



Decentralisation, Local Governance and Community Participation in Vietnam

**Research Report on missions in provinces of Vietnam
as part of the VASS-ISS project
*'Upgrading the Capacity of Local Authorities in Planning and Managing Social –
Economic Development in Rural Vietnam'***

**Dr. Joop de Wit,
Institute of Social Studies
The Hague, The Netherlands**



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Chapter 1. Introduction

In the context of the VASS-ISS project research has been carried out that is relevant for the project's core concern of capacity building for local governance and that is to feed into the training workshops provided under the project. The present document is a report on research carried out into the broader context of local governance in Vietnam. It focuses on the efforts under way to decentralise tasks and funds from the national Government in Hanoi to provincial and lower level governments - initiated by the state -, as well as the corresponding – and more people focused - trends to allow more scope for people's participation in planning and implementing local level policy.

The report is based both on primary and secondary material. Field work was carried out in March 2007 in Bac Giang Province where discussions were held with officials at the level of the province, district and commune, in which I was supported by a translator from Bac Giang. Besides, we had talks with a number of people/ families living in Bac Giang Province to obtain their views of governance and socio-economic development as well as with people having farms or small scale enterprises (see the itinerary in annex 1). However, field work in Bac Giang was limited to only about a week and it may be clear that this is far too short to obtain sufficient and reliable data which are representative for a larger area or a province as a whole. Added to this primary material are observations made and interviews held during several other missions to Vietnam and in particular a mission that I carried out in Vietnam together with VASS partners, and which covered visits to Lang Son, Thua Thien Hue and Can Tho provinces (de Wit, 2007).

In view of the incomplete primary data, the decision was made to complement the data with a literature study into the broad field of decentralisation, local governance and community participation, covering both relevant government documents as well as the writings of numerous researchers and academics who studied these themes. This was done in view of the objective to provide a broad review of the present situation of local governance in Vietnam and to assess the implications in terms of resulting capacity needs, so as to make this report more widely relevant for the project and especially for the efforts aimed at developing a second project phase. It may be noted that there is a relatively large body on governance in Vietnam in general and as pertaining to macro developments and trends (e.g. Government of Vietnam, 2005; Vietnam Ministry of Planning, 2005; World Bank 2002, 2004). There is a growing literature on poverty through the very detailed and often excellent poverty assessments (e.g. UNDP/Ausaid 2004). However, specific literature on decentralisation and local governance is relatively limited, with a few writers dominating the field (e.g. Kerkvliet, 2004; Fforde, 2003, Fritzen, 2002). The need for more studies in the realities and dynamics of local governance and the shifting balance of powers and funds across provinces vis-à-vis the Central Government as well as between provinces, districts and communes is often mentioned. This applies even more to the efforts aimed at enhancing community participation and grassroots democracy following recent relevant decrees (e.g. UNDP-UNCDF/CIDA 2000).

This document then hopes to inform the formulation of the second project phase by highlighting core issues of interest and concern as regards the socio-economic development of Vietnamese provinces, districts and communes. The guiding research question is as follows: ‘What is the nature and extent of decentralisation (devolution) in rural Vietnam, and to what extent has it led to increased participation of the local population? Issues that were addressed include the nature and performance of the formal institutions and systems; the mandates, budgets and planning at various levels; the scope for and examples of participation, and, last but not least the nature and adequacy of capacity at the various administrative levels: whether local authorities can do the job, and whether and where they need strengthening.

Chapter 2. Vietnam: Administrative structure and levels of Government

Vietnam is a socialist republic, and presently the administrative structure is marked by a clear hierarchy and a division into four levels: the central government in Hanoi, the provincial governments of the 64 Provinces, and below that level the district (about 600) and commune governments (approximately 10.400). Each level has a People's council (which is the representative branch which is elected, for example the National Assembly at Hanoi) and a People's Committee (the executive). It appears that the members of the People's Council may be sometimes be the same persons who are members of the People's Committee. The council members are elected by the people of the area in question (for 5 years), but the next higher level (say the Province for the District) has to approve the candidates to be elected for the council. The elected People's Council members select the Chairman and Vice-Chairman of the People's committees, and the Communist Party of Vietnam has considerable powers over the executive branches at all levels.

At all levels, the People's Committee has budgetary and administrative responsibilities. They are charged with maintaining law, order and security within their jurisdictions; they have to forward budget requests to higher levels; review and approve the plans for socioeconomic development within their delegated authority and execute the budget. These provisions are regulated in national legislation which defines the various administrative functions (this includes the 1992 constitution, and the 1996 Budget Law). One implication has been that People's Committees now have both budgetary and administrative responsibilities. As per the laws, the authority of decision making is the elected People's Council with its elected representatives, but, as will be elaborated in more detail below, people's councils as collectives are not always very powerful or core to local level decision making. It appears that many councils only meet only twice a year and this undermines their planning and supervisory roles. (see also Fforde, 2003: 24; Kerkvliet, 2004:7).

In terms of administrative autonomy for local officials and departments, they have to report to both to the local people's Committee and Council, as well as to the line department or line ministries as regards the sector in which they work at higher levels (Fforde, 2003:12). Generally, each Council is accountable to the next higher level in the three level structure of sub national government, and the province is upwardly accountable to the central government in what is called a system of 'double subordination' (Kerkvliet: 2005:7). This again has generally limited the freedom of action at all sub-national levels, but, as will be noted later, shifts are taking place, and local variations occur. Informants in one district explained that, this way, a district has little autonomy and that provincial inspectors are checking expenditures made by the district so that accountability comes down physically to the next lower level. The key focus appears to be on the budget line 'there is no escape from spending funds as per the stipulated budget line'. In one commune I was informed that there really was no change as yet in independence or autonomy: 'it is not like that, we follow the budget line and do exactly what is said by the district; we have no freedom'.

All administrative levels go through an annual planning cycle, where for example the district makes a plan which is submitted to the province. The plan is drafted by officials of the People's Committee, and approved by the People's Council of the administrative level concerned. By November/December a budget request is submitted to the provincial authorities. Amounts may differ per year, as there are changes in income (transfers as well as locally raised taxes some of which can be kept- for example enterprise tax and land tax).

Things may be different for communes, as it is not so clear whether they actually make plans- on the one hand there is no formal planning role for them as will be mentioned later; on the other hand there is mention sometimes of Commune Development Plans. One commune official said ‘plans are given to us by the district’. An example of the limited planning and decision making authority for a commune could be a household which wants to build a house: ‘to obtain a license to build a house you put the request to the commune, and the commune will submit the request to the District for approval’.

Because there are three levels of sub-national governance, it is to be expected that both vertical (between levels in a hierarchy) and horizontal (e.g. between neighbouring communes) coordination becomes an issue. Various sources indicate that the coordination between the various levels of local governance is indeed inadequate, and this is seen as a serious bottleneck for the prospects for participatory, ‘bottom-up’ planning: ‘the planning process lacks mechanisms to integrate village and commune development plans (VDPs and CDPs) into the socio-economic development planning (SEDP) process, district plans into the provincial plans and to integrate the plans of different agencies into one coherent plan’ (Tod, 2007: 4). Duc Hu Vo (2005:15) argues that coordination problems and overlapping of responsibilities occur between different levels of government in terms of providing services and of finance.

A final more geographical than administrative unit is the village or *Thon*, which has no administrative functions. Yet there are reports (Pham Quang Minh, 2004:99) that the village (thon) as a political entity and the position of the Head of the Thon – which were not at all operational until the 1980ies (at the time of agricultural collectivisation) are seeing a revival in many provinces: ‘the village head is most likely to have direct contact with the villagers. Though their roles are important their privileges are modest in comparison to commune cadres. They are not trained, have no social and health insurance and are given only about 100.000 VND per month allowance’. Many village heads are reported to be party members and most seem to be men.

Below the three layers of sub-national governance will be briefly considered, and some information provided by way of illustration on each layer based on the research in Bac Giang province.

Chapter 3: Decentralisation? Initial Evidence

Many academics and Vietnam observers agree that a too much centralisation is ‘incompatible with the market economy that has replaced the centrally planned one’ (Kerkvliet, 2004:15). However, most observers also agree that in reality there is relatively little decentralisation in Vietnam in general, even while there are considerable differences across provinces, and even districts across the country (Fritzen, 2002, Fforde, 2003). It is argued that the type of decentralisation that occurs is *deconcentration* at most (administrative decentralisation where decision making power remains centralised) rather than devolution (or democratic decentralisation where decision making power is decentralised to relatively autonomous elected sub-national bodies cf. World Bank, 2005). Fritzen (ibid.:7) argues that devolution ‘is not on the policy agenda in any clearly visible way’. The current administrative system is only decentralised in a limited sense says Fforde (2003:24) and there is especially a lack of power

for the commune and grass roots levels which mostly does not seem to participate yet in planning and implementation.

Yet it appears that the World Bank and other donor reports have a rather more favourable or optimistic perception of the process (World Bank, 2004: i, but especially World Bank 2002: 86). However, they do not distinguish between deconcentration and devolution; the 2004 report also indicates that ‘the autonomy currently enjoyed by provincial governments reflects the commitment of Vietnam to decentralisation’ (WB, 2004: 82). This contrasts with Duc Hong Vo (2005:29) who argues that in Vietnam the fiscal *importance* is high (the number of activities sub national governments carry out) but that the fiscal *autonomy* is the lowest of all ASEAN countries.

All agree that an decentralisation started with the adoption of a new budget law in 1996, which was subsequently amended in 1998 (Fritzen, 2002: 4; Duc Hong Vu, 2005:7). However, it may be noted that these laws only refer to fiscal decentralisation to the level of the province ‘the law did not mention spending responsibility and tax revenue for sub-national governments at district and commune levels. This was implicitly understood that the government at provincial level had to make all these related decisions’ (ibid:7). This may explain the present situation where the provinces may become (much) more powerful depending on leadership and (economic opportunities) but that this may not imply more powers for the districts and communes in such provinces. Another law, adopted in 2001, relates to the vertical dimension of authority: the Revised Law on Governmental organisation (Fforde, 2003:13).

Fiscal decentralisation

Vietnam could be termed moderately decentralised in a formal way as spending by sub-national governments amounts to about 40- 44% of total government expenditures (Duc Vo, 2005: 15; World Bank 2004: 79 - where there is a reference to Vietnam as a ‘highly decentralised country’). However, this does not mean that sub-national governments (SNG) also have powers to decide about this considerable ratio of finance. Indeed, it seems best to speak of decentralisation as in deconcentration, as SNGs have only limited discretion to decide on expenditures at their various levels, ‘in this case, the SNGs are only spending units’ (Duc Hong Vo, ibid).

Tax revenues collected at the sub-national level amount to about 30%, which includes both Value Added Tax (VAT), personal income taxes and local fees collected locally (Duc Vo, 2005:15). Without VAT, corporate and income tax, locally collected taxes and fees amount to only 3% of total national tax revenues. For a list of such locally (village and commune) collected taxes and fees see World Bank (2004: 41).

If a province has more expenditure than it collects in terms of taxes and revenues (both own sources revenues from local taxes and fees, as well as what is called ‘shared taxes’ which include VAT, personal income tax and corporate tax) it is allowed to keep these incomes in the province. If a province collects more ‘own sources revenue’ as well as ‘shared taxes’ it has to transfer these to the central government, as is the case with Hanoi and HCMC (Duc Vo, 2004: 19). Some argue that this serves as a disincentive to the provinces to strive for more autonomy: after all, if they do not generate more income (e.g. from corporate investment and then taxes) the central government will step in with more transfers – and when they start earning more, they have to transfer the proceeds first to the Central Government. Others say

that provinces do have an incentive to raise more incomes and become richer as it will automatically make them more autonomous (personal communication, March 19, see also VN Ministry of Planning 2005: 86 on incentives, and the problems in terms of incentives in the context of the centralised tax administration typical for Vietnam).

Duc Vo (2005: 25) indicates that Vietnam does not have an explicit system of capital transfers; funds for capital investment are tailored in the equalisation transfer and are basically very limited. A report by the VN Ministry of Planning (2005: 94) mentions that investment funds for local infrastructure comes from conditional grants under the equalisation grants (for example the school construction programme). The same source (ibid.:39) indicates that the three rich provinces transfer large amounts of money to the central government, and that poor provinces indeed receive considerable amounts by way of transfers, but that this is mostly for re-current expenses (this is what I found for the relatively poor Bac Giang Province). Where capital investment is concerned, it appears that it is rather the richest provinces (those with more industries and investment potential) which receive most funds (ibid: 40). Hence, distribution of State investments is termed 'pro-growth', rather than pro-poor.

However, perhaps the main thing to note is that financial relations between provinces and the national government are subject to negotiation, so that these can vary from case to case. This was communicated to me in discussions in Bac Giang province, but also indicated by Duc Vo ('expenditure responsibilities are vaguely defined'). It relates to the fluidity of decision making, related to the importance of intra-party divisions and the importance of particularistic relationships, as argued by Wescott (2003). It also links to the observations by Malesky (2004a: 287) who starts from the assumption that economic innovation (and the efforts to pull in FDI) at the provincial level is caused by four factors including regionalism, historical autonomy, culture and personal relations with key central actors.

Chapter 4. The three levels of sub-national governance and the case of Bac Giang Province

4.1. The Province

The 2002 budget law basically empowers the provinces to 'organise expenditure assignments for the districts and communes of the province' (VN Government, 2005: 81). Each province has four committees: the committee for economy and budget; for culture and society, the law committee and the committee for minority affairs in case the province has inhabitants of ethnic minorities (Fforde, 2003:11). The key decision making body at the Provincial level is the Provincial People's Committee (PPC), which reports for approval to the Provincial People's Council. In the Provincial offices, an important department is the Department of Planning and Investment, which advises the People's Committee in drafting concrete guidelines to the departments, agencies and district People's Committees to make plans, and does so by taking heed (in larger or lesser degree) of the guidelines of the Hanoi based Ministry of Planning (ibid.: 2003:43).

Depending on the location, initiative and capacity of a province, it may attract outside (foreign) investment, and it may then benefit from extra revenues, which *inter-alia* forms a strong incentive for provinces to attract such investment (see later under fiscal

decentralisation). It will enable them to be less dependent on the central government, and to have at its disposal more funds to spent on health, education and infrastructure – which may again help attract more investment. It has been noted that several provinces (and especially the million plus cities) have become more prominent and wealthy this way, strengthening their eagerness to operate outside the normally narrow confines of the ‘double subordination’ (cf. Malesky, 2004a). They may be authorized to license foreign investments up to a certain value, approve certain local socioeconomic development plans and formulate their own budgets.

One informant said that ‘some provinces are doing more than is allowed’ (see also Kerkvliet, 2004:15). However, as noted, this may also lead to increased inequality across Vietnamese provinces as obviously not all provinces have an equally promising position to industrialise and grow economically- and then enjoy more autonomy. Most provinces are poor, and it really only Hanoi and HCMC and few others that are doing better than average.

It was noted by some experts that by and large the Provinces are not quite active or enterprising – barring the few exceptions referred to already: ‘Many provinces are passive, and wait for the guidelines from the centre only’ (personal communication). This is related to the present incentive system: the rather rigid system of budget lines as per existing budget laws does not normally make it very attractive to be pro-active, to seek extra incomes and revenues. However, my informant noted that there has been a change and that over a certain limit provinces can keep extra incomes they earn- and this will allow for more autonomy. He felt that this incentive system was working in the right way. But whatever the conditions, it depends on the leadership of the Province whether they will take steps to move towards larger autonomy.

One expert said that the process of decentralisation was rather slow indeed – it was slower also as per the plans of the Hanoi Ministry of Internal Affairs. At the same time, people and administrators at lower levels strongly desired more power and independence. One reason was ‘the centre is actually reluctant to cede with benefits and powers it now enjoys, and is reluctant to make the provinces stronger’. There was also a note of criticism at the level of the province where one official indicated: ‘Hanoi will have to improve’.

The Case of Bac Giang Province

Bac Giang Province is located just north of Hanoi, and has a population of about 1,6 million people, 1,4 million of whom live in the rural areas making this a predominantly rural and agriculture based province. Bac Giang is considered a relatively poor province with average indicators of socio-economic development, and it appears to be slower than some other provinces in initiating new guidelines e.g. in terms of finance (Vietnam Govt, 2005). It attracts more than average amounts of government transfers, probably relating to relatively higher levels of poverty (ibid.: 5-6). The province seems to belong to those provinces where poverty reduction has been relatively fast (ibid.:58).

Administratively the province is divided into ten districts and 229 communes. It may already be noted that this implies a relatively dense administrative presence: on the average 160,000 persons in district, and each of the 229 communes would have an average population of 7,000 persons, which is quite small indeed. There are indications as if provincial governance may be rather centralistic and ‘top-down’, and that the shift to more participatory approaches may be slow. When asked about the experiences with a participatory program the answer was in terms

of physical achievements (3 schools were constructed in one commune) but there was little knowledge on processes.

The Province of Bac Giang has a People's Council of 84 members, of which 38 are women and 46 are men. The Province has 23 Department offices. It was not so easy to obtain precise financial data on provincial budgets, so the following data must be treated with lots of caution. By and large it appears as if the total provincial budget is approximately 2.000 Billion VND; 1.100 billion is income by way of transfers from Hanoi, 600 Bln is income made up of on incomes and revenues (fees & taxes, see also World Bank, 2005:41) and it was estimated that there was a budget deficit of Bln 300 perhaps, which would be compensated by Hanoi.

Touring the Province of Bac Giang, one remarkable fact is the excellent quality of facilities of the Province, District and Commune premises, and there seems to be plenty of staff also, and perhaps not that much hectic activity in any of the rooms. The impression was confirmed by some officials and informants who indicated that not all staff were working equally hard throughout the day. However, one chairman indicated that he would not actually need so much staff in terms of numbers; he would prefer fewer staff who were better educated and skilled in terms of graduates and well educated persons: but he said that the budgets did not allow for that.

4.2. A District in Bac Giang province

The District of Lang Giang has a population of 16,000 people, and is divided into 7 communes and two towns. The number of employees in the district office is 82, and the People's Council has 10 members. The district administration is divided into as many as 13 departments: Rural development; Education; Health/clinics; Finance; Commercial department; Planning; Internal affairs; Environmental resources; Economic infrastructure department; Control department; Media/ public relations dept; Council committee department and the Cultural department.

One of the responsibilities of the District is education, - it is in charge of 79 schools - and 13 persons work here, who are engaged in control, training and research. For example they will report on staff problems: 'if a teacher is not good he will be dismissed'. Some officials at this district argued that there had been much change over time: there was more autonomy now, and plans at the commune level were said to be based 'on the wish of the people'. The People Committee chairwoman indicated that 'now we can decided ourselves about a new school'. In contrast, others argued that 'all activities are controlled by the province'. It was again not easy to obtain financial data, the best estimate is that the total District amounts to approximately 137 Billion VND, of which 40 Billion VND forms the own revenues and incomes such as taxes, State Owned Enterprises income, land tax and fees. Transfers from the province are estimated to amount to about 90 Billion VND.

4.3. A Commune

An issue which came up in the discussions during my study was whether the communes are not really too small to be an effective layer of governance, and whether they have a reason of existence – apart from the District above and the Thon (or village, see later) below. The issue is an old one and is also raised by Vietnam Government (2005: 81) 'whether or not some communes are too small efficiently to deliver public services due to their inability to take

advantage of economies of scale'. Kerkvliet (2004:5) also refers to debates by academics and city leaders who have argued that district and city levels are sufficient. One issue is that a commune may be made up of several, rather different or even antagonistic villages, which obviously makes unity and governance problematic.

As it is, communes today have only few tasks – even while, as we will see later it is the key body in the plans (and resolutions and decrees such as resolution 34 and decree 135) for more participation and grassroots democracy. There is no planning done at the commune level (VN Ministry of Planning, 2005: 27 as regards two provinces)

‘Each district has its Finance and Planning department but it only pays attention to financial problems. Only 1-2 persons are responsible for consolidating demand from the districts and communes. However, at commune level none is responsible for planning, so whenever there is an investment project for communes, the districts usually take over project management responsibility’.

Tod (2007: 7) also indicates that one structural problem at the commune level is a lack of planning: no-one is responsible for this. It has been noted that under the 34 Resolution, actual participation in policy planning and implementation is rather limited, and that it is actually the village (Thon) leaders, the local heads of the mass organisation (such as the Fatherland Front and Women Union) as well as the representatives of the People Council and People Committee who are dominating the programme (World Bank 2001: 85 & 87).

A Bac Giang commune

The commune has a population of 11.265 persons, and 22 staff work at the commune office. It is further divided into 13 Thons (or villages) each with its own Thon Leader. One of the duties is law and order: each Thon has a police man who is stationed here in the commune but who is linked and posted to one Thon. As indicated, the commune has limited powers, if someone in the commune wants to build a house, a request for a license is lodged with the commune and the District will approve (does not go to the Province).

The commune officials indicated that the commune faced many problems, in terms of education, drinking water problems, development of agriculture, health problems and problems with electricity as in frequent power cuts. When asked as to whether the commune had gradually obtained more powers / become more autonomous, this was denied: ‘it is not like that’, ‘we need to follow the budget lines, we do exactly what is said by the province’ ‘there is no freedom’.

A Thon (village)

Under the commune comes the Thon (village). The Head of the Thon is a rich man who is also the Director of the Vodka Cooperative Society, and he is the only person in the Thon with a car. When we discussed the career of the Thon Head the question came up as to whether his wealth was possibly related to corruption, which is an issue raised in the literature sometimes. After all, the Thon Head is a very rich man: he is de director but almost boss of the cooperative (car, TV, big house) and also Thon head. But this was denied off hand, it is not like that – that he is elected is because he is capable and reliable and people know he can deliver the goods- they would not vote for someone who cannot show to be a good entrepreneur and organiser.

Chapter 5: Local Governance in Lang Son Province

Lang Son is counted as one of Vietnam's poorer provinces, and is located in the mountainous areas bordering China. It is estimated that approximately 35% of the population live below the poverty line. This explains why the Province receives relatively large funds under the 135 Decree program, which is aimed at poor communities (often minorities) in selected isolated areas. Yet the province runs a budget deficit, which may explain why it faces challenges in providing services to all people. The province faces problems in the field of health, education (schools) and water, as well as in terms of irrigation. The budget is sufficient to pay all salaries, but is not enough for all infrastructure work to be carried out.

The province counts 10 districts, one City, 226 Communes and Wards as well as 14 towns. 4,000 officials work in the communes, 2,000 officials work in the Provincial and District offices, altogether making up a small army of 6,000 officials. Apart from this, in the province another 18,000 persons are employed who work in the field of education, health and other public services. Being a poor province also reflects in the capacity of the local government officials. The situation is most favourable at the level of the province where 90% of the staff have a university degree. At the District level this may be lower at approximately 80%, while at the Commune level 'there are some difficulties'; here perhaps only 30-40% of staff may have a university degree. However, generally, the higher level officials as well as some experts (accountants, legal experts) do have a good education, but this may not apply to lower level officials.

Another factor explaining the relatively low qualification of some officials is the (increasing) competition on the part of the private sector, which is able to attract bright students and staff by offering much better salaries and prospects. Besides, many young people from the province who leave for studies in the big cities like Hanoi and Haiphong do not return but take jobs there.

Decentralisation in Lang Son

Provincial officials indicate that decentralisation efforts are under way in the province. They mention that there are increased powers for the Districts to enrol officials (even while they still have to submit the proposed appointment to the Province for approval) but it appears that the District is quite autonomous to appoint teachers for the district schools. Communes have more power now to independently repair roads, and they are provided with tools needed.

Yet, it was mentioned by one Provincial leader that decentralisation was complex as the budget lines are different; each level decides about the budget at the next lower level. Communes are quite small, there may be only one official in charge of a whole sector, and it may only be the Head and Vice Head of the Commune who have had some training; it is not like in the Province where there are many actual experts. It is in the Province that policy is made, not in the District and Commune: the latter bodies are in the business of implementing only. Examples of policy implemented at the commune level include the 135 program, water supply and forestry programs.

One informant indicated that it was not that easy to transfer tasks and projects to lower levels, as there was the risk of overload, that present staff would face problems taking on new responsibilities. She argued that there should be a limit/ceiling in terms of investment budgets so as to decide on whether or not to decentralise. She also indicated that the specific funds and

development activities available under the 135 programme also put more demands on the Commune level staff. She also said ‘There is money for training under the 135 program but this is not happening just now, and we need a rule to make it happen as local capacity needs to be enhanced’.

As already indicated before, the Grassroots Democracy Decree 79 has been replaced with the more binding Resolution Number 34. Some details on the former 79 are provided here:

Government Decree no. 29 of 1998 (including later amendments promulgated through the Decree no. 79 of 2003) established the principles of grassroots democracy at the commune level. These principles are: ‘people know, people discuss, people decide, and people supervise’. This decree entails the rights of people to be informed about local development policies and budgets, to be consulted about economic development and other plans, to participate in decisions about community contributions to projects, and to monitor the activities of the elected representatives at the local level. Therefore, the Grassroots Democracy Decree is the legal basis for people's participation in making decisions that effect their lives and development. (Source: www.ngocentre.org.vn)

We were informed that the former Degree 79 and the Present 34 resolution is having quite some impact in the Lang Son province:

- There is more transparency on policies: people obtain more information and can discuss local activities and projects. They may also be invited to contribute;
- People have more say and voice on decisions/ priorities affecting their commune, especially in terms of local development planning and budgets. This will be channelled through the Commune’s People’s council.
- It appears that the resolution also has facilities for capacity development, as well as ‘to reduce corruption step by step’. It seems that the training courses here are provided by the National Institute of Public Administration (NIPA) for example a management training course on budget expenditure.

Chapter 6: Towards Grassroots democracy and participation?

A report by the Vietnamese Ministry of Planning and Investment (2005: 5) makes the following frank observation:

‘The Vietnam Government Comprehensive Poverty Reduction and Growth strategy (CPRGS) is a strategy developed with the new method in which the objectives of growth and poverty reduction are met simultaneously, focusing on social development attracting broad participation of relevant stakeholders.... Meanwhile, the current planning system still uses the conventional methods, targets and plans are still set without adequate allocation of financial resources and without broad participation of the community’.

This quote assumedly captures well and confirms my initial findings in the research as well as those of other observers of grassroots developments and dynamics in rural Vietnam, even while things are also seen to be changing. The key indication of the desired change as seen by the Vietnam Government is the famous decree 79/2003/ND-CP (which itself was an adjustment of an earlier degree 29 of 1998) and which was recently adopted as Resolution 34,

to which I already referred in the previous chapter. It is important to quote the above report (ibid.:6) on the purpose of the decree, which it says, lays the initial legal foundation to attract the people's participation in the planning process:

- to promote self-control and creativeness of the people in communes;
- create spiritual and physical motivations,
- improve people's livelihood.
- increase intellectual standard,
- prevent bureaucracy and corruption;
- build a society with equality and civilisation;
- allow people to directly take part in discussions and decisions related to their practical needs

Resolution 34 requires that plans be discussed with local communities, and that expenditures are disclosed to them. This is what it is meant to bring about:

It 'specifies that the Communal People's Committee and People's council must publicize information to the people promptly so that they know what they can discuss and decide directly; to what areas they can contribute ideas before the state bodies make decisions, what they can inspect and monitor, including the commune's long term and annual socio-economic development plan (SEDP) and planning of land use'(Vietnam Ministry of Planning and Investment, 2005: 6)

While discussing the implementation of the 79/2003 decree (34 Resolution) in one Commune, people informed me that they were aware of this, and that it was actually working. It had led to more funds reaching the commune where three schools were constructed after consultation with the population 'it follows democracy, people now can discuss'. As I was unable to talk to the people concerned, it was not quite clear to what extent all this had been actually meaningful, but at least awareness and impacts of a legal change had percolated to the lowest administrative level. One commune official working on grassroots mobilisation indicated that he had no problem to organise the people. Men and women were reported by him to be both equally enthusiastic, and people reacted well and came to the meetings at the commune level. One main reason he quoted is reason is that there is money for projects and that explains that they people as potential beneficiaries will be happy to meet.

As was already mentioned while discussing Lang Son province, **the Decree 135** is more like a poverty decree which 'allows villages in a list of selected communes to chose from a menu of local investment programmes such as rural roads, rural markets and schools (the Rural Development Dept indicates that the funds come from the respective departments on request from Hanoi, it is not like an overall poverty fund, but uses existing budget lines). In Bac Giang Province, out of the 229 communes, 44 communes are recognised to have more problems, and these are now eligible for funding under the 135 Decree. These are often the more distant communes in the hill areas of the province, and funds have been used here for laying roads, building schools and providing electricity.

Implementation problems

One critical vision on present grassroots democracy efforts starts from the Vietnamese concept of mobilisation (*huy dong*) which is seen to capture best the practise of what is seen as participation: fitting the people in a development plan or policy which is more or less already decided upon by higher level officials (VASS-ISS teaching module 1: 2006:28). What is quite clear is that a change in mindsets is critical, which would mean a shift away after a long period of 'top-down' planning with relatively autocratic dictates to the people by party

and officials, to a more open and flexible mindset where people are allowed and indeed stimulated to take part in local level priority setting, planning and implementation efforts. Accountability is mostly vertically upward, both towards the people committee at the level in question as well as to the relevant line department/sectoral agency. Hence there is virtually no 'downward accountability' (UNDP, 2000:26).

The problem is obviously not only one relating to administrators, planners and politicians: people themselves are not used to 'participate', there is confusion about what is possible and what is expected from them. They lack information, have no prior experience with participation - people may be seen to be passive and dependent – while there may be a low level of social organisation and social capital. 'These constraints can lead to *'acute localitis'* when combined in a decentralised regime: elite capture, majority discrimination against the very poor; lack of inter-jurisdictional coordination for some types of investments, and limited capacity to move forward' (UNDP/CIDA, 2000:30).

Capacity

Another critical problem is that participation has to be organised and acted upon at the lowest level of administration which is precisely the level with least capacity and power/autonomy: the commune. It has been noted that the People's Councils at the Commune level 'have a rather ceremonial nature' (World Bank, 2003:87). Provinces and districts have not really delegated management responsibilities to the commune level, and communes have only little influence on policies. And one reason why provinces and districts are reluctant to empower the communes is a perceived lack of capacity- which is the well know chicken-and-egg issue of decentralisation (see also UNDP 2000: 25). Here too there is an issue of incentives: 'there are no career rewards for the (communal) authorities if they publish the (communal) budget or undertake participatory planning in line with the (79) decree (World Bank, 2003:87). Commune leadership faces a situation of little leverage as they have few means to hold higher level administrators accountable, while they lack information on existing programs, funds etc. 'they are thus likely to accept, rather than question, whatever goods come their way (UNDP, 2000:28).

There is a useful overview of the problems which undermine the implementation of the various decrees and policy initiatives aimed at promoting the involvement of people in local planning and democracy in UNDP/Ausaid (2004: 6). The following points are made, which by and large confirm the impressions from my research and the experiences of others.

- Poor communication between government officials and the people due to ineffective meetings and/or inadequate loudspeaker systems;
- Low level of training of local officials in how to organise meetings and sharing of information;
- Lack of opportunities for people to openly discuss local issues and lack of understanding of their rights, benefits and obligations;
- Continuing top-down approach to decision making so even communes are not allowed to make decisions affecting their own development, much less the people; and
- Corruption leading to hiding information or delivering incorrect information.

Pham Quang Minh (2004: 98) argues that the quality of local government officials depends on the training programmes of the central government, but that the opportunities here are very limited. 'Also, many local cadres did not have the resources to study. Communes often did not have the funds to send cadres for training. Cadres also had difficulties going away to study because their families needed them at home. Other local cadres who did enrol complained that

the training programmes were inappropriate. The training, they said, was more about party ideology and party decrees than about problems that they had to solve everyday’.

Chapter 7: Preliminary conclusions and implications for research and capacity development

This report has brought out that local governance in Vietnam is undergoing processes of change in different degrees and shapes, with considerable differences across the country as well as for the three different levels of sub-national administration. A process of decentralisation is undeniably under way, which for example shows in the fact that the share of local government spending in total expenditures has increased from 26% in 2002 to 48% in 2007 (Etten, 2007). Changes are most profound for the level of the 64 Vietnam provinces, which are now, following decentralisation legislation - able to claim more powers and funds, which has led to some provinces becoming more autonomous and/or more wealthy. However, one cannot characterize the type of Vietnamese decentralisation as devolution, which would imply a high level of autonomy at the sub-national level where elected local bodies, which can relatively autonomously decide about and plan with the funds available to them. Rather, public administration in Vietnam is undergoing a process of *deconcentration*, where tasks and funds are being delegated to lower administrative levels, but with power and overall control of all systems more or less stably in the national government and the communist party, and in the hands of the ‘next higher level’ of authority under the system of ‘double accountability’. Yet there is considerable variation leading from the way provinces are dealing with their new opportunities which also implies variation in the powers and autonomy of districts and communes as well. Since provinces have become more powerful, some also use their new powers to change provincial administration – and become more entrepreneurial - while others have not. The process of decentralisation is driven from above by the national government, with support from the international donors, while responding to the demands of the private sector which is becoming an important factor in Vietnam’s market driven development.

This is not to deny that there are also developments taking place at the grassroots level, and there are indications that people and communities are becoming more active in policy and planning processes even while, this too, is not happening at a fast pace. Recent decrees and resolutions aiming at involving people in planning and policy processes are clear signals that there is a recognition that decentralisation from above needs to meet with people’s perceptions and energies from below. Yet, as recognized by the Vietnam government itself, the process of change is slow, and the current planning systems are often still quite traditional and marked by ‘top down’ targets, methods and plans, and not yet quite participatory in many places.

This study also found that most of the writing on decentralisation and local governance in Vietnam seems to deal with issues of state level, with references mostly to provinces which - all seem to agree- are becoming more powerful in present day national administration (Malesky, 2004; World Bank 2004). References to local governance and issues of people’s participation are limited (noteworthy exceptions are Fontelle, 2000; UNDP/CIDA, 2000; and Wescott 2003 who also touches on informal relationships) but they are growing in number, especially the excellent participatory poverty assessments. But few people as yet seem

involved in the detailed study of local (commune, *thon*/village level) governance and the interplay and interfaces, as well as the implementation and implications of the decrees and resolutions aimed at community involvement and participation. Further study here seems urgent, but it needs to take into account that even officials at the local level may be less than completely clear on the formal rules and regulations and the (recent and on-going) changes taking place.

My study confirms what is captured well in the teaching modules material that are presently used in the VASS-ISS capacity development project:

‘It may be that, staff at central, province and district levels do not fully comprehend what decentralization and administrative reform will entail or how to increase people’s participation. They are aware that these issues are priorities of the Government but are not clear on what this means for them and how to implement it in their work’

This issue of information and information dissemination is confirmed by many sources and is also the reason for many capacity development initiatives, as indicated for example in the following quote: ‘the information gap exists from bottom to top and from top to bottom. Indeed, the issue of a lack of information is real at the central level in the Ministry of Agriculture and Rural Development itself, and at the individual farmer and commune level. Thus we see top administrators/ managers and farmers going about their tasks with less than adequate information’ (VASS, teaching materials 2006:30).

Capacity issues

This study also confirmed the fact that administrative capacity at the local government level is weak: the lower the level of administration, the lower the education level of officials, with particular bottlenecks at the commune level - precisely the level now being given new tasks aimed at participatory governance under recent decrees. A report by the Vietnam Govt (2005: xi, also 85) mentions that ‘new powers at sub-national level create an urgent need to enhance administrative capacity and to strengthen transparency and accountability institutions’. It goes on to mention:

‘the analytical, forecasting and monitoring capacity of a majority of the planner contingent is poor. Most planners at provincial departments and districts level are not yet systematically trained on planning and/or economic disciplines. Even if they were, their knowledge has not been updated frequently while the international integration context requires very much this capacity of from planners’ (Ministry of Planning, 2005:27 - for an indication of the type of training needs identified here see p.28)

Kerkvliet (2004:12) refers to study carried out in 2002 by the National Institute of Administration which found that 73 to 85 percent of the members of people’s councils, people’s committees and four other types of local cadres did not have training pertinent to their specific tasks. In many communes and districts officials only have primary education. Fforde (2003:27-28) makes similar points whole providing more data. My research confirmed the findings of many others that the need for capacity building is most urgent at the level of the communes. This report may therefore conclude by making suggestions as regards training in – or outside – the context of the VASS-ISS capacity building project.

Recommendations for further training

The following issues were mentioned when informants at various levels of government were interviewed as regards their capacity needs (see also Annex 2 for more recommendations):

- More information on decentralisation:
- Understanding and keeping to budget lines and accounting skills
- Strengthening Management
- Organising staff, and help them to do a better job

- Improving financial management, especially for the district and the commune levels, less priority for the province
- To improve knowledge about the WTO and the economy
- Urban management
- And, more generally and often worded, a need for the power to analyse (and that word came back often: this or that person has / has no power to analyse).

It may finally be noted that capacity development should not be limited to training. After all, capacity is a broad concept and needs to start from a systems perspective that include human resource development (as in training) but also organisational development (attention for working systems in offices, leadership styles, salaries, incentives, tools) as well as attention for the institutional context (as in the ‘rules of the game’), such as laws, regulations and their actual enforcement. As also indicated by Tod (2007: 8) more attention is needed as to how training actually meets with the existing capacity gaps, and ‘more consideration needs to be given to other forms of capacity development, such as changing the way that organisations and institutions work, and how well they are resourced’.

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ANNEX 2: SELECTED GOVERNMENT DOCUMENTS ON DECENTRALISATION

Par Review 2005

Conference on State management decentralisation

On 22/04/2005, the Conference on State management decentralisation was organised in Hanoi by the Ministry of Home Affairs. The conference was chaired by Mr. Do Quang Trung, Member of the Party Central Committee, Minister of Home Affairs. The conference brought together representatives of 25 ministries, Central agencies and the Management Board of Programme 121 to define roles, functions and organisational structures of agencies in the State apparatus, phase I (2003-2005). The initial review report on implementation of the Central-local State management decentralisation Proposal was delivered at the Conference by the Programme 121 Management Board.

The report states, that in 2004, the decentralisation proposal was implemented in 22 ministerial-level agencies and government agencies with State management function. In 2005, the Management Board continues to guide 3 other ministries (including Ministry of Defence, Ministry of Public Security and Ministry of Foreign Affairs), to implement this proposal. In brief, the decentralisation process has been implemented with synchronicity, covering all State management sectors and domains to date. As a result, the objective of the PAR Master Programme 2001-2010, *“by 2005, new regulations on Central-local decentralisation and decentralisation among local governments will have been completed and implemented which will improve the competence and accountability of local governments....”* has been essentially achieved.

By April 21st, 2005, 3 official proposals were submitted to the Prime Minister (from the Ministry of Transportation, Ministry of Home Affairs and Ministry of Labour, War Invalids and Social Affairs), and 16 draft proposals are being developed. However, 3 other ministries and equivalents have not yet developed proposals and are only compiling thematic documents, (the National Commission on Ethnic Minorities, Ministry of Education and Training and National Commission on Sport and Physical Training).

The review on the decentralisation process revealed several shortcomings in the current State management undertaken by some ministries and central agencies. These include overlaps in delegated and decentralised functions and mandates; unsynchronised development of sectoral normative legal documents resulting in insufficient support provided to the Government by certain ministries and agencies for guiding and monitoring State management in some areas; existence of some agencies which have no separate and clear power and are mainly responsible for coordinating with other agencies resulting in ineffective and unaccountable management. These issues therefore require further review.

The Programme 121 Management Board has recommended ministries and agencies to complete their proposals on decentralisation of their respective domains before 30/4/2005. As for the Ministry of Defence, Ministry of Public Security and Ministry of Foreign Affairs, their proposals will be completed before November 2005 as planned. A report on the proposals of ministries and agencies will be compiled and submitted to the Government and Prime Minister in May-June 2005. While proposals are considered for the Prime Minister's approval, ministries and agencies must prepare logistics for the implementation and review of

the decentralisation process in the period 2003-2005. - Source: Nguyen Tran Linh, PAR Department of MoHA –

**GOVERNMENT
PAR STEERING COMMITTEE**

**SOCIALIST REPUBLIC OF VIETNAM
Independence – Freedom – Happiness**

No. 04/BC-BCDCCHC

Hanoi, 24 January, 2005

GOVERNMENT’S REPORT

ON 2004 PAR PROGRESS AND 2005 PAR WORK PLAN

Public administration reform (PAR) was identified in 2004 as a key priority of the Government. Right from the beginning of 2004, important decisions have been made by the Prime Minister – Chairman of the Government’s PAR Steering Committee (PAR SC) - on the consolidation of the PAR SC and its Secretariat, the strengthening of steering and, particularly, monitoring practices of PAR efforts and activities of Ministries, sectors and localities.

Key achievements and shortcomings of PAR in 2004 and the Government’s PAR work plan for 2005 are presented hereunder.

2. Decentralisation from the central to local level

Resolution No. 08 dated 30 June, 2004 on the acceleration of State management from the Central Government to local authorities marked a new step forward in the realisation of the decentralisation goals defined in the Resolution of the IXth Party Congress. The Resolution has clarified the views and principles for the implementation of decentralisation in the future and has provided concrete guidelines for decentralisation in some specific areas.

In 2004, a number of important achievements have been made in the field of central- local decentralisation, as follows:

- Authority over land allocation and retrieval were fully devolved to local governments;
- Authority over the granting of land-use certificates was decentralised from the provincial to district level, thus increasing the district level’s authority and speeding up the progress of granting of land-use certificates in local areas;
- Authority over the granting of construction permits was also decentralised among provincial, district and communal levels;
- Decisions on staff size for public service delivery agencies were also decentralised to the provincial government agencies. This helped to avoid impractical decisions previously made by the central level and increased the accountability and responsibility of local government for ensuring effective use of their human resources.
- The organisational structure of the “soft” apparatus (including organisations working in the fields of ethnic groups, religion, foreign affairs, tourism and fisheries, etc.) was decided by local governments; the “hard” apparatus decided by the central level.
- Detailed regulations on decentralisation to district and communal levels in the fields of budgeting, investment, education and culture, etc. were also issued by several local governments.

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