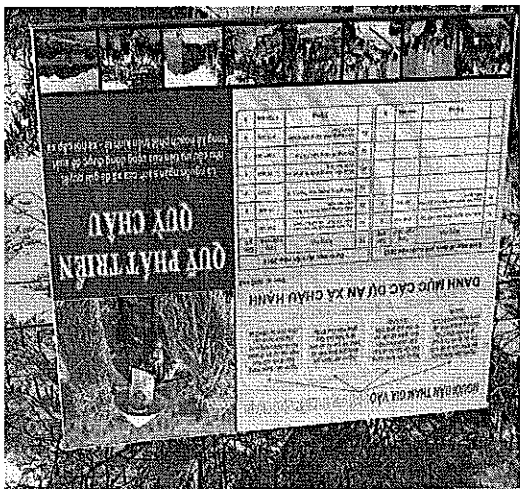
- Committed leadership, especially at provincial and district level. They guide the Districts and Communes towards their new roles
- Legal guidelines. Decision 811 is a good example that provides the legal backing for the Communes to act.

The PORIS project showed that Communes are the most suitable starting point for decentralised planning, budgeting and implementation, thereby ensuring redistributive efficiency. At the same time, it is realised that for the success of this approach two main conditions need to be put in place:

- The budget to be spent by the Commune is *predictable*; before the plan is finalised, the Commune roughly knows how much it can get from the various sources of funds.
- The Commune has relative *autonomy* over the C-SEDP budget; a number of NTPs (e.g. P135, NRDP) are flexible enough to allow for autonomy within the margins of the specific programme. In the case of the project CDF, there was complete autonomy. This increased autonomy of the communes is within the responsibility of the Provinces.

7. Can these results be sustained?

Annual budget allocation to the Commune was communicated to the villages as well as the list of prioritised projects and their costs estimates.



Communication on the planning and budgeting process also contributed to favour accountability.

Commune staff has become more accountable to the villages and to the District. By consolidating their needs in a single C-SEDP and having feedback meetings on the draft plan, there was a collective decision making process. Since each commune officer was assigned to work with one village, the villagers now know who to approach in case of questions. Commune accountability to the District becomes evident in their role as investment owner. Communes account for the budget they are entrusted. For this, they gradually developed the required capacities, like financial management skills, managing tender procedures and organising construction supervision. They also sign a formal agreement with the District on delegated financial management.

6.2 Commune accountability

Villagers have become aware of the importance of analytical skills. In the PORIS project, Commune planning officers and the village planning team deal with many suggestions and support requests from villagers. Together they select the best solutions. Once agreed, the village headmen discuss and defend the proposals at commune level meetings. This entire process has enhanced villagers' capacity to view things logically, to identify opportunities and problems, to find solutions, and to negotiate with different stakeholders. And through this process, the village leaders have become more accountable to the villagers.

- Technical instructions: manuals, forms and guidelines provide the backing that is needed in these changing environments.
- Planning working groups at each level. These groups are important organisational conditions for sustaining the approach.
- Training and coaching at all levels. Each staff needs to have the required skills and needs to be assisted on-the-job. Continuous training organisation (e.g. by a local training institution) can ensure that staff changes are not blocking continuity.
- Scaling up of C-SEDP to District SEDP and Provincial SEDP. Like the Communes, also the Districts have their specific District priorities that go beyond the aggregation of the combined Commune plans.
- M&E (of output AND process). Knowing if and when results are achieved is important to account for the investments and to be able to adjust plans for the coming period. Knowing if the planning process has been implemented properly ensures a continued focus on village needs and Commune capacities.

Conclusion

Decentralisation has been ongoing in Viet Nam since the mid-1990s and significant progress has been made in devolving resources to lower levels of government. Increased levels of fiscal transfers for poverty spending does however not yet ensure that fiscal transfers are then spent efficiently. In order to better realise these efficiency objectives, greater fiscal and administrative decentralisation of resources and responsibilities to district and commune level governments are needed. PORIS has been piloting decentralised planning, budgeting and implementation at the communal level in Nghe An province. The project proved that with adequate technical and political support, communes can efficiently deliver local services addressing the needs of the citizens. The PORIS demonstrated that commune driven development is effective because it increases local contributions and facilitates local development initiatives. It also paved the way for increased transparency and accountability. Implementing this approach on a wider scale in the country may accelerate socio-economic development.