

POLICY BRIEF

Reforming commune-level planning,
investment decision making
and community empowerment
for sustainable poverty reduction¹

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**PRO POOR
POLICY
MONITORING**

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KEY MESSAGES

- **Reforming commune-level planning, decentralization investment decision making to the commune level and empowering communities to implement small-scale and technically simple construction works are closely inked factors** contributing to better local governance, enhancing the allocation and use of resources, and bringing into play the internal strengths of each community for sustainable poverty reduction.
- **Provincial authorities play a decisive role** in reforming commune-level planning, decentralizing decision making on investments to the commune level and empowering communities to carry out poverty reduction projects and programs. However, improving the legal framework on commune-level planning at the central level would support the replication of initiatives at the local level.
- **Cohesion between commune-level planning and resource allocations** should be improved by shifting from a focus on annual planning to five-yearly planning linked to the development of a medium-term financial framework at the commune level, establishing an official mechanism for districts to provide feedback on commune-level plans, and using commune plans as the basis for implementation of poverty reduction projects and programs at the local level.
- **Procedures and regulations need to be simplified and harmonized for a specific mechanism for small-scale and technically simple infrastructure construction works** within all poverty reduction projects and programs, so that investment decision making can be decentralized to the commune level and communities are empowered to implement these works.
- **A provincial-level training program on financial capacity building and investment management at the commune level** should be established, using hands-on and skills-based approaches, together with close monitoring and evaluation.





INTRODUCTION

Vietnam has achieved remarkable success in reducing poverty. However, the poor in Vietnam are still facing challenges and difficulties. Poverty remains concentrated in ethnic minority populations: in 1998, ethnic minorities accounted for 29% of the total poor, while in 2012 this rate had increased to 51%.² The poverty rate differs between different ethnic minorities and between communities from the same ethnic group living in different localities.³

Recent studies and assessments of poverty reduction policies reveal key challenges related to the allocation and utilisation of resources for poverty reduction, including that the mechanism for decentralization and decentralization to the grassroots level is still limited, and the contents and implementation modalities are not yet suitable to the particular conditions within each locality or the specific needs of different target groups.⁴ In order to address the diverse causes of poverty and to bring into play the internal strengths of each locality, community and poor people in the process of improving their living standards, there is an urgent need to develop and implement policies for the reform of commune-level planning through a participatory approach, to

strengthen the decentralisation of public investments to the commune level and to empower communities and poor people to implement policies, programs and projects.

To feed into discussions of policy for sustainable poverty reduction, Oxfam has commissioned an analysis of “participatory commune-level planning and decentralization of financial management to the grassroots level” in 2014 in seven provinces across Vietnam, including Lao Cai, Hoa Binh, Nghe An, Quang Tri, Dak Nong, Ninh Thuan and Tra Vinh,⁵ under the **“Pro-poor Policy Monitoring and Analysis”** project which is being implementing in the period from 2014 to 2016 supported by Irish Swiss Development Cooperation (SDC). This analysis focuses on examining some key policy focus areas, identifying good practices within the surveyed localities and providing recommendations related to: (i) reforming the process for socio-economic development planning at the commune level, applying a participatory approach; and (ii) decentralizing investment decision making to the commune level and empowering communities in the implementation of small-scale and technically simple construction works.

REFORMING COMMUNE-LEVEL PLANNING

Reforming commune-level socio-economic planning⁶ using a participatory approach has become a nationwide movement. Following a sustained period of learning, through testing approaches to reforming hamlet-level planning since the 1990s, the time has come for widespread application of reformed approaches, processes and tools for commune-level planning. Around 30 provinces⁷ are currently working on reforming commune-level planning, including the seven provinces monitored by the project. Reforming commune-level planning has proven to be applicable even for especially disadvantaged communes, such as those in Muong Khuong district (Lao Cai province), Dak Rong district (Quang Tri province) and Bac Ai district (Ninh Thuan province). However, most provinces are only reforming commune-level planning at the project level (in communes benefiting from project funding). Some provinces

(such as Hoa Binh, Cao Bang, Quang Tri and Nghe An) have succeeded in institutionalizing reformed commune-level planning processes, but only within some localities.

THE LEGAL FRAMEWORK FOR COMMUNE-LEVEL PLANNING

The lack of a unified legal framework at the central level for reforming commune-level planning represents a key gap between policy and reality. Regulations governing commune-level planning are located in various documents, meaning there is no single legal framework setting out the principles, criteria, contents, approaches and procedures for commune-level planning. In addition, the roles and responsibilities of different agencies and levels of government in supporting the reform of commune-level planning are not clearly specified.

Current regulations on commune level socio-economic planning

Until now, no single Law, Decree or Circular provides comprehensive guidance for the implementation of commune-level socio-economic planning. Some regulations related to commune-level planning are provided in the following documents:

- The Ordinance on Democracy at the Grassroots Level: socio-economic planning is one of the items subject to disclosure and public comment prior to approval by the authorities.
- The Law on the Organization of People's Councils and People's Committees: The commune people's committee is responsible to develop the annual socio-economic plan for approval by the people's council.
- The State Budget Law: Every year, the Prime Minister provides instructions on the development of the following year's socio-economic plan, which are followed by instructions from the Ministry of Planning and Investment. Provincial authorities then provide instructions to the district level. However, these documents focus on the contents of the plan, and not on the procedures and approaches to be applied for the planning process or on commune-level planning.
- Program 135, Program 30a, the New Rural Development Program and the National Targeted Program for Sustainable Poverty Reduction: each of these program documents provide instructions on bottom-up planning with the participation of people from each hamlet.

The lack of a legal framework reduces the motivation for reforming commune-level planning in communes that don't have externally funded projects, due to the absence of any official requirement. It may also lead to inefficient use of resources if different communes apply different approaches for reforming commune-level planning for each different externally funded project. It is necessary for the Ministry of Planning and Investment **to review the various approaches of different provinces to reforming commune-level planning in order to develop a simple and practical guideline for nationwide application.**⁸

SUPPORTIVE MEASURES FOR COMMUNE-LEVEL PLANNING REFORM

Reforming commune-level planning is the first step for governance reforms at the local level. In addition to reform efforts at the commune level, enabling factors at the central level also need to be considered. Enabling factors such as a supportive legal framework are required to maximize the impact of commune-level planning reforms.

Capacity building of grassroots staff.

Improving the awareness, skills and knowledge of grassroots staff in relation to participatory approaches has always been challenging, and the awareness, knowledge and skills of staff vary between different communes (for example, between better-off communes and those facing particular difficulties, and between lowland communes and those in the highlands inhabited by ethnic minorities).

Currently, there are no designated planning staff at the commune level. Members of commune and hamlet planning teams are often rotated to different positions. As a result, there is an enormous demand for training on commune-level planning, including for

refresher training and advanced training, which needs to be addressed.

Commune-level planning if carried out according to a participatory approach (including hamlet meetings, a commune meeting and well-prepared materials) requires a larger budget than for existing approaches. However, commune-level budgets are quite limited. In poorer provinces, provincial budgets typically depend on transfers from the central level, meaning that the budget for commune-level planning is likely to be limited unless clear guidelines are provided.

A positive example is provided by some provinces (namely, Hoa Binh, Quang Tri and Tra Vinh) that have allocated funds within the provincial budget for regular training of grassroots staff on commune-level planning, have included commune-level planning as a topic in training courses for cadres within the province, and have allocated funds for local commune planning processes as part of annual commune budgets.⁹ These actions reflect the high level of commitment to commune-level planning by the leaders of the People's Committees and People's Councils of those provinces. However, if a clear overall guideline on commune-level planning is issued, then this will lead to wider adoption of an additional budget allocation for commune-level planning.

Improving the predictability of funding available to communes.

A core principle for the reform of commune-level planning is that planning activities should be attached to resources. However, at the time that the planning is conducted, it is very difficult for communes to predict what resources they will receive. One step during the commune-level planning process is that the district should provide information to the commune on the expected budget; however, this requirement is not feasible as even district and provincial authorities do not know this information by the middle of the calendar

year when commune-level planning takes place. Some funding resources from programs such as Program 135 and the New Rural Development Program are allocated to the commune level, however communes are still passive because they are not aware of the medium-term financial framework.

Currently, commune-level planning is still not attached to funding, there are discrepancies between funding needs and actual allocations, and the availability of funds is difficult to predict. This creates a situation where communes have to make funding requests to the higher level, who may or may not agree, perpetuating a sense of dependence and diminishing the confidence and enthusiasm of grassroots staff and local people for reforming commune-level planning. In addition, because they recognize the importance of attaching commune-level planning to budget allocations, some provinces are cautious about replicating the new model of commune-level planning to all communes within the province.

The main reasons for the lack of predictability about funding availability are because there isn't a connection between socio-economic planning and public investment planning, and because there is no medium-term budget framework developed for the commune level. One positive factor is that the new Public Investment Law indicates that the Government will require all localities to develop medium-term public investment plans attached to the five-year socio-economic plans at the provincial, district and commune levels.¹⁰ Therefore, the next challenge for central and provincial authorities is to establish a guideline for medium-term public investment planning based on the medium-term socio-economic development plans of each commune.

Commune plans should be used as the basis for planning and implementation of projects and programs.

Currently, there are many projects and programs under various agencies, with their own planning processes. This puts pressure on commune authorities and makes coordination of funding resources difficult. In the surveyed locations, the Department of Agriculture and Rural Development is in charge of the New Rural Development Program, the Committee for Ethnic Minority Affairs is in charge of Program 135, and the Department of Labour, Invalids and Social Affairs is in charge of the National Targeted Program for Sustainable Poverty Reduction. These agencies are not deeply involved in the reform of commune-level planning, so there has not been any formal mechanism to use the commune plan as a common basis for the implementation of these projects and programs, or for the selection, coordination and integration of project and program activities.

Some localities did stipulate that participatory commune plans should be used as the basis for planning and implementation of projects and programs such as Program 135, Program 30a and the New Rural Development Program. However, in the absence of a central policy, these are just the isolated efforts of individual localities.

A mechanism for official feedback on commune plans is needed, and the reform of commune-level planning should go hand-in-hand with the reform of district-level planning.

Reforming commune-level planning alone is not sufficient. To improve the feasibility of commune-level planning, feedback from higher levels is needed.

This feedback can occur in two ways: either by district sectoral agencies providing feedback on the feasibility of the commune's proposals, and the potential for addressing those proposals through

the respective sectoral plans (dividing up the commune plan for feedback from each sectoral agency,¹¹ with the district finance and planning division playing a coordinating role); or at a more fundamental level by reforming district-level planning through the incorporation of commune-level plans into the district's action plan. Recently, a small number of provinces such as Hoa Binh and Quang Tri have institutionalized a reformed district-level planning process; the majority of other provinces are still piloting reformed district-level planning, or have just organize a meeting at the district level for sectoral agencies to provide comments on the commune-level plans.

The rushed timing of annual planning processes is one factor impacting the quality of commune-level planning, and reducing the connection between commune- and district-level plans. According to the regulations, district plans have to be submitted to the provincial level in early July. At this time it is impossible to incorporate commune plans (which are submitted to the district in draft form in June or early July). This demonstrates the need to move from an annual focus to a medium-term focus for commune-level planning, with the purpose of annual planning being to review priorities and develop action plans based on the approved medium-term plan.

Timeline for commune-level planning applying a participatory approach





Enhancing the coordination between agencies and linkages between localities and projects and programs for the reform of commune-level planning. In most of the surveyed provinces, only the Department of Planning and Investment is playing an active role in the reform of commune-level planning. Meanwhile, experiences from provinces that have successfully institutionalized commune-level planning indicates that tasks should be allocated to different agencies in line with their functions in order to ensure the required support for commune-level planning reform (e.g. the Department of Finance is responsible to advise People's Committees about the annual planning budget and the mechanism for allocating this budget to communes, and the Department of Home Affairs is responsible to provide advice on the training program for grassroots staff on planning, so that training institutions within the province can establish training curricula and can include commune-level training as a topic within their training programs).

Currently, there is no mechanism for connecting different localities to each other so that they can share experiences and propose new policies for commune-level planning reform. Networking and coordination between donors on policy advocacy at the central level on commune-level planning are weak. Each project introduces new procedures for planning, replication and institutionalization in different locations. This situation partly reflects the different concerns of the localities and the donors, and partly reflects the lack of coordination by the agencies responsible for planning (the Ministry of Planning and Investment and the provincial Departments of Planning and Investment). Experiences from Lao Cai, Quang Tri and Nghe An indicate that when the Department of Planning and Investment is active in connecting donors that are interested in planning reform, then the agreement on procedures and the coordination of activities (including training, workshops, monitoring, evaluation, documentation, etc.) between the different donors is quite achievable.



DECENTRALIZATION OF INVESTMENT DECISION MAKING TO THE COMMUNE LEVEL AND COMMUNITY EMPOWERMENT

The policy on decentralizing investment decision making to the commune level and empowering communities in relation to infrastructure development has been clearly reflected in the policy documents of national poverty reduction projects and programs.¹²

Program 135 stipulates that the commune authority will be the executing agency for commune-level infrastructure. For the New Rural Development Program, investment decision-making and authority is decentralized to the commune level for infrastructure with a value of less than 3 billion VND, and guidelines are provided on a special investment mechanism for simple infrastructure works.¹³ Some policy documents on commune budget

management and procurement also stipulate that the investment budget at the commune level can be conducted through small-scale bidding and handed over to the community for implementation.¹⁴

Decentralization of investment decision making to the commune level and empowerment of communities is reflected most clearly infrastructure works carried out in the spirit of “the state and the people joining hands”. Many localities apply the approach where materials such as cement, sand and gravel are provided by the State for communes to implement rural transportation and irrigation works together with local contributions and labour contributed by the community and local workers.

State and people joining hands in small hamlet infrastructure

In 2012, Pang So hamlet of Dak Som commune (in Dak Glong district of Dak Nong province) received support for the development of two concrete sections of road with a total length of almost one kilometre, and a width of 2.5 meters. The State budget supported the cost of cement and gravel as well as technical advice, while the community contributed labour and other expenses at a ratio of 65:35. The commune authority was the executing agency, purchasing the materials and managing the payments. The hamlet management committee was in charge of implementing the works and mobilizing community labour. In total, 750 days of labour were contributed. Local officials and community members rated the quality of the works as high.

In Ninh Phuoc district of Ninh Thuan province, the popular model is for the State to provide materials and for the people to provide labour and additional materials with a ratio of 60:40. For example, the construction of a concrete road (in Nhu Ngoc hamlet of Phuoc Thai commune) and a concrete irrigation system (in Thanh Tin hamlet of Phuoc Hai commune) were managed by management committees in each hamlet, who directly contracted local work teams (using a standard contract provided by the commune). These work teams hired local labourers using money contributed by the local people. The commune played the role of executing agency, supporting the hamlets to prepare cost estimates, purchase materials and complete the necessary payment documentation.

However, there is a gap between policy and reality in related to decentralization of investment decision making to the commune level and community empowerment for infrastructure that is fully funded from the State budget. The proportion of commune authorities playing the role of executing agency within poverty reduction projects and programs such as Program 135 and Program 30a is low. The majority of infrastructure works carried out through Program 30a are managed by the district. The proportion of communes in some surveyed provinces where commune-level authorities play the role of executing agency under Program 135 is as low as 30% to 40%. Where infrastructure works are decentralized to the commune, it is quite common that

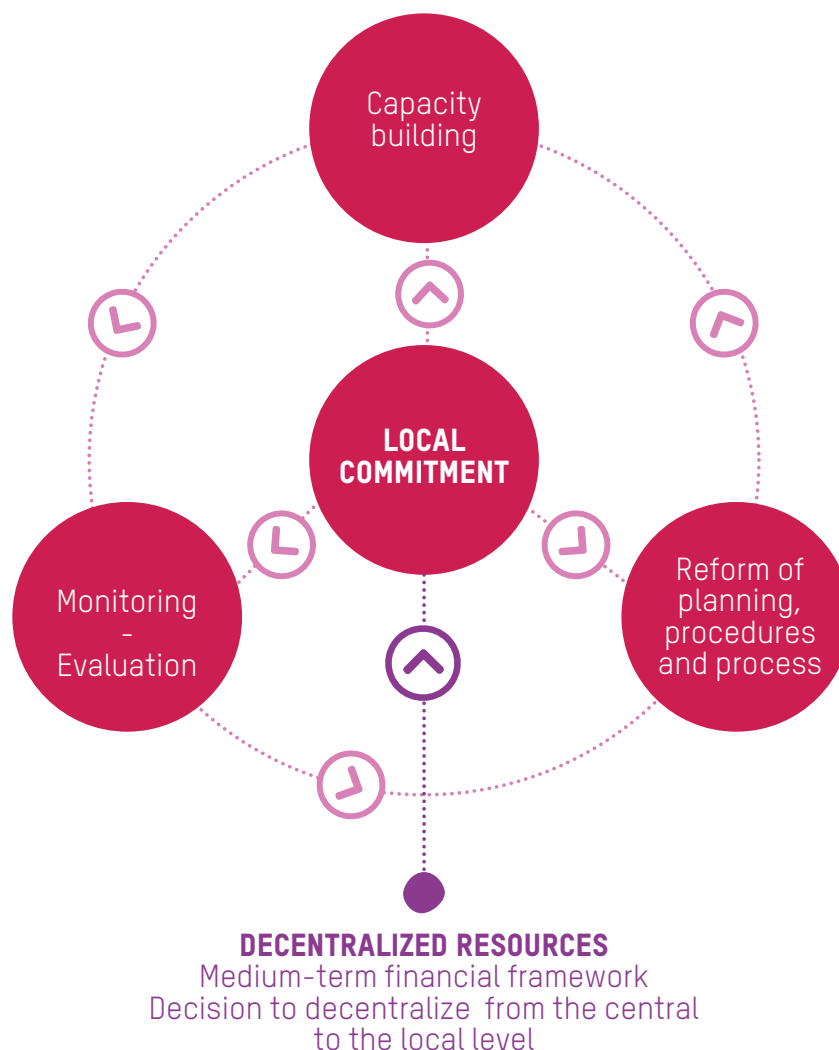
the commune is not actually the real executing agency (most of the tasks of the executing agency are actually done by the consultant/contractor or by the district level). For infrastructure works that are fully funded from the State budget and managed by the district or the province, the common practice is that construction activities are assigned to outside contractors.

SOLUTIONS FOR EFFECTIVE DECENTRALIZATION OF INVESTMENT DECISION MAKING TO THE COMMUNE LEVEL AND COMMUNITY EMPOWERMENT

An urgent need at the current time is the design and implementation of detailed and comprehensive measures to narrow the gap between policy and reality in the decentralization of investment decision

making to the commune level and community empowerment for small-scale infrastructure construction works within poverty reduction projects and programs. If the decentralization of investment decision making is not accompanied by capacity building and reform of commune-level planning (as described above), reform of procedures and processes for infrastructure construction, strengthened monitoring and evaluation and suitable allocation of resources to meet local needs, then the decentralization of decision making will not be effective.

A comprehensive approach for the decentralization of investment decision making to the commune level and community empowerment



Strengthening the execution of investments and building financial management capacity at the commune level.

In the surveyed locations, the main reason given for not decentralization authority to communes for the management of infrastructure projects was that “the communes are not capable of managing projects” (as evidenced by construction delays and the failure to complete payments). Limited investment management and financial management capacity in some particularly disadvantaged communes in mountainous communes with ethnic minority populations has been a chronic issue with a number of different causes (limited knowledge and low education levels amongst commune leaders and staff, a lack of professionally qualified or experienced staff in relation to construction activities, a high degree of staff turnover and rotation to different positions,¹⁵ etc.). The most important issue is to put in place effective support measures for raising capacity at the commune level.

The current policy for capacity building within poverty reduction projects and programs such as Program 135, Program 30a and the National Targeted Program on Sustainable Poverty Reduction¹⁶ is mostly focused on the provision of training courses, however the impact of these activities is low due to a lack of attention to skills development. The lesson learned from experiences in the surveyed locations is that the best way to build the capacity of commune staff is through “hands on” activities, with an incrementally increasing level of decentralization, rather than waiting until the commune level has the full capacity for decentralized management. Commune staff should be trained and provided with hands on support (without doing the job on their behalf) by a core group at the district level as well as coordinators and mentors. With close and continuous support over a two-to-

three year period, even disadvantaged communes in the mountainous areas with substantial ethnic minority populations can confidently execute local construction investments. This hands-on approach requires significant human and financial resource, and is often applied in externally-funded projects. For national projects and programs to apply this approach, there will need to be a significant change in budget allocations for commune capacity building.

Simplification and consolidation of the procedures and processes for small-scale and simple infrastructure construction activities. The procedures and processes for infrastructure construction and capacity building are closely related: the simpler the procedures and processes for infrastructure construction, the easier it is to develop capacity in disadvantaged communes. Currently, the procedures and process for infrastructure construction are still complicated, and some procedures do not differentiate between complicated construction activities and small-scale and simple construction works. Each project and program has its own decentralization procedures and processes, templates for filing and payment, local contribution requirements and land clearance mechanisms, set forth in many different documents, making it difficult for commune staff to find the relevant information and to implement activities (please refer to the Annex).

Some regulations create a barrier to the decentralization of investment decision making to the commune level and community empowerment in relation to infrastructure construction. The infrastructure construction component of Program 135 requires an economic and technical report for all infrastructure construction activities, regardless of their scale or technical characteristics, even though the stipulations on the construction modality are quite open

(the modality may selected from one of three options: construction by the community, construction by a group of workers or an individual, or construction by a contractor), however in reality most localities choose an external contractor. The reason for this is that they are reliant on the contractor to develop the economic and technical report. Under the current regulations, if they hire the community or a group of contractor to carry out the construction works, they couldn't ensure the completion of the paperwork in relation to payments and checking and takeover of the completed works).

The regulations set out in Decree 15/2013/ND-CP in relation to the appraisal of the design for infrastructure construction in the agriculture and rural development sector (regardless of the level) and for rural transportation works (rural roads at level A, with a width of 3 to 3.5 meters and capable of bearing vehicles up to 6 tons) also create difficulties for communes that want to undertake these works by themselves. Some of the particular guidelines for Program 135 have not yet been issued, especially the guidelines on infrastructure construction costs for Program 135 Phase 2 (2006-2010), which have not yet been revised or updated to fit with the requirements of Program 135 Phase 3 (2012-2015).¹⁷ In addition, the local office of the State Treasury often asks for additional documents beyond those specified in the guidelines of each project or program.

Clearly defining the various concepts within the policies related to decentralization to the commune level and empowerment of communities is another issue that requires attention. As of now, there is no unified and consistent definition of "small-scale" works in the different policy documents. There are not yet any criteria to define which infrastructure construction activities are to be defined as "works with complicated technical requirements" that need to be executed by the district,¹⁸ or conversely as "works with technically simple requirements" that can be executed by

the commune. Similarly, in relation to the "selection of groups of workers or individuals (preferably from the commune) with sufficient capacity to implement the required activities",¹⁹ there is no detailed guidance on how to define "sufficient capacity".

The experience from externally-funded projects is that clear guidance on the required procedures, processes and formats needs to be established, so that communes do not have to refer to many other documents during the implementation period. Some projects have established simple procedures for small-scale and simple infrastructure construction activities in order to create favourable conditions for decentralization to the commune level, using the modalities of community contracting or simple local bidding among groups of workers. However, in order to apply these experiences within poverty reduction projects and programs carried out using the State budget, simplification and consolidation of related procedures for infrastructure construction is needed.

Close monitoring and evaluation.

In the surveyed locations, community supervisory bodies (supervisory teams elected by the people to supervise certain projects, Community Investment Supervisory Boards, or People's Inspection Committees) and local communities have been fulfilling their supervisory roles quite well in relation to construction activities which have community contributions and are executed by the community.

However, community supervision has not yet been effective in relation to complicated construction activities or those implemented by outside contractors, due to limitations in technical knowledge and monitoring skills, the lack of transparency, and the lack of a feedback mechanism. Therefore, stronger measures are required at all levels within each locality to establish clear supervision guidelines, and to provide knowledge, skills and tools for community supervision, especially for members of community supervisory committees.

Close monitoring and evaluation, as well as fostering close support and engagement from higher levels (district project management units, core groups, coordinators, etc.) for the communes that have been decentralized as investment managers is very important. Experience with externally funded projects indicates that monitoring and evaluation require clear indicators and should be linked to State mechanisms for punishment and commendation. Monitoring and evaluation activities should also take into account the capacity of poor communes compared to the better off ones. However, existing policies are more focused on the supervision of construction works than on the supervision of the commune-level executing agency.

Ensuring the decentralization of resources to the commune and for community implementation. Currently, there are no regulations under Program 135, Program 30a or other projects and programs using State budget resources that ensure the decentralization of resources to communes and communities suitable to their conditions and needs. The mechanism for decentralization exists, however resources have not been decentralized for a range of reasons. For example, detailed decentralization criteria are available, or the investment portfolio approved by the province or the district is outside the scope of activities that can be decentralized to the commune level. Based on the survey data, there are two strategic options that can be applied to ensure that the decentralization of resources to the commune level is carefully considered during implementation:

Specifically stipulating a minimum percentage (for example, 30-40 per cent) of the budget for infrastructure construction within poverty reduction projects and programs such as Program 135 and Program 30a that is to be decentralized to the commune level and allocated for community implementation. The general policy is to strengthen the decentralization of investment decision

making to the commune level and to promote community implementation, however in reality everything depends on the decision by higher-level agencies to allocate funding to the commune from each project and program. If the commune level does not know the annual amount that will be allocated to them, it will be difficult for them to develop the plan and to prepare the investment according to regulations, and also difficult for them to provide information to the community in each hamlet or village so that they can discuss and agree on their contributions and the plan for the construction works. Cao Bang province has regulated that at least 30% of the investment capital under Phase 3 of Program 135 should be prioritized for small-scale and simple infrastructure construction works to be implemented by communities and work groups.²⁰ However, for this to be applied nationwide, there need to be changes to the guidelines for Program 135 and Program 30A issued by the central level.

Decentralization investment packages to the commune under the Commune Development Fund (CDF) mechanism. The decentralization of financial investment packages according to the CDF model has proven effective in many localities. CDF provides communes with a known quantity of money to implement investment activities in response to needs prioritised by the people during the planning process. The CDF provides an opportunity for the community to discuss and agree on contributions from the local population and on the implementation of small-scale and technically simple infrastructure construction works. Officials at all levels and people in the surveyed localities highly appreciate the investment effectiveness and socio-economic impacts of investment works carried out according to the CDF mechanism.

The CDF is currently implemented through externally funded projects.²¹ The

Budget Law, and the official documents of projects and programs such as Program 135 and Program 30a have not yet stipulated the decentralization of resources for investment packages to the commune level as has been done through the CDF. The CDF has only been applied as a pilot model in the 3rd Project on “Replicating the model for poverty reduction” within the National Targeted Program on Sustainable Poverty Reduction for the period 2012 to 2015. In principle, all provinces are able to allocate

CDF from their own budgets, however budget constraints make it difficult for poor provinces to apply this model (aside from those provinces that allocate CDF as counterpart funding for ODA projects). In order to apply the CDF model, there needs to be a change in the guidelines from the central level on budget allocations for poverty reduction, and a commitment to apply the CDF mechanism at the local level.

The effectiveness of the Commune Development Fund in Hoa Binh

The CDF mechanism has been applied with an increasing scale (annual funding of 200 million VND per commune in 2011 and 2012, 250 million VND per commune in 2013 and 300 million VND per commune in 2014) through the Public Service Provision Improvement Programme in Agriculture and Rural Development (PSARD) project funded by SDC in Hoa Binh province as a way to allocate investment packages to the commune level and to communities and local groups of workers. Over a three-year period from 2011 to 2013, 87 communes in Hoa Binh have implemented 1,380 infrastructure construction activities through the CDF mechanism, mainly for irrigation works and rural transportation facilities. The following points reveal the effectiveness of the CDF:

- CDF provides a practical exercise through which the commune authorities can improve their investment execution capacity and financial management capacity;
- The cost effectiveness of CDF infrastructure works implemented by the community is higher (for small investments) due to savings on indirect costs (savings of around 20-30% compared to construction works with hired consultants and contractors applying normal infrastructure construction procedures), higher levels of community contributions (mostly in the form of labour, which accounted for around 36% of the total value of the works on average) and with closer supervision (avoiding the loss of materials and ensuring the quality of the works);
- The CDF mechanism promotes grassroots democracy and transparency, strengthens community connections and enhances the accountability and reputation of commune personnel.
- CDF contributes to poverty reduction, addressing the specific conditions of local ethnic minority people in different hamlets in ways that other projects and programs have not yet been able to do.



KEY RECOMMENDATIONS

The analysis provided above shows that provincial authorities play a decisive role in reforming commune-level planning, decentralization of investment decision making to the commune level and community empowerment in relation to small-scale and technically simple infrastructure construction works in poverty reduction projects and programs. However, improving the legal framework at the central level for commune-level planning, decentralization and empowering commune authorities and communities will help to replicate these initiatives at the local level. The following recommendations have been identified:

FOR THE CENTRAL LEVEL:

1. A legal framework for annual and medium-term socio-economic development planning (on a 5-year basis) at the commune level should be promulgated.

The Ministry of Planning and Investment should coordinate with donors to assess the reforms on commune-level planning in different localities as a basis for issuing official documents for nationwide application.

- **Commune-level planning procedures:** Principles, criteria, contents and basic steps for applying a simple and practical participatory approach should be stipulated;

- **Stakeholder responsibilities:**

The responsibilities of different stakeholders for promoting the reform of commune-level planning should be stipulated, including: the responsibility of the commune level to ensure people's participation in commune-level planning; the responsibility of the district level to support the commune, to integrate the commune-level plan into the district plan and to implement the decentralization of investment decision making to the commune level; the responsibility of the provincial level to provide regular budget allocations for commune-level planning, to organise training courses on planning, and to issue regulations governing the decentralization of investment decision making to the commune level; and the responsibility of sectoral agencies to use the commune-level plan as the basis for implementing poverty reduction projects and programs.

- **The medium-term financial framework at the commune level:** Based on the medium-term financial framework of the province and the district, instructions should be provided for the development of a medium-term financial framework at the commune level (on a 5-year basis) based on the medium-term commune-level plan. This will allow annual commune-level planning to be simplified to just reviewing the

priorities and developing plans for budget resources decentralized to the commune level.

2. **Specific unified guidelines on the investment mechanism for small-scale and technically simple infrastructure construction works for all poverty reduction projects and programs should be issued by the central level (with more detailed instructions issued by the provincial level)** in order to enhance decentralization of investment decision making to the commune level and community empowerment for implementation. Specifically, regulations on the decentralization of investment decision making to the commune level and community empowerment should be issued in line with Inter-ministerial Circular No. 05/2013 providing guidance on the implementation of Program 135, Inter-ministerial Circular No. 51/2013 providing guidance on the implementation of the New Rural Development Program, and the guidelines on the implementation of the infrastructure construction component under Program 30a and for the disadvantaged communes in coastal areas covered by the National Targeted Program for Sustainable Poverty Reduction,²² with the following contents:
 - **Scope:** Establishing consistency across the different projects and programs on the definition of small-scale and technically simple infrastructure construction works that can be decentralized to the commune level and implemented by communities or groups of workers (based on the funding amount—for example activities costing less than 500 million VND—or on the nature of the project, or according to a list of specific infrastructure construction works).

- **Decentralization of funding resources:** Stipulating the minimum proportion of the total investment budget of poverty reduction projects and programs that should be decentralized to the commune level for small-scale and technically simple infrastructure construction works (for example, 30 to 40%). The allocation of budgets for specific investment packages to the commune level (applying the CDF mechanism) should be permitted and encouraged.
- **The level of budget support:** The maximum level of budget support for each type of infrastructure construction work should be stipulated, based on different types of localities (disadvantaged communes and others). The people in these different localities should agree on the level of their contributions, either through labour or through the provision of local materials.
- **Construction filing:** The requirement for submission of an economic and technical report for small-scale and technically simple infrastructure construction works should be removed, and replaced by simple drawings or a description of the works together with cost estimates. The participation of community members (women and poor people) in the surveying, design and development of cost estimates for infrastructure construction works should also be stipulated.
- **Forms and templates:** A full set of forms and templates should be developed for the commune level to make advances and final payments from the State Treasury.

- **Reviewing designs:** Provincial departments should assign district offices to review the designs for small-scale and technically simple infrastructure construction works (according to Decree 15/ND-CP).
- **Construction modalities:** Hamlet and village communities should carry out construction works. Simple bidding procedures (public announcement, selection through communal meeting, etc.) should be applied whenever there is a need for local workers.
- **Community supervision:** Mechanisms for supervision, transparent information sharing, feedback mechanism should be stipulated for the Community Supervisory Board/ People's Inspection Board, and the supervisory role of local beneficiaries should be strengthened.
- **Operations and Maintenance:** Beneficiary communities should establish and implement regulations and procedures for operation and maintenance of the infrastructure works.
- **Evaluation:** Guidelines should be provided on periodic evaluation mechanisms for communes implementing decentralized investment decision-making, linked to the system of commendation and punishment. Guidelines should be provided for post-implementation assessment of infrastructure construction works decentralized to the commune level. The responsibilities of district agencies in relation to capacity building, provision of support, monitoring and evaluation of commune-level implementation should be stipulated.

FOR THE PROVINCIAL LEVEL:

3. **Overall measures should be implemented to ensure the sustainability and effectiveness of commune-level planning reform, applying a participatory approach** (for provinces that are already implementing or intend to implement commune-level planning reforms)
 - **Procedures, forms and tools for commune-level planning should be simplified,** both for annual and medium-term (5-year) planning, and should be suitable to the capacity of people from ethnic minority communities within specially disadvantaged communes. Annual commune-level planning should be simplified to focus on reviewing priorities and establishing action plans for the implementation of budget allocations under the approved medium-term plan.
 - **Developing the capacity of grassroots staff through the planning process:** A communications plan should be developed to change perceptions about commune-level planning within all provinces. A resource group on planning at all levels should be established to provide training courses and develop capacity, applying a hands on approach with commune and hamlet staff.
 - **Reforming district-level planning together with commune-level planning:** Attention should be paid to discussing and agreeing district and commune targets before the commune-level plan is approved.
 - **Resource allocations for the commune level:** The minimum proportion of the budget for poverty reduction projects and programs that should be decentralized to

the commune level should be stipulated. Budget allocations for investment packages should be allocated to communes using the CDF mechanism (within the scope of the existing budget and according to the guidelines provided by the central level)

- **Specific tasks should be allocated to each agency and department** in order to ensure support for commune-level planning reforms, leading to province-wide institutionalization. The Department of Finance should provide advice on annual budget allocations for planning and on the mechanism for allocation of budget resources to the commune level. The Department of Home Affairs should to provide advice on training programs on planning for staff within the province, and training institutions should include planning within their training courses. The Department of Agriculture and Rural Development, the Committee for Ethnic Minority Affairs and the Department of Labour, Invalids and Social Affairs should provide advice on using the commune level plan as the basis for planning activities under the programs that they manage (the National Targeted Programme on Sustainable Poverty Reduction, the New Rural Program, Program 135 and Program 30a.)

regulations should be complemented by guidelines and manuals (for example, a manual for the commune level as executing agency, a manual for community implementation, and a manual for community supervision). Based on these regulations and manuals, **provincial programs on capacity building for financial management and investment project management should be established, using skills development and hands-on approaches** together with close monitoring and evaluation.²³

4. Provinces should issue specific regulations to harmonize the activities of poverty reduction projects and programs in relation to small-scale and technically simple infrastructure construction works.

This will help to further promote decentralization of investment decision making to the commune level and community empowerment, in line with Recommendation 2 for the central level that is provided above. These



ANNEX

Comparison of infrastructure construction works under Program 135, Program 30a, the New Rural Development Program and the CDF under the PSARD project in Hoa Binh province

	Program 135	New Development Rural Program	CDF under PSARD Project in Hoa Binh
Level of decision making	District	District (for infrastructure construction works with funding of more than 3 billion VND) Commune (for infrastructure construction works with funding of less than 3 billion VND)	Commune The size of the infrastructure construction is limited to the size of the annual CDF (400 million VND per commune in 2014)
Executing agency	District (for inter-commune or complicated infrastructure construction works) Commune (for infrastructure construction works within a single commune)	Commune	Commune
Procedures	Economic and technical report required (regardless of the size of construction)	Construction works costing less than 3 billion VND, with simple technology and an approved design (by the district), do not require an economic and technical report, only a simple cost estimate	An economic and technical report is not required, only a simple drawing or description, and a cost estimate
Review and approval of the investment dossier	The district reviews and approves the cost estimate and the economic and technical report	The commune reviews and approves, establishing a commune review team	The commune approves the cost estimate The district planning and finance division and the project coordinator support the review of the cost estimate

Review of the design	Carried out according to Decree 15/2013/ND-CP: the State management agency at the provincial level reviews the design for all works in the stipulated list	Carried out according to Decree 15/2013/ND-CP: the State management agency at the provincial level reviews the design for all works in the stipulated list	Not stipulated
Management fee	2.7% (if the district is the executing agency) 2.2% (if the commune is the executing agency)	2.1 – 2.5% (as stipulated by the Ministry of Construction)	A maximum of 10% No indirect cost (design and monitoring are carried out by the commune)
Minimum rate of people's contribution	Not stipulated (it depends on each locality) Poor households and people are not obliged to contribute	Not stipulated (it depends on each locality)	A minimum of 30% The rate is discussed and agreed by the people
Construction modality	Three modalities: Carried out by the community Selection of a group of workers or an individual Selection of a contractor (through bidding) Single selection is permitted for turn-key projects that mobilise people's labour and are managed by the people, where the State budget contribution is less than 70%	Three modalities: Carried out by the community Selection of a group of workers or an individual Selection of a contractor (through bidding) The first two of these modalities are preferred Small-scale and technically simple infrastructure construction works are assigned to communities or groups of workers	Two modalities: Carried out by the community A group of workers (selected through community bidding with simplified procedures)
Budget allocation for implementation at the hamlet level	No	No	Yes (at least 80%)
Budget for land clearance and compensation	Can be included (limited compensation)	People and communities are encouraged to voluntarily contribute land Limited compensation	No People and communities are mobilised to voluntarily contribute land
Monitoring and evaluation	Community Investment Monitoring Board (elected for a 2-year term)	Community Investment Monitoring Board (elected for a 2-year term)	Monitoring Group elected for each construction works Criteria are provided for evaluating the implementation of the CDF mechanism, including a reward mechanism (2014)

REFERENCES

1. This policy brief is one of three developed by Oxfam in 2014 under the “Pro-poor Policy Monitoring and Analysis” project supported by Irish Aid and the Swiss Development Cooperation (SDC). The subjects of the other two policy briefs are “Agriculture Extension” and “Vocational Training for Rural Laborers (under Project 1956)”
2. World Bank, 2013, Taking Stock: An update on Vietnam’s recent economic development, Hanoi, December 2013. The poverty figures quoted here are calculated according to the 2010 poverty line proposed by the General Statistics Office of Vietnam and the World Bank.
3. World Bank, 2012, Well begun, not yet done: Vietnam’s remarkable progress on poverty reduction and emerging challenges, Washington DC; Oxfam and AAV, 2012, Participatory poverty monitoring in rural communities in Vietnam: 5 year synthesis report (2007-2011), Hanoi.
4. National Assembly Standing Committee, 2014, Report 660/BC-UBTVQH13 on the results of monitoring “The implementation of policies and laws on poverty reduction in the period 2005 to 2012”; Oxfam, 2014, Review and analysis of poverty reduction policies: background report for the “Pro-poor Policy Monitoring and Analysis” project implemented by Oxfam in the period 2014 to 2016; Thanh H.X. and associates, 2013, Mid-term evaluation report on poverty reduction policies for the implementation of the National targeted program on sustainable poverty reduction for the period 2012 to 2015 and Decree 80/NĐ-CP of the Government of Vietnam.
5. The findings and recommendations included in this policy brief are synthesized from 159 group discussions with the participation of 646 people and provincial, district and commune staff (including 391 males and 255 females, and 271 people of Kinh ethnicity and 375 people from ethnic minority groups) and from 250 in-depth interviews (149 males and 101 females, and 81 people of Kinh ethnicity and 169 people from ethnic minority groups).
6. In this document, the term planning refers to socio-economic development planning unless otherwise stated.
7. Provinces that are reforming commune-level planning using a participatory approach include (but are not limited to): Cao Bang, Lao Cai, Ha Giang, Tuyen Quang, Bac Ninh, Bac Giang, Thai Nguyen, Hoa Binh, Lai Chau, Dien Bien, Son La, Nam Dinh, Thanh Hoa, Nghe An, Ha Tinh, Quang Binh, Quang Tri, Thua Thien-Hue, Quang Nam, Quang Ngai, Gia Lai, Dak Lak, Dak Nong, Ninh Thuan, Tien Giang, An Giang, Tra Vinh, Bac Lieu and Soc Trang.
8. The Ministry of Planning and Investment has issued a manual on socio-economic planning at the commune level, with the support of the Chia Se project (SIDA) and UNICEF. However, this manual is project based, and does not attempt to review and synthesize experiences and lessons from around 30 provinces that are reforming commune-level planning in order to produce simple and practical official guidelines for nationwide application.
9. Hoa Binh province has provided an additional budget of 7 million VND per commune each year for commune-level planning, has provided a budget to each district for providing training and guidance on planning to commune staff (3 million VND per commune each year), and has conducted regular training courses on planning for existing or prospective grassroots staff through local training institutions. Quang Tri has provided an additional budget of 7 million VND per commune each year and established a plan for training grassroots staff, with 15 classes covering 1,200 participants during the period 2011 to 2015. Tra Vinh has provided an additional budget of 20 million VND per commune each year, and 30 million VND per district year for capacity building for reforming commune-level planning.
10. On August 7, 2014 a national conference for the planning and investment sector was organized in Da Nang to promote a comprehensive understanding of Prime Minister’s Decision No. 22/CT-TTg dated August 5, 2014 on the preparation of the 5-year Socio-economic development plan for the period 2016-2020 and Prime Minister’s Directive No. 23/CT-TTg dated August 5, 2014 on medium-term public investment planning for the 5-year period 2016-2020, as well as new regulations under the Law on Public Investment. Accordingly, all sectors and localities will need to have fundamental

changes in the development of public investment plans. Instead of annual planning, investment plans will need to be established for the medium-term period of 5 years, and should be linked to targets set out in the 5-year Socio-economic development plans of each locality. The Prime Minister has emphasized that medium-term planning needs to be implemented from central to local levels. As a result, all provinces and cities will need to develop medium-term investment plans for districts and communes using their own budget allocations. Source: <http://vtv.vn/thoi-su/chuan-bi-thuc-hien-thay-doi-can-ban-ve-dau-tu-cong/128031.vtv> [Accessed on August 8, 2014].

11. The process of dividing up the commune plan for feedback from each sectoral agency is undertaken by the district planning taskforce (with the Planning and Finance Division as the focal point). After receiving the commune plans from, the taskforce will divide up the issues and proposed measures in the plans and send them to relevant divisions for their comments. After receiving the comments, the taskforce will provide feedback to each commune through a document or a working session between the district and the commune.
12. Resolution No. 30/A/2008/NQ-CP of the Government on the support program for sustainable and rapid poverty reduction in 61 poor districts; Prime Minister's Decision No. 800/QĐ-TTg approving the New Rural Development national targeted program for the period 2010-2020 (issued together with Inter-ministerial Circular No. 26/2011/TTLT-BNNPTNT-BKHDT-BTC providing guidance on the implementation of Prime Minister's Decision No. 800/QĐ-TTg approving the New Rural Development national targeted program for the period 2010-2020); Inter-ministerial Circular No. 05/2013/TTLT-UBND-NNPTNT-KHDT-TC-XD providing guidance on the implementation of Program 135 on support for the construction of infrastructure and production facilities in particularly disadvantaged communes, communes in secure areas and particularly disadvantaged hamlets and villages.
13. Prime Minister's Decision No. 498/QĐ-TTg: Supplementary mechanism for investment under the national targeted program for New Rural Development in the period 2010-2020; Circular No. 03/2013/TT-BKHDT guiding the implementation of Decision No. 498/QĐ-TTg: investment under the national targeted program for New Rural Development in the period 2010-2020. Based on these documents, infrastructure construction works with a value of less than 3 billion VND do not require submission of an economic and technical report, only a cost estimate based on the standard design, and the works will be assigned to the people and communities for implementation.
14. Circular No. 28/2012/TT-BTC: regulations on the management of state budget investments for communes and urban areas: Item 5 of Article 5 of this circular provides stipulations on the bidding packages to be implemented by local communities; Decree No. 63/2014/ND-CP: detailed provisions for the implementation of the Law on Procurement in relation to the selection of contractors: Item 2 of Chapter 6 of this decree provides stipulations on the selection of contractors for small contracts implemented by the community.
15. Decree No. 158/2007/ND-CP providing regulations on the list of official assignments and the timeframes for official assignments of officers and civil servants.
16. In the design of the National targeted program for sustainable poverty reduction, phase 2 (of which Program 30a and Program 135 are two components), communication activities and capacity building of local staff are under included under Project 4 "Support for capacity building on poverty reduction, communications and program monitoring", which is managed by the Ministry of Labor, Invalids and Social Affairs. Accordingly, there is no specific budget allocation for capacity building within Program 135 or Program 30a.
17. Official Letter No. 1044/BXD-KTXD from the Ministry of Construction, responding to Official Letter No. 240/UBND-VP135 dated May 23, 2014 from the Committee for Ethnic Minority Affairs, states that: "While no specific official guidance on construction costs for Program 135 has been provided, the Committee for Ethnic Minority Affairs should apply Circular No. 02/2008/TT-BXD of the Ministry of Construction dated January 2, 2008 providing

guidance on the development and cost management of infrastructure works under socio-economic development programs for ethnic minority areas and mountainous areas in the period 2006-2010 as well as other existing regulations in order to provide guidance to localities”.

18. As stipulated in Decision No. 800/QĐ-TTg, Circular 26/2011/TTLT-BNNPTNT-KHĐT-BTC and Inter-ministerial Circular No. 05/2013/TTLT-UBND-NNPTNT-KHĐT-TC-XĐ.
19. As stipulated in Inter-ministerial Circular No. 05/2013/TTLT-UBND-NNPTNT-KHĐT-TC-XĐ.
20. Based on the suggestion of the Committee for Ethnic Minority Affairs of Cao Bang, the Provincial People's Committee issued Decision No. 11/2014/QĐ-UBND dated May 30, 2014 on the promulgation of regulations for the implementation of Program 135 on support for the construction of infrastructure and production facilities in particularly disadvantaged communes, border communes, communes in secure areas and particularly disadvantaged hamlets and villages in Cao Bang for the period 2012-2015 and the period 2016-2020. The two notable points in Decision 11 are: (i) the integration of planning for Program 135 into the annual socio-economic development planning process; and (ii) the stipulation that all localities should reserve at least 30% of their development investment budgets for small scale and technically simple infrastructure construction works valued at less than 500 million VND implemented by communities and groups of workers.
21. This study identified 5 significant examples of CDF being applied in development projects in Lao Cai province (NMPRP2: Northern Mountains Poverty Reduction Project, Phase 2), Hoa Binh (PSARD), Nghe An (PORIS), Dak Nong (3EM) and Ninh Thuan (TNSP-Ninh Thuan).
22. The Ministry of Labor, Invalids and Social Affairs is preparing an inter-ministerial circular to provide guidance on the implementation of Program 30a and the provision of support for infrastructure construction works in specially disadvantaged communes in the coastal areas, and those communes under the National targeted programme on sustainable poverty

reduction: <http://giamngheo.molisa.gov.vn/vn/NewsDetail.aspx?ID=544&CateID=79> [accessed November 5, 2014]. The draft inter-ministerial circular provides regulations on a special investment mechanism for infrastructure construction works with total value of less than 3 billion VND, similar to the provisions of the New Rural Development Program, and on the allocation of an average of 40% of the investment budget of infrastructure works for poor districts under Program 30a down to the commune level. However, in the draft only specifies the application of these provisions until 2015, which is not feasible due to the short period of application (the allocation of funding for 2015 has basically been completed as of November 2015 in almost all localities).

23. Reference can be made to lessons and experiences from provinces such as Hoa Binh and Cao Bang in relation to the coordination of measures for reforming commune-level planning, strengthening financial management capacity at the commune level and allocating and delivering the decentralization of investment package resources to the commune level according to the CDF mechanism in the development of these documents.

Oxfam in Vietnam's Pro Poor Policy Monitoring Project (2014-2016) works in partnership with local officials to research how pro poor policy is implemented and what impact it has on people's lives.

Our research is conducted annually in 9 provinces and cities in Vietnam. The voices and stories we collect are used to produce a series of comprehensive reports, organise policy meetings and dialogues and work with national and local officials, development partners, and the media, to advocate for stronger, more sustainable pro poor policy.

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