

**Mid-Term Evaluation of AECID-UNDP Strategic Partnership  
Initiative**

**Annex 7.4  
Evaluation on Local Governance Report**

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## **Introduction**

Responding to the requirements of the TORs (Annex 7.1), the Evaluation Report on Local Governance first outlines the overall context of local governance in Vietnam and then analyzes related trends involving recent policies, legal frameworks and all other factors directly affecting the structure and function of local governance. In addition, the report also focuses on Kon Tum province as a case study in order to substantiate the country analysis empirically.<sup>1</sup>

The report structures the information gathered into the four following sections:

Section I	Context and Trend Analysis
Section II	The Kon Tum Experience
Section III	Gap Identification
Section IV	Recommendations

### **Section I Context and Trend Analysis**

Local governance in Vietnam has evolved in the dual context of various developing national policies and these policies' implementation—the key ones pertaining to public administration reform (PAR), Vietnam's medium- and long-term national socio-economic and cultural development strategies, poverty reduction programs and, mostly recently, Vietnam's national anti-corruption strategy.

Regarding the first of these policy contexts, the Public Administration Reform Master Program (PAR-MP), officially promulgated by the Prime Minister in 2001, contains a substantial number of measures that directly target local government, personnel management and all three levels of public finance. Regarding institutional reform, policy measures related to local government reform included improving the quality of legal normative documents promulgated by People's Councils and Committees at all levels. To simplify administrative procedures, local governments were required to set up one-stop shops (OSS) at the district and at the commune levels. In the area of organizational reform, since 2002 the CPV and central government have adopted a number of policy frameworks to restructure local governance, including grassroots reform of the political system, administrative decentralization, and the restructuring of specialized units at the provincial and district levels. Regarding the civil service corps, the third pillar of the PAR-MP, the key initiative aims to strengthen and train commune-level cadres, build a civil service reserve, and separate civil service delivery from state management functions. The Law on Public Officials promulgated by the

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<sup>1</sup> Kon Tum consists of one City and eight districts: the City of Kon Tum; Dak Gle; Dak To; Tu Mo Rong; Dak Ha; Kon Ray; Kon Plong; Ngoc Hoi and Sa Thay. As of 2008, the total population was 404,470, with the average population density of 42 people/ km<sup>2</sup>. In studying Kon Tum, the Team, while focusing on the overall local governance system of the province, examines in detail the structure of local governance in Tu Me Rong District and the City of Kon Tum with the aim of highlighting challenges to rural and urban governance reform. Tu Me Rong District was separated from Dak To District in 2005. Its land area is 85,768 hectares, and its population is 21,454 people, of whom 98% belong to minorities. Consisting of eleven communes, Tu Me Rong is one of the 61 districts considered as a commune with difficulties. The City of Kon Tum obtained the status of the City in May 2009.<sup>1</sup> Consisting of 21 commune-level units, the City's population was 138,011 (2008). As of December 31, 2008, 2,332 poor households accounted for 10,718 people, or 7.83% of the population. Ethnic minorities comprise the preponderance of the poor, totaling 1,673 households and 8,362 people.

National Assembly in 2008 and set to take effect in 2010 introduces a number of new human resources concepts to be applied nation-wide. Finally, public financial reform has progressed rapidly. The State Budget Law of 2002 devolves to the local governments the power to determine budget estimates, increases revenue for local budgets, and bolsters regulations on the allocation of some revenue to commune budgets. In 2005, the State Budget Plan was disclosed for the first time; Decision 192 requires that the budgets for all state entities, including SOEs, be made public. Also in 2005, the mid-term expenditure framework (MTEF) was piloted. Following the introduction of a formula-based system, transparency increased in capital and recurrent budget allocations to sub-national levels.<sup>2</sup> The Viet Nam State Audit (SAV) ensures that all ministries and other state agencies are audited at least one every three years.

The second policy context for reviewing the development of local governance involves various socio-economic development frameworks. In early 2000, the Prime Minister approved the Comprehensive Poverty Reduction and Growth Strategy (CPRGS), which “translated the Government’s Ten-Year Socio-Economic Development Strategy and Five-Year Socio-Economic Development Plan, as well as other sector development plans, into concrete measures with well-defined roadmaps for implementation.”<sup>3</sup> To promote growth, social development, and poverty reduction, the CPRGS lists key policy areas and objectives to be addressed, including (1) macro-economic and structural policies to promote economic growth, raise incomes, and create opportunities for the poor; (2) development of large-scale infrastructure services for growth and poverty reduction; and (3) policies and measures to develop major sectors and areas to ensure sustainable growth and poverty reduction. The principles of the CPRGS, including outcome-oriented planning, planning with a pro-poor orientation, participatory approach to planning, linkage between planning and budgets, and definition of the role of the private sector and civil society, were integrated into Vietnam’s socio-economic development plan for the year 2006 to 2010.

A third context shaping the local governance system’s development is Vietnam’s move to fight poverty. In the 1990s and 2000s, the central government promulgated a series of national programs on hunger eradication and poverty reduction as well as other specific target programs for hamlets and communes with difficulties. Furthermore, Vietnam’s system of local governance is also shaped by national movements focusing on gender equality and citizens’ rights. Approved by the Prime Minister in Decision no. 19/2002/QD-TT, the National Strategy for the Advancement of Women into the Year 2010 seeks to increase the number of female candidates for leadership positions at all levels in all sectors, both through equal rights for women in labor, employment, education, and health care and through women’s improved performance in political, economic, social and cultural areas. The framework to promote grassroots participation, developed between 1998 and 2007, has also served as the main reference point for popular participation. The term “grassroots” refers to work units in government agencies, enterprise units, and grassroots-level administrative units. Finally, most recently the government has promulgated the

<sup>2</sup> Prime Minister’s Decisions 151/2006/QD-TTg on current expenditure allocation and 210/2006/QD-TTg on capital expenditure allocation for 2007-2010.

<sup>3</sup> The Socialist Republic of Vietnam, *The Comprehensive Poverty Reduction and Growth Strategy (CPRGS)*, Hanoi, November 2003, p. 2.

National Anti-Corruption Strategy. Local Governments are obliged to implement the strategy, which places conditions on further reform of local governance.

Section I outlines related legal frameworks, policies, programs, and trends in detail.

## **1. Structure and Organization of Local Governments**

Vietnam's local government structure consists of three levels: the province or municipality under the central government (called the provincial level); the quarter, district, town or city (called the district level); and the commune or ward (called the commune level). Each level organizes its own People's Council.

The core leadership at the provincial, district and commune levels consists of members of the Party Committee, the People's Committee, and the People's Council. Regulations for coordination and consultation among these units have been issued and serve as the basis for collective leadership, although in the reform era individual leaders retain greater responsibility.

Throughout the 1990s and 2000s, the CPV and central government adopted a number of policies to reform and restructure local governance, as follows:

- Resolution 17 NQ/TW, titled "To Reform and Improve the Quality of the Political System at the Commune, Ward, and District Town Level" and dated 18 March 2002, identifies five key efforts: to improve effectiveness of commune-level People's Councils and People's Committees; to expand the capacity for community cadres; to attain financial autonomy for local governments; to implement grassroots democracy; and to reform leadership styles in the upper echelons.
- Decree 114 institutionalized official positions at the commune level, including positions within the Party, administration, Vietnam Fatherland Front (VFF) and mass organizations.<sup>4</sup> Between 2004 and 2008, a number of decrees were issued to restructure provincial and district public administrations following the restructuring of central government agencies. Currently, the Ministry of Home Affairs (MOHA) is in the process of amending regulations related to commune-level officials.
- Decree 171 and Decree 172 in 2004 were issued to redefine the responsibilities of specialized agencies under the provincial People's Committee and the District People's Committee respectively. In 2008, Decree 13 and Decree 14 replaced Decrees 171 and 172.

### **1.1 Differentiation between Rural and Urban Areas**

The differences between urban and rural governance in Vietnam remain comparatively moderate. The two most recent legal documents, Decree 13 on restructuring specialized agencies at the provincial level and Decree 14 on restructuring ones at the district level, only reflect very basic organizational differences between urban and rural systems of governance.

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<sup>4</sup> ND 114/2003/ND-CP ngày 10 tháng 10 năm 2003 của chính phủ; Quyết định số 04/2004/QĐ-BNV ngày 16 tháng 1 năm 2004 của Bộ trưởng Bộ Nội vụ về việc ban hành quy định tiêu chuẩn cụ thể đối với cán bộ, công chức xã, phường, thị trấn.

At the provincial level, there is no major difference between rural provinces and more urbanized ones. Nor is there a difference between provincial governance structures and those of municipalities under the central government.<sup>5</sup> Certain provinces with special local characteristics are to be allowed extra departments. For example, provinces sharing borders with foreign countries, ones with industrial zones and ones with UNESCO-recognized World Heritage sites will establish Departments of International Relations. Similarly, provinces meeting population criteria for ethnic minorities will institute Departments of Minority Affairs. And finally, Hanoi and Ho Chi Minh City have been granted special permission for Departments of Urban Planning and Architecture.

At the district level, there has emerged a clearer differentiation between urban and rural government. All district-level units have ten compulsory offices for both urban and rural areas. In addition, urban districts (called “quarters” or *quan*), provincial towns (*thi xa*), and cities under provincial management (*thanh pho truc thuoc tinh*) will establish Offices of Economics and Offices of Urban Management. In each of these more urbanized districts an Office of Economic Affairs will also be responsible for assisting the People’s Committee with agriculture, forestry, salt production, irrigation, marine products, handicraft industries, science and technology, industry, and commerce. Likewise, an Office of Urban Management will assist the People’s Committee with urban architecture, master planning, development, housing, construction materials, transportation, and public service infrastructure (for water, sewage, urban environmental hygiene, parks and recreation, tree planting, lighting, waste management, and parking). The more rural districts, on the contrary, will each set up an Office of Agriculture and Rural Development and an Office of Trade and Industry. The former office will assist the People’s Committee with agriculture, forestry, salt production, irrigation, marine production, rural development, household economic development, cooperatives, and handicraft industries. The latter will assist with heavy and light industry, commerce, construction, urban development, architecture, master planning, construction materials, housing, and public service infrastructure, transportation, and science and technology. Table 1 summarizes the organizational structure of the provincial and the district-level government system, highlighting differences between urban and rural areas.

Table 1 Organizational Structure of the Province- and District-Level Public Administration, 2008

<b>Provincial Level Specialized Agencies (Based on Decree 13)</b>	<b>District Level Specialized Agencies (Based on Decree 14)</b>
Dept. of Home Affairs	Home Affairs Office
Dept. of Legal Affairs	Legal Affairs Office
Dept. of Planning & Investment	Finance-Planning Office
Dept. of Finance	
Department of Industry & Trade	<u>For quarters, district towns and province-managed cities:</u>
Dept. of Agriculture and Rural Development	a) Economy Office

<sup>5</sup> The Institute of Vietnamese Studies and Developmental Sciences at the Vietnam National University has been carrying out a study on model for the five municipalities under the direct management of the central government.

Dept. of Transportation	b) Urban Management Office <u>For rural districts:</u> a) Agriculture and Rural Development Office b) Trade and Industry Office <u>For rural districts located on islands:</u> to be decided by the Provincial People's Council upon the recommendation of the Provincial People's Committee
Dept. of Construction	
Dept. of Natural Resources and Environment	Natural Resources and Environment Office
Dept. of Information and Communication	Office of Culture and Information (including Sports and Tourism)
Dept. of Culture, Sports and Tourism	
Dept. of Labor, War Invalids and Social Affairs	Office of Labor, War Invalids and Social Affairs
Dept. of Science and Technology	
Dept. of Education & Training	Office of Education & Training
Dept. of Health	Health Office
Provincial Inspectorate	District Inspectorate
Office of the People's Committee <sup>6</sup>	Office of the People's Committee and People's Council
<b>Units specially set up according to local conditions</b>	
Department of International Relations	
Department of Ethnic Minority Affairs	
Department of Urban Planning and Architecture (Hanoi and Ho Chi Minh City only)	

Source: Decrees 13 and 14

At the time of this review official policy still retains people' councils at all three administrative levels, although pilots are being carried out to abolish people's councils at the district, quarter and ward levels.

## **2. Pattern of Central-Local Relations: A Move Towards Administrative Decentralization**

In the 2000s, one of the major trends in local governance reform is evident in the move toward administrative decentralization often defined as "delegation of management tasks to administrative units whose legal status, jurisdictions and resources have been put under state control to ensure concentrated and unified direction by the government, promotion of democracy and the enhancement of pro-activity and dynamics of local and grassroots areas".<sup>7</sup> In practice, administrative

<sup>6</sup> The Office of the Provincial People's Council has been split from the former Provincial Office of the People's Council and the People's Committee and has been merged with the Office for the Province's National Assembly deputies.

<sup>7</sup> See training materials on decentralization developed by the DANIDA-NAPA project at the former National Academy for Public Administration entitled "On Decentralization from Provinces to Districts," 2005, DANIDA-NAPA.



decentralization has taken place from the central government to the provinces, from provinces to districts and communes, and from the leadership of each administrative unit to its sub-units. So far, there is no single legal document governing the process of decentralization.

Between 2002 and 2004, the central government promulgated a series of general laws endorsing the principle of administrative decentralization. Key laws include the Budget Law of 2002, the Land Law of 2003, and the Decree on Decentralization in Staffing Management in Administrative and Service Delivery Agencies, also in 2003. On 30 June 2004, the government issued Resolution No. 08/2004/NQ-CP decentralizing management from the central government to the provinces and centrally-administered cities. The key decentralization areas involved planning and development investment plans; state budgetary management; management of land, natural resources, state assets and enterprises; management and delivery of public services; and oversight of public officials and civil servants. Resolution No. 17-NQ-TW confirmed the move towards decentralization on 1 August 2007, as did Resolution No. 53/2007/ND-CP on 7 November 2007.

Overall, decentralization has taken place in planning and investment, budgeting, and personnel management as well as at the sectoral level.

## **2.1 Planning and Investment**

Planning operations cut across all sectors and levels. Sectors develop long-term (10 year) and mid-term (5 year) plans, although it is not the case that all sectors have annual benchmarks or operational plans. Districts also complete their own long and short-term plans. As yet, communes do not formulate long-term plans. Currently, Vietnam does not have a fixed legal framework for planning. To formulate five-year socio-economic development plans, the Prime Minister issues a directive to guide the planning process.<sup>8</sup> Although the leadership and the Ministry of Planning and Investment (MPI) have, to some extent, advocated changes in the methods and process of planning, in practice not all new measures have been implemented. Still, Vietnam's socio-economic development plans (SEDPs) cover mostly the public sector; they include no resources from other economic sectors. The planning process and methods are still not conducive to community participation.

The MPI has substantially devolved authority over foreign investment to the provincial level, along with decision-making for basic infrastructure investment. Both initiatives were guided by Decree No. 07/2003/ND-CP of 30 January 2003. According to the later Decree No. 16/200/ND-CP, On Management of Investments in Construction Works and Projects, dated 7 February 2005, depending on pre-set conditions the Chairperson of the provincial-level People's Committee gives the district-level People's Committee the authority to determine investment projects within local budgets capitalized to less than VND5 billion. The Commune-level People's Committee receives authority to determine investment projects with a value

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<sup>8</sup> For the current five-year plan (2006-2010), for example, it was Prime Ministerial Directive No. 33/2004/CT-TTg dated 23/11/2004 that directed the process. Directive 33 highlighted the need to be innovative in planning, requiring plans drafted to focus on the quality of growth by including indicators reflecting quality of life, human development, social progress, and environment protection. Draft plans should also take into account resources from all economic sectors in addition to those from the state budget.

of less than VND3 billion. Regarding approval of resettlement compensation options, districts have the authority to approve projects within their boundaries valued at less than VND300 billion.

In planning and investment, decentralization to the commune level is limited. The clearest approach is seen only in national target programs such Program 135.

Program 135, Phase 2 comprises four components. Management is decentralized as follows:

- For infrastructure development components (electricity, roads, schools, health facilities, water supply and markets), district-level People's Committees serve as project owners to approve projects valued under VND3 billion, and appraise and approve projects worth VND150 million per year or less devoted to sub-communes faced with extreme difficulties. Commune-level People's Committees serve as owners for projects valued below VND300 million and employing manual labor.
- Commune-level People's Committees receive direct responsibility to support and develop production.
- Commune-level People's Committees also receive direct responsibility to provide legal support and assistance, including developing and disseminating information; build animal breeding facilities; support poor schoolchildren; and oversee sanitation.
- Regarding the project to train and empower commune, sub-commune and community officials, provincial-level People's Committees receive responsibility to manage training and enhancement programs for ethnic minority affairs; and for project ownership, planning and supervision. District-level People's Committees are charged with grassroots democracy training and implementation; agro-forestry extension; vocational training; and raising legal awareness.

## **2.2 Finance**

In Vietnam, budget management authority devolves to the province in three areas: to issue policies, regulations, and norms for budget expenditure and revenue finance; to collect revenue, release or withhold funds, and regulate budget transfers; and to control the budgetary process (that is, to decide and finalize budgets, budget allocations and adjustments). Decentralization highlights follow.

- The Budget Law of 2002 devolved a number of budgetary responsibilities to the provinces. It rearranged revenue sharing, leaving collection to the province and municipality. It granted local government units discretionary power over the process of budgetary preparation and spending, simultaneously tightening discipline and highlighting the need for anti-corruption and anti-waste efforts. The law granted provinces the key role in allocating district and commune budgets. It also allowed communes to collect at least 70% of land-related fees.
- Regarding the authority to issue policies, regulations and financial norms for budget expenditure and revenue, in 2006 the central government issued Decision 210/2006/QĐ-TTg, dated 12/9/2006, which set the criteria for capital budget allocation and cost norms for 2007-2010, giving the province a better

sense of the amount of the provincial budget allocated from the state budget. Provinces are required to apply the spirit of Decision 210 by developing their own sets of allocation criteria and cost norms for districts and from districts to communes. In addition to these allocation criteria, Decision 151/2006/QĐ-TTG dated 29/6/2006 sets recurrent expenditure norms for the year 2007. These decisions reflect the shift of budget allocation authority from central to local government.

- Based on these decisions, Provincial People’s Councils can set some of the norms for districts and communes to follow in sharing revenue collection and spending assignments (capital investment and recurrent expenditure). Only a few requirements are imposed on the local agencies. Among these requirements, townships and cities under a province receive responsibility for building public schools and providing such public amenities as lighting, water and sewers, city streets and other public infrastructure. Devolution of capital investment management from the province to the locality is endorsed by the Government decree mentioned in the Planning and Investment section above.
- SBL 2002 has made progress decentralizing budget management, including planning, allocation, execution and finalization. Budget planning starts earlier to give spending units more time to allocate and approve their budgets (Table 2). Budget restrictions under 3-5 year fiscal stability requirements have gradually been reduced along with heavy reliance on transfers from higher to lower tiers of government through the so-called “asking and giving” mechanism, improving transparency and disclosure in resource allocation.
- SBL 2002 has approved a new budget allocation process in which the approved budgetary plan is the legal basis for disbursement to spending units by the state treasury.
- Support for financial devolution to budget spending units is also seen in the application of block allocation (Decree 130) and the application of various forms of financial autonomy for public service delivery units (Decree 43).

### **3. Planning and Budgeting Processes**

The guiding legal document most directly related to annual planning and budgeting is the Prime Minister’s (PM’s) Directive on drafting SEDPs and budget allocation plans. For 5-year SEDPs before the planning period, the PM will issue a specific guideline directive for the process.

In practice, there are not generally many laws to guide and help monitor planning. For its framework the process has to rely instead on various other regulatory documents at different governmental levels and sectors. The basic pieces of legislation are the 1992 Constitution, which defines governmental agencies’ general tasks and mandates at various levels; the Law of State Organization (2002) from Articles 14 through 19, defining central authorities’ specific tasks and mandates; the Law of Organization of People’s Councils (PCs) and People’s Committees (PCs) (2003) defining tasks and mandates of provincial, district and commune authorities. Sectors must furthermore each base their development plans on relevant legal documents. For example, public investments must comply with Construction and Procurement Laws. The Child Care Law (2004) and Education Law (2005) specify the state’s responsibility to ensure universal compulsory primary education and free healthcare for children under six. Thus, the legal framework for SED planning is still rudimentary and lacks either concrete, enforceable documentation or specific methodological, procedural or content guidelines.

Different from planning practice, the legal framework for budgetary and public finance management is more detailed.

### **3.1 Organizational Structure of the Planning and Financing System**

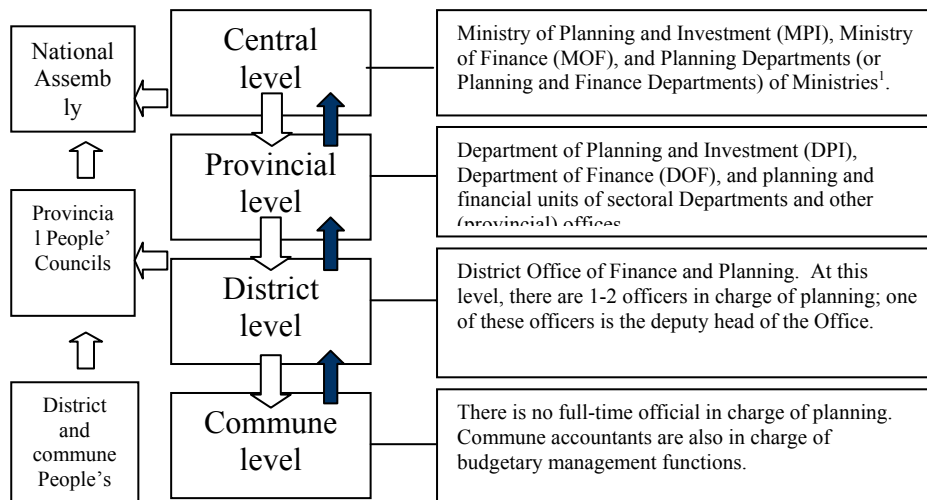
For the most part planning presently is undertaken at the ministerial, sectoral, and provincial levels. The National Assembly (NA) and People's Councils provide recommendations in the drafting stage and approve plans made at equivalent governmental levels. Planning practice has many longstanding weaknesses at the district and commune levels, and since the merger of two district-level agencies into the Division of Finance and Planning (DFP), planning roles have become even blurrier. Hence, it is no surprise that drafting socio-economic development plans (SEDPs) at the commune level has suffered. At the district level in almost every province, the number of financial officers far exceeds the size of planning staffs. There is no planning officer at the commune level<sup>9</sup> except for a couple engaged in financial affairs.

Contrary to predominant practice for planning, fiscal management has paid great attention to the four governmental levels and their equivalent budgetary levels (central, provincial, district and commune). With two stable financial functions of budget allocation and monitoring, public finance officers are quite professional. Figure 1 provides an overview of Vietnam's current system of planning and budgeting while Table 2 shows Vietnam's budgetary process.

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<sup>9</sup>There is no title of commune planner in the list of 19 legal titles for commune officers found in Government Decree N.121/2004.

**Figure 1: Current System of Planning and Budgeting<sup>10</sup>**



**Table 2 Budgeting Process in Vietnam**

	<b>Activities</b>	<b>Time</b>
Preparation of the budget plan	NA's Standing Committee suggests budget allocation norm and budget expenditure mode which is the base for building budget plan	Before May 1 <sup>st</sup>
	PM issues instruction on building state budget plan	Before May 31 <sup>st</sup>
	- MOF, MPI issue instructional guidelines - Ministries, central bodies and PCs instruct lower levels to build their budget plans	Before June 10 <sup>th</sup>
	Provincial authorities submit budget plans to MOF and MPI	No later than July 20 <sup>th</sup>
	MOF works with the central and local agencies, consolidating and building national budget plan.	From the end of June
	The Government submit to NA's committees for reviewing	Before October 1 <sup>st</sup>
Review, approval and allocation of the state budget	Committee of Economic and Budget Affairs (CEBA) reviews: - Execution of state budget and central budget for year N - Budget allocation scheme for central budget for year N+1	No later than October 5 <sup>th</sup>
	The Government makes a report after reviewing session of NA's committees	3 days after reviewing session
	Reviewing report made by CEBA	No later than October 12 <sup>th</sup>
	Standing Committee of NA comments	Before

<sup>10</sup> See Le Viet Thai's paper presented at the Experience Sharing Workshop in SEDP Formulation in Hoa Binh, March 1, 2007.

		October 18 <sup>th</sup>
	CEBA finalizes reviewing report before commencement of NA Congress	No longer than 10 days
	NA Congress is held where discussion, hearings and decision on the state budget plan and central budget allocation scheme are made	Before November 15 <sup>th</sup>
	The Government assigns state budget plan to central and provinces	Before November 20 <sup>th</sup>
	<ul style="list-style-type: none"> <li>- Based on the NA's decision, PCs (provincial people committees) adjust the drafted budget plan and then submit to PCcs (provincial people councils) to discuss and decide on local budget plans</li> <li>- PCcs decide provincial budget plans and provincial budget allocation schemes</li> </ul>	Before December 10 <sup>th</sup>
	The district PCcs decide district budget plans and district budget allocation schemes.	10 days after the People's Council's approval
	District assigns budget plans to communes and other budget spending agencies	Before December 31 <sup>st</sup>
Budget execution	The Government and PCs at all levels implement the approved budget plans	Within fiscal year
Finalizing budget accounts	The Government, PCs at all levels make the final accounts, submit to corresponding PCcs and NA for approval	18 months from the day of budget closing

*Source:* Consolidation from existing legal documents

#### 4. Local Economic Development Strategies

Local Governments formulate socio-economic development plans within the framework of the national sectoral master plans as well as the national socio-economic development strategy. The government supports capital investment projects in all provinces. Poor provinces benefit from the central government's national programs on poverty reduction. In the 1990s and 2000s, the government-initiated poverty reduction programs targeting the poor, who, according to the current criteria, have the monthly income below VND 200,000 if living in rural areas and VND 260,000 if living in urban areas. Poverty reduction programs also target communes and hamlets meeting the criteria of commune/hamlets with difficulties.

#### 5. Anti-Corruption Strategies<sup>11</sup>

<sup>11</sup> For detailed information on the implementation of the Law on Anti-Corruption, see the two reports assessing the implementation of the Law commissioned by the Embassy of Denmark in 2007 and 2009: Soren Davisen, Thaveeporn Vasavakul, and Nguyen Khac Hung, "Implementation Assessment of the Anti-Corruption Law", Hanoi, 2008; and Soren David, Thaveeporn Vasavakul, Nguyen Viet Ha, Hoang Ngoc Giao, and Maridel Alcaide Garrido, "Implementation Assessment of the Anti-Corruption Law: How far has Vietnam come at the Sector Level? - A Case-Study of the Construction Sector,"

Vietnam's National Assembly passed the Anti-Corruption Law in 2005 to replace the Anti-Corruption Ordinance of 1998. The Law became effective as of 2006. The central government promulgated guiding documents on the implementation of the Law, some of the key ones being:

- Decree 107 of the Government dated 22 September 2006, which regulates responsibilities of heads of bodies, organizations and entities using state assets and budgets in the event of corrupt actions by such bodies, organizations and entities
- Decree 120 of the Government dated 20 October 2006, which defines corrupt acts in detail and elaborates on certain aspects of the Law
- Decree 37 of the Government dated 9 March 2007, which stipulates detailed income and asset transparency guidelines mainly for state officials
- Decree 47 of the Government dated 9 March 2007, which enumerates in detail responsibilities of State agencies, press agencies, enterprises, associations, inspectorates and citizens in preventing and fighting corruption
- Decision 30 of the Prime Minister dated 31 October 2006, the Government action plan for implementing the Law
- Decision 64 of the Prime Minister dated 10 May 2007, which regulates, among others, gifts received by bodies, organizations, entities and state officials

In 2008, the Vietnamese government promulgated the National Anti-Corruption Strategy up to the Year 2020. It emphasizes both preventing and handling corruption cases, including reinforcing transparency in public administration, and enhancing the role of detection in the process.

Fighting corruption is a collective undertaking in Vietnam. The system of national and provincial steering committees was set up to direct, coordinate, inspect, and follow up on anti-corruption activities. In addition, the Supreme People's Procuracy Department of Prosecution and Corruption Investigation, the Government Inspectorate Bureau, and the Ministry of Public Security's Bureau of Corruption Criminal Investigation were set up in 2006 and 2007. The Government Inspectorate Anti-Corruption Bureau is responsible for carrying out inspection related to the implementation of the Law. In addition to these specialized agencies, the Ministry of Public Security, the Ministry of Defense, the State Audit of Vietnam, and the Supreme People's Court, the National Assembly are considered key agencies contributing to anti-corruption efforts. Finally, within the public administration, heads of agencies are responsible for both the prevention and detection of corruption.

## **6. Institutional Frameworks and Mechanisms of Relations, Representation and Accountability between Local Officials and Citizens**

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Hanoi, 2009. See also Thaveeporn Vasavakul, "Recrafting State Identity: Corruption and Anti-Corruption in *Doi Moi* Vietnam from a Comparative Perspective", Work in Progress presented at the workshop entitled "Remaking the Vietnamese State: Implications for the Region" organized by the City University of Hong Kong, August 2008.

Local officials are accountable to individual citizens. Vietnam's constitutional framework allows citizens to lodge official complaints and criticism against government agencies' and officials' decisions. The key legal framework that supports this right is found in the Law on Petitions and Denunciations.

Citizens elect local People's Council deputies to serve as their representatives at the commune, district, and provincial level. The key legal framework for the activities of the People's Councils includes the Law on Election of People's Council Deputies (2003), the Law on the Organization of People's Councils and People's Committees (2003), and the Resolution of the National Assembly Standing Committee no.753/2005/NQ-UBTVQH 11 (2005).<sup>12</sup> These laws govern the electoral process, the structural organization of people's councils, and deputies' functions. Each People's Council is comprised of a standing committee, working committees and deputy groups. All People's Councils meet twice annually. Sessions last from one to three days, depending on the level. The Law of 2003 outlines two key functions for elected bodies: to formulate resolutions concerning problems related to the jurisdiction, and to implement measures and monitor the activities of the People's Council Standing Committee, the People's Committee, the People's Court and the People's Procuracy. The current legal framework designates three units with monitoring responsibilities: the People's Council Standing Committee, the People's Council Committees, and Council deputies. There are three key areas of monitoring interest: specific issues arising from tasks implemented, regular monitoring at the biannual and annual meetings, and monitoring in response to public concern or press coverage. "Questioning" or "chat van" can be considered a monitoring method for individual deputies.

The Law requires that there be four annual 'meeting-with-voters' sessions. In addition, deputies may meet with voters at the latter's work places with assistance from the Office of the People's Council and the National Assembly Deputy's office in the province, or the head of the agency where voters work. The Vietnam Fatherland Front is responsible for coordinating with relevant local units such as the Management Board for Residential Areas to invite participants. The VFF is responsible for organizing meetings, while the head of the deputy group organizes the program. The VFF introduces the deputies. The head of the deputy group will present the results of the People's Council meeting and answer questions raised since the previous meeting in addition to collecting relevant opinions. Three reports will be drafted based on the meetings, one by the Standing Committee of the commune-level People's Council, one by the VFF, and one by the head of the deputy group. All reports will be submitted to the upper echelon. At the commune level, the Hamlet Management Board will invite voters. Generally, participants include the head of the unit, the head of the five mass organizations of the hamlet, and representatives of the households. The current legal frameworks reflect direct accountability of government units and officials to citizens, as well as indirect accountability through the system of elected bodies.

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<sup>12</sup> For a detailed analysis on the local People's Council, see Thaveeporn Vasavakul, "Report on the Analysis of Vietnam's Current Legal Framework for People's Councils: A Perspective from Ninh Thuan" (in Vietnamese and English), commissioned by the Strengthening of Ninh Thuan's People Councils Project supported by Oxfam-GB, March 2009.



## 7. Associational Context: Functions and Environment of Mass Organizations and Associations<sup>13</sup>

Two types of social organizations exist in Vietnam: mass organizations and civic groups. Prior to *Doi Moi* in 1986, most civic organizations were in one way or another affiliated with the VCP. The first “civic organizations” were mass organizations set up by the Vietnamese/Indochinese Communist Party prior to the August Revolution of 1945 and were later placed under the umbrella of the Fatherland Front of Vietnam, itself officially founded on September 10, 1955.<sup>14</sup> In addition to the Fatherland Front and party-affiliated mass organizations, other party-sponsored popular associations also were set up. To mobilize support from intellectual circles, in 1943 the Indochinese Communist Party set up the Cultural Association for National Salvation. In 1957, it was turned into the Vietnam Union of Literature and Arts Associations. In the 1950s and 1960s, professional membership associations also developed. In 1983, fifteen existing scientific and technological associations were placed under the umbrella of the Vietnam Union of Science and Technology Associations (Lien hiep cac Hoi Khoa Hoc-Ky Thuat Viet Nam – VUSTA).

After the endorsement of the *Doi Moi* reform and especially during the 1990s, the VCP and the government endorsed legal frameworks promoting the development of social organizations. The current structure of civic organizations in Vietnam consists of the following:

- (1) Umbrella associations in the form of unions and confederations<sup>15</sup>
- (2) Common associations of various sizes<sup>16</sup>
- (3) Issue-oriented civic organizations in the form of centers, institutes and clubs sometimes calling themselves Non-Governmental Organizations (NGOs)
- (4) Community-based organizations

Under a union, member organizations retain their management and operational independence. For example, organizations under the Vietnam Union of Literature and Arts Associations each maintain their own internal organization, recruit their own personnel, and set independent membership qualifications. All publish their own newspapers and periodicals, and some run their own publishing houses and clubs. Some are set up by associations, while some seek affiliation with associations in order to obtain official recognition more easily. NGOs have a looser relationship with the associations to which they are affiliated; they manage their own finances and recruit their own personnel. Some unions set up issue-oriented civic organizations/NGOs.

<sup>13</sup> This section makes use of the information in the report on the draft Law on Associations commissioned by the UNDP in 2006. See Thaveeporn Vasavakul and Mark Sidel, “Report to the Vietnam Union of Scientific and Technological Associations (VUSTA) and the United Nations Development Program (Viet Nam) on the draft Law on Associations,” February 2006.

<sup>14</sup> *Mat Tran To Quoc Viet Nam, Ky Niem (1994-1998)* (The Vietnam Fatherland Frong, 194-1998), pp. 29-30.

<sup>15</sup> For example, the Vietnam Union of Science and Technology Associations (VUSTA) is a union of associations, consisting of 119 member organizations, 16 of which are listed as unions, 84 as centers, and 18 as institutes. The Vietnam Union of Literature and Art Associations is also a union of associations, focusing on literature and the arts. It consists of ten member associations, *Ibid.*

<sup>16</sup> For example, the Vietnam Association of Gardening independently operates 61 branches in 61 Vietnamese provinces and cities with a total of some 700,000 members. The headquarters has 12 units including ten centers, one union and one newspaper, *Ibid.*

Association branches and most issue-oriented civic organizations work directly with community-based organizations and informal groups.

The development of associations has been explicitly recognized in Decree 88. Non-governmental scientific units and non-governmental units are recognized in various legal documents related to science and technology.

## **8. Grassroots Democracy and Citizen Involvement in Local Governance**

A number of legal documents govern direct popular participation. The Ordinance for Grassroots Democracy at the commune level stipulates the responsibilities of state management agencies at the commune level for informing citizens about the policies and laws of the state as well as local socio-economic plans. For the citizens' part, the Ordinance outlines the areas where citizens participate in discussion, decision, and monitoring. It details the development of the "hamlet-level" community that encourages residents' participation in giving opinions; in Vietnam the hamlet is not an administrative unit. The Ordinance assigns the VFF at the commune level to organize the vote of confidence for key positions in the People's Council and the People's Committee. It also has the right to propose to the commune-level People's Council the dismissal of those not qualified (individuals receiving less than 50% of the vote).

In addition to the Ordinance on the GRD, two additional legal frameworks also serve as the basis for direct local popular participation. Decree 99, dated 28 July 2005, specifies the establishment of People's Inspectorate Units at the commune ward level, at the public service delivery agency, and at the SOEs, the purpose being to "inspect compliance with the law, the handling of petitions and denunciations, the implementation of grassroots democracy, and anticorruption efforts".<sup>17</sup> In the case of the commune-level inspectorate unit, the unit's members are to be elected by representatives of local families or voters. The term of service is two years. The local Vietnam Fatherland Front, in coordination with the District-level Inspectorate, is assigned to provide financial support, train the unit's members and facilitate its general operation. The local authorities are required to take action on the recommendations of the People's Inspectorate. The People's Inspectorate Unit at the public service delivery unit and at the SOE follows a similar set of organizational principles. The units' members are elected by workers and staff members from the work unit. The Unit at the SOEs will be assisted by the Labor union branch, while the Unit at the public service delivery unit is assisted by that unit's head.<sup>18</sup>

Decision 80 of the Prime Minister, also issued in 2005, stipulates regulations on community monitoring of local investment projects. Investment monitoring evaluates the appropriateness of investment decisions in relation to a master plan for development. It also assesses the developer's compliance with regulations and guidelines for land use; architectural planning; construction; discharges; environmental safety; land clearance, compensation and resettlement; and investment planning progress. The key implementation agency is the Board for the Monitoring of

<sup>17</sup> See Nghi dinh so 99/2005/ND-CP ngay 28 thang 7 nam 2005 cua chinh phu quy dinh chi tiet va huong dan thi hanh mot so dieu cua Luat Thanh tra ve to chuc va hoat dong cua Ban Thanh tra nhan dan (Decree 99/2005/ND-CP dated 28 July 2005 to guid the implementation of the Law on Inspection related to the activities of the People's Inspectorate).

<sup>18</sup> Ibid.

Community Construction. The VFF sets up boards upon community request. Unfortunately, despite this exciting legal framework for direct community participation, little or no consultation currently takes place between construction-project decision makers and the local community—though at times consultation does take place with the head of the hamlet who is considered the representative of the community. Exceptions do occur with Program 135 and ODA projects that support direct popular participation and process transparency.

## **9. Local Governance System in Practice**

There are two challenges to the development of local governance in Vietnam. The first centers around the gaps between central government policies and local conditions, as well as between policy expectation and local capacity for implementing them. The second challenge centers around the identification of local governance models appropriate for Vietnam as a middle income country. Currently, the central government is carrying out two pilots. One is to abolish the organization of the People's Council at the district, quarter, and ward level. Another is to merge the position of the chair of the People's Committee and the Party Secretary at the commune-level administration. The results of these pilots will have implications on the overall configuration of Vietnam's local government system.

## **Section II The Kon Tum Experience**

Section II consists of sub-sections similar to Section I with an aim to identify gaps between current programs and their targets according to local experience, as well as gaps between current SPI support work and what is needed. Sub-sections include:

1. Development of the local public administration within the framework of Decree 13 and Decree 14
2. State Management decentralization
3. Planning and Budgeting
4. Formulation of pro-poor, socio-economic development plans (pro-poor SEDPs)
5. Implementation of the Law on Anti-Corruption
6. Institutional Frameworks and Mechanisms for Relation, Representation and Accountability between Local Officials and Citizens
7. Associational Context: Function and Environment of Mass Organizations and Associations
8. Grassroots Democracy and Citizen Involvement in Local Governance

### **1. Development of the Local Public Administration in Kon Tum**

#### **1.1 Organizational Restructuring of the Province and District-Level Specialized Agencies**

Kon Tum followed the reorganization guidelines stated in Decrees 13 and 14. These guidelines, following the organization of central ministries along multi-sector and multi-function lines, call for the re-organization of provincial and district specialized agencies. Kon Tum's Department of Home Affairs (DOHA) reported that the re-organization progressed smoothly. It referred to the province's good practice of job

description, claiming that it helped the province weather the waves of mergers and splits of local public administration without much difficulty.

From an organizational development perspective, restructuring has both advantages and challenges. One key advantage often cited is the reduction of provincial “intermediaries” from 24 to 19.<sup>19</sup> At the district level, the number of units in the city reduced from 13 to 12 while the number of units for the district remained the same, at 12. In addition to the reduction of intermediaries, another advantage is the clarification of each unit’s responsibilities. A third oft-cited advantage is that the multi-sector and multi-functional approach helps link related sectors to one another, allowing leadership to better plan development.

Nevertheless, the first year of implementation in Kon Tum has revealed a number of challenges to the process by which the central regulations are applied to the locality: consolidation of multi-sector and multi-functional local administrative units, sector incoherence, rural-urban governance differentiation, reorganization of staff members, and the separation of service delivery from state management agencies. Each of these challenges to implementation will be looked at in more detail in the following paragraphs.

Multi-Sector and Multi-Functional Units. The restructuring of the province and district levels have expanded the number of public administration units with multi-sector and multi-functional responsibilities. Comparatively, restructuring at the district level has generated a more complicated structure as the work of several sectors is combined into single units. For all rural districts in Kon Tum, the so-called Office of Trade and Industry covers responsibilities not only of trade and industry but also of construction and transportation. For the City of Kon Tum, Decree 14 mandates that the Office of Economics assume multi-functional tasks in sectors of Trade and Industry, Agriculture and Rural Development, Minority Affairs, and Science and Technology. In practice, Agriculture, Rural Development and Minority Affairs are sectors of concern for the City’s.<sup>20</sup> Decree 14 also added more duties to the Office of Urban Management, a unit which had previously existed, but its responsibilities were extended to cover Post and Telecommunications, Transportation, Construction, and Environment. The Office of the Labor, War Invalids, and Social Affairs assumed new responsibilities concerning Gender Equality and Children.

The rise of the multi-sector and multi-functional units at the province and district levels raises at least three issues: the redefinition of unit responsibilities in such as way to avoid overlap; planning, plan implementation, and reporting to relevant higher-level sector officials; and capacity building to carry out newly-assigned responsibilities.

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<sup>19</sup> These 19 units include two units considered “specially allowed”: the Department of Foreign Affairs and the Committee for Nationalities which are for those provinces that share a border with foreign countries and/or have a large minority population.

<sup>20</sup> Prior to the restructuring that followed Decree 14, the Office of Economic Affairs focused on Industry and Construction. The restructuring added new responsibilities such as Trade, Industry, Science and Technology to the department, while transferring Construction-responsibilities to the Office of Urban Management.

Sector Incoherence. The restructuring process not only called for mergers but also required splits and dissolutions. In Kon Tum, problem areas developed in the system of local Committees for Nationalities, the state agencies responsible for Population, the Office of Health, and the state agencies responsible for Forestry.

- Prior to restructuring, the Committee for Nationalities was organized at the province and the district levels. While the Committee at the province-level was retained, Decree 14 required that the district-level committee be dissolved and in its place a section on nationalities be set up within the Office of the Provincial People's Committee. In the city of Kon Tum, Minority Affairs was incorporated into the Office of Economic Affairs. In rural areas, general work went to the Office of Agriculture and Rural and Development while works related to Program 135 went to the district Project Management Unit (PMU). The Provincial Committee on Nationalities is of the opinion that it is somewhat difficult to enforce implementation at local levels without also having a lower echelon of administration.
- Regarding the management of Population, after the dissolution of the Committee on Population, Family and Children, the Bureau of Population was set up at the central level, and a Sub-Bureau of Population and Center for Population and Family Planning was set up at the district level. All of these required additional staff members while the Ministry of Home Affairs (MOHA) had not allocated any additional staff for Population to the province.
- Every district now has an Office of Health but the Department of Health's Center for Health is also responsible for state management and provision of health care services.
- Forest land is a key resource, but the size and position of the unit responsible for Forestry is now attached to the Agricultural and Rural Development sector; a sector which is not commensurate with its responsibilities.

Rural and Urban Differentiation. Decrees 13 and 14 include separate guidelines for state management units in urban and rural areas. In practice, a more systematic discussion of rural and urban governance-models is needed. A review of the Kon Tum experiences calls attention to at least three challenges that arose in the attempt to differentiate systems of rural-urban governance.

First, the Vietnamese government is currently in the process of piloting the abolition of ward and district-level People's Councils. This move will have an impact on the current organization of local public administrations; the City People's Committee, the Quarter People's Committee, and the Ward People's Committee. It will also affect the way in which different administrative levels relate to one another.

Second is the differentiation between rural and urban public administration systems. Currently, the two sub-systems have a similar leadership structure; one chair and two vice chairs responsible for Economy, Society and Culture. There is no vice-chair responsible for Urban Management *per se*. In addition, it is common that many centers considered "urban" include a substantial number of "rural communes". The city of Kon Tum consists of 21 communes, 11 of which are rural. Among the 10 urban communes, or wards, only one is without any agricultural land. In Kon Tum, the continuing importance of the rural sector in an urban setting is clearly reflected by the strong presence of this section within the Office of Economic Affairs -an Office

which operates within an urban area and utilizes 16 staff members. Minority Affairs work is the second concern in rural areas where agriculture and rural development are considered the most important sector, utilizing five of its six staff members. They are in charge of agricultural and service programs (such as Programs 168, 134, 135) which target minorities living in the city hamlets.

Finally, within the context of coexistence between urban and rural features, there is a need for greater differentiation between different socio-economic development planning components, especially the distinction between poverty-alleviation strategies in urban settings versus rural settings.

Restructuring and Staff Size. Although one of the objectives of the restructuring is a reduction in the number of civil servants, in Kon Tum, the staff size remained the same in the year 2008. In 2009, several units reportedly requested additional staff members. Contrary to many localities where the number of deputy director positions increased substantially, DOHA reported that specialized units retained the maximum limit of three deputies as required, although there were a few cases in which four were retained as the additional deputy was in the process of retirement. Table 3 shows the staff size of Tu Mo Rong prior to and after the restructuring.

Table 3 Staff Size at the District Level Before and After Restructuring: The Tu Mo Rong Case

District Offices	Number of Positions – Decree 172 (2007)	Number of Positions – Decree 14 (2009)	
		Total Number of Positions as Allocated	Actual Number of Staff Members
1. Office of the People's Council and the People's Committee		16	20
2. Office of Home Affairs		7	6
3. Office of Labor-War Invalids and Social Affairs		7	8
4. Office of Finance and Planning		7	8
5. Office of Agriculture and Rural Development		7	12
6. Office of Legal Affairs		3	2
7. Inspectorate		3	4
8. Office of Natural Resources and Environment		6	8
9. Office of Trade and Industry		8	10
10. Office of Education and Training		7	4
11. Office of Culture and Information		3	3
12. Office of Health		4	3
13. Reserve		4	
<b>Total</b>	<b>75</b>	<b>82</b>	<b>88</b>

Sources: UBND Huyen Tu Mo Rong, “Phuong an sap xep to chuc, bo may cac co quan chuyen mon thuoc UBND huyen Tu Mo Ron theo ND so 14/2008/ND-CP, gay 04/02/2008 cua Chinh Phu,” ngay 25 thang 5 nam 2008.

Separation of Public Service Agencies from State Management Agencies. Despite a generally recognized clearer division of tasks, the distinction between public service delivery and state management functions remain unclear in many sectors. This is particularly the case with the district and commune-level offices under survey. For example, the Labor, War invalids and Social Affairs unit operating in a poverty stricken district such as Tu Mo Rong spends a substantial amount of work time delivering poverty-alleviation services. A similar situation can be seen in other specialized district-level units as well. This situation, to some extent, may reflect the practical need of coming into direct contact with the population for service delivery purposes. Yet, without a clear separation of service delivery and state management work, it is unlikely that local government units may actively serve to provide a “bottom-up” input for socio-economic development planning.

## **1.2 Emerging Priorities in the Areas of Organizational Reform**

1.2.1 The aforementioned challenges to implementation have prompted the need to conduct in-depth research on the restructuring of the specialized agencies at the provincial and district-level administration within the framework of Decrees 13 and 14 with emphasis going to the following areas:

- Review of the division of responsibilities of multi-sector and multi-functional units to improve internal coherence and the staff size of various administrative levels
- Review of policy options to separate service delivery work from state management work at the local government level
- Review of approaches to human resources development for newly-assigned management responsibilities, especially for minority officials

1.2.2 Support the study of urban government models and their implementation

## **2. State Management Decentralization in Kon Tum**

In the area of decentralization, two problems have been identified: decentralization among local administrative levels in cross-cutting management areas such as Planning and Investment, Finance, and Personnel Management; and the degree of decentralization to the urban and rural government.

### **2.1 Decentralization among Local Administrative Levels**

#### **Planning and Investment**

Kon Tum, like other provinces, relies on five-year plans and shorter, annual plans for its management timeframe. In addition to these annual and five year plans, different sectors also formulate their own sector master plans. With the exception of the few communes in Dak Ha and Tu Mo Rong District participating in the UN Kon Tum project, most of the specialized agencies at the province and district levels follow the planning process issued annually by the Ministry of Planning and Development (MPI). Communes are asked to submit plans with required figures for the district to compile. Figure 2 outlines the planning process in Kon Tum.

In practice, few communes manage to produce plans or finish plans on time. The District's Office of Finance and Planning works on its plan and submits it to the Department of Planning and Investment (DPI). The District planning officials rely on information or plans provided by the commune, statistics collected by the commune officials and the statistical section of the District, as well as information from other sectors. The DPI formulates a provincial plan based on district plans, as well as its own sources of statistics. There are also inputs from sectors at each administrative level to the plans formulated by the district planning officials and the DPI. The draft provincial plan is submitted to the MPI, which will make suggestions or amendments in order to balance resource allocation.

Decentralization of investment decisions follow the general regulations stated by Government Decree.<sup>21</sup> The district-level administration decides on projects under five billion VND while the commune-level administration decides on projects under one billion VND. However, there has been a delay in implementation; while the decree was issued in 2005, it has only been recently that the decentralization of investment decisions on projects under five billion VND have been delegated from the province to the district.<sup>22</sup>

### **Budget Decentralization**

Being one of the poor provinces in the Central Highlands, Kon Tum received substantial subsidies from the central government, covering 65% of its budget. The subsidies included capital expenditure for targeted areas and National Target Programs. In the area of finance and implementation of the State Budget Law, Kon Tum's practices have had both positive aspects and limitations.

As stated in the State Budget Law, the Provincial People's Councils can set the spending norms to be followed by districts and communes. A review of the Kon Tum People's Council decision on the allocation norms for the budget stability period of 2007-2010, indicates the following:<sup>23</sup>

- On the decentralization of budget revenue and expenditure assignment to local governments, the Kon Tum provincial authorities have been transparent. By August 2007, Kon Tum had become one of 21 among the total 63 provinces applying the budget allocation formula to allocate its budget to the district and commune. Similar to the central criteria, the allocation norms<sup>24</sup> to localities reflect actual, local situations, taking into consideration the number of public servants, the size of the population, the level of poverty, the level of development, and the additional allocations for communes with an international border. However, the recurrent expenditure allocation norms do not consider differences between urban and rural areas; the exceptions are in the areas of the expenditure of economic services and environment.
- For capital investment allocation, the principles, criteria and allocation norms of development-capital investment from province-owned funds to districts are similar to the criteria used by the central government when allocating funds to

<sup>21</sup> Decree No. 16/200/ND-CP dated 7 February 2005

<sup>22</sup> Lack of capable staff could be the main reason for this delay. See UNDP report on LCA of Kon Tum, 2007 (carried out by VASS, UNDP, and Kon Tum DPI).

<sup>23</sup> Kon Tum People's Council Resolution 10/2006/NQ-HDND dated 11/12/2006 on the allocation norms and budget decentralization, 2007-2010.

<sup>24</sup> Ibid.



the provinces. Priorities go to the repayment of advances and loans, projects having acquired investment documentation or on the approved list, and other crucial projects. This approach may deprive poorer localities from acquiring funds that they should have received.

- Regarding decentralization in revenue collection assignment, the city and districts have creative ideas on potential sources of revenue in the areas under their jurisdiction even though they are not assigned revenue collection responsibilities. The proportion of revenue collection assignment sharing between province and lower levels is different between Kon Tum City and other districts, though there is no difference between the districts. Given different geographical conditions and levels of development among the districts, it is necessary to use different norms. However, between district and commune, there is a difference in revenue collection assignment sharing between urban and rural areas. There are also some differences as required by the State Budget Law in the direction of more decentralization to the communes. For example, in Kon Tum, the communes, not the wards, receive 30% of the revenue from the VAT and income taxes from private enterprises located in the area. This is a good incentive as it creates motivation for communes to be responsible for supervising, controlling, and providing a good operating environment for the enterprises in commune areas. As stated by the State Budget Law, at least 70% of revenue collection on land transfer right taxes, taxes on land, houses, and licensing taxes should be kept by communes (wards). In Kon Tum, a large proportion of revenue collected on land transfer right taxes and taxes on land and houses, license taxes, charge of land and house registration is allocated to the commune and ward. Unfortunately, the revenue from these sources is not stable. If the commune/ward cannot collect, it will be very difficult for the commune/ward to balance its expenditure and be autonomous in its budget execution. As for licensing taxes, while each ward can keep only 50% of this revenue collection, communes could keep 100% of any revenue collection. As for land charges and housing registration, for the urban area (that is, the City of Kon Tum), the city could keep 70% and the rest for wards while for rural area, the situation is opposite. Districts keep 30% and communes keep 70%. Kon Tum is one of many provinces that has decentralized to the urban district to keep 50% of the registration charges for other properties (not including revenues of land or houses) for its urban investment development fund.
- Regarding decentralization and budget management, the provincial and district budget plans strictly follow the format provided by the Ministry of Finance (MOF).<sup>25</sup> Commune budget plans<sup>26</sup> use formats regulated by MOF Circular 60/2003/TT-BTC dated 23 June, 2003. Generally, local budget planning and the budget's structure and content follow the provisions of State Budget Law. The People's Committee instructs local budget planning each budget stability period. Nevertheless, at the district/city level, the Team has found there are two targets in the budget plans, one in accordance with central targets and the other approved by the Provincial People's Council. Those targets are different. It is also noticed that, particularly at the commune level, estimates of revenues

<sup>25</sup> See Circular 59/2003/TT-BTC dated 23/6/2003 guiding the implementation of Decree 60/2003/NĐ-CP dated 6 June, 2003, of the Government regulating the Implementation of the State Budget Law and Circular 64/2007/TT-BTC dated 15 June, 2007, of the MOF to regulate the budget planning for 2008.

<sup>26</sup> The team had access only to one ward budget plan.

and expenditures are revised 3 or 4 times each year. The revisions are usually due to administrative expenses, organization of conferences, procurement, repair work, capital investment, or implementation of new policies. There is no obvious link between planning with budgeting at the commune level.<sup>27</sup>

Although the province did set the allocation norms for the budget stability period of 2007-2010, each year, in conflict with the nature of budget stability, the budget planning process has to go through the same process of revision by each spending unit. Communes and spending units at the district level received budget assignments in January of the following year -normally not before December, as indicated in Table 1. The team was very pleased however, when it saw the detailed publication of one budget in one Kon Tum ward.

### **Financial Management of the State Management Agencies and Public Services Delivery Agencies**

Guidance for the financial management of state and public service delivery agencies is seen in two Government Decrees, Decree 130/2005 and Decree 43/2006. These decrees are aimed at increasing the financial autonomy and financial accountability of spending units as well as separate administrative functions from service delivery functions, and provide spending units more autonomy in reorganizing and rewarding their work performance.

Kon Tum has reportedly progressed well with the implementation of the two Decrees. At the province level, all state management agencies and public service delivery units have implemented the two decrees. For 2008, the allocation of recurrent expenditure for administrative agencies was linked with the actual operation and needs of the provincial administration agencies. This budget allocation was seen by different departments as an improvement as it responded more or less to their actual activities and needs. At district and commune levels, however, budget allocation is not linked to the actual operation and needs of the agencies: the allocation of the budget for recurrent expenditure is based on wages while operational expenses are allocated to all agencies/communes equally (for Tu Mo Rong district and communes). This creates a situation where units run short of money and have to request for additional funds several times during a year.

While the city of Kon Tum reported the complete implementation of Decree 43, not all public service delivery units in the districts under review actually implement it. Most of the cases regarded schools in remote areas with few classes. It is reported that government agencies implementing Decree 130 are more responsible for their work and their spending decisions because the savings from recurrent expenditure allowed by Decree 130 can help staff members increase their income and the heads of the agencies are in a better position to reward staff members according to their performance. Kon Tum has not yet had a province-wide report on how public service delivery units have improved due to the implementation of Decree 43. A report from one district, nevertheless, indicates that since schools implemented the mechanism outlined in Decree 43, they could pay bonuses to their teachers who in turn became more active in working with parents to get children to go to school.

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<sup>27</sup> Ward financial staff mentioned that basic commune budgeting for next year increased 5% from the previous year's budget. In practice, commune budget planning is in difference with actual budget by about 30%.

### **Work of the State Treasury**

It was reported by the provincial Treasury that during 2008, there were many new regulations and changes in existing rules relating to investment, procurement and expenditures for receiving guests in the province. That led to difficulties for the Treasury in being able to control fund disbursement. At the same time, explanations and guidelines to customers are not uniform among Treasury agencies, which has led to delays and unsatisfied customers. As mentioned by a district officer, at the time being, some National Target Programs (168 and 134) do not have yet their code numbers in the Treasury system which actually creates a difficult situation for spending units in getting the funds to manage their work. At this moment, some the TABMIT system is being piloted and province Treasury and Finance officials do see the advantages of the system.

### **2.2 Decentralization to the Urban Public Administration Unit**

Regulations on planning, budgeting, and personnel management are similar across sectors. However, each sector at every administrative level has its own management approach toward decentralization. In the early 2000s, Kon Tum followed the general legal framework of decentralizing some sector responsibilities to the district.

Similar to many provinces, contention over the degree of sector decentralization can be seen in the relationship between the province People's Committee, the provincial specialized departments and the City under the province. In Kon Tum, the authorities of Kon Tum City have pointed to the areas where decentralization responsibilities need to be clarified, especially in areas of master planning, land registration, investment decision making, compensation for land clearing, finance and personnel.

#### **2.2.1 More Responsibilities to the Commune-Level Administration**

In the 2000s, the commune-level administration was assigned more management responsibilities, especially the urban ward. A closer look at Quang Trung Ward in Kon Tum sheds some light on the scope of responsibilities of local officials.

According to the general regulations, the commune-level administration consists of nineteen positions; five leadership positions and seven commune officials responsible for: household matters and legal affairs; finance; administration; land; culture and society; security and the army; and members of mass organizations. In practice, in Quang Trung Ward which is a key ward of the City, the number of personnel is larger than stipulated by the current legal framework owing to perceived required work (Table 4). Most ward officials are engaged in case work -handling practical problems that may occur in the locality or coordinating with upper echelons having to work in the area. Ward officials also serve as key contacts for gathering information to submit to the upper echelon. The commune-level administration relies on the system of hamlet heads to help gain access to the local population. The hamlet heads are not considered officials.

A similar problem on the staff size can be seen in rural communes although contention over staff has tended to focus more on need for officials responsible for land, planning, and poverty alleviation.

Table 4 Overview of Civil Servants (full time and contract) in Quang Trung Ward, Kon Tum City

<b>Positions</b>	<b>Type of work contract</b>	<b>Responsibilities</b>
Finance	Full time staff	Finance and Accounting
Administration 1	Full time staff	Administrative Affairs for the People's Council and the People's Committee
Administration 2	Contract; to be processed for a full time position	Statistics
Legal Affairs 1	Full time staff	Household legal matters
Legal Affairs 2	Contract; to be processed for a full time position	
Land Administration	Full time staff	- Land issues including certification of land use rights, coordination with the Legal Affairs sector to propagate laws on land, coordination with mass organization to do reconciliation, and coordination with the health sector on environment. - Environmental issues including small scale public problems such as noise.
Urban Management	Temporary staff sent through Decision 253	Compliance to construction regulations by citizens, use of public space for commercial and other purposes, and coordination work with the upper echelon on land compensation, inspection of enterprises, construction of infrastructure (water, electricity....)
Culture and Communication	Full time staff	
Labor, War Invalids and Social Affairs	Full time staff	Social policy and poverty alleviation
Population and Children	Contract	Population and children
Clerical work		Correspondence and archives
OSS and certification	Contract	Administrative procedures; certification related to land will be transferred to the public notary office

Although increases of the staff size, to some extent, reflect the delegation of tasks and coordination responsibilities to the grassroots level, there has been so far no system-wide analysis of the commune-level responsibilities within the larger context of the local governance system to serve as the basis for the determination of staff sizes.

While there are signs of decentralization of management work to the commune-level administration, the degree of financial decentralization remains limited. So far, it is mainly done through Government Program 135 which serves to allocate funds to communes and hamlets. The Program requires that the province delegate decision making on investment and the management of local projects to the commune level.

### 2.3 Recommendations for Decentralization

- Conduct detailed and comparative studies of the process of decentralization among provinces to identify challenges
- Review of the pros and cons of sector decentralization: organizational management, health care, capital construction, land management, urban management, and finance
- Identify the position of rural and urban communes within the overall local government system
- Strengthen commune level administration through salary reform and start a system of rotating officials from the upper echelon to the commune and vice versa.

## 3. Planning and Budgeting <sup>28</sup>

### 3.1 Planning

According to regulations, the central government gives planning instructions to the province, and in a similar fashion, the Province gives instructions to the Districts. Following the instructions, the Districts develop their plans to be integrated into the Province Plan, which, in its turn, will be submitted to the central government. Figure 2 maps the current system of planning.

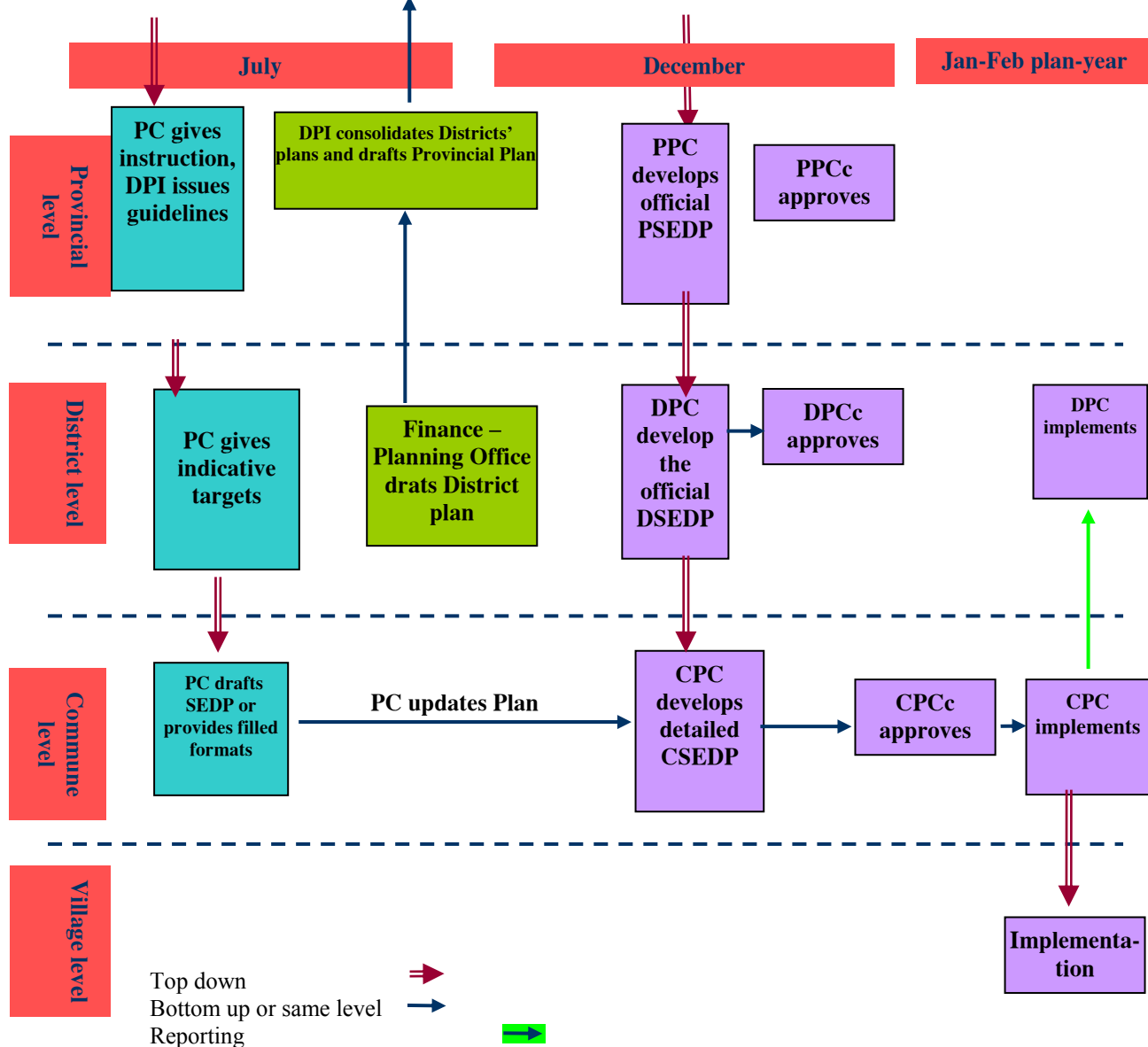
The key highlights of the process in Kon Tum, possibly similar to other provinces, are as follows:

- At the provincial level, within time constraints, the Departments make their plans in a simple way. They tend to revise the previous year's plan without knowing the current availability of resources.
- At the district level, there is a variety in planning procedures normally not following the MPI's instructions. In the three visited districts, Dak Ha, Tu Mo Rong, and Kon Tum City, the District/City Division of Finance and Planning (DFP) informed the Team that they have to draft the District Plans using data from related divisions and previous plans without consolidating all the Communes' plans. This is because the DFP cannot wait within their time constraints, and that the quality of commune plans and statistics are well known to not be reliable.
- Planning at the commune level, in practice, is carried out during different times of the year. Some communes plan by middle of July, and some only do once at the year-end. Because the District cannot wait for the Communes' plans, the Communes, having been assigned planned targets by the District, if any, are not under pressure to make their plans until December. Moreover, in the one of communes visited, beside the SEDP, the commune still had to prepare a plan for Project 135 II, a Commune Development Plan, in addition to another SEDP for the UNDP Kon Tum Project.

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<sup>28</sup> There is a substantial numbers of studies on planning and budgeting by different donors for different provinces, including Kon Tum. The information in this chapter is also drawn from existing studies while taking into account of assessment of actual situation of Kon Tum Province

**Figure 2: Local Planning Process in Kon Tum**



Source: Discussion with planners and district and commune officers.

### 3.2 Budget Planning

Generally, local budget planning and format follows the provisions of State Budget Law. The People’s Committee leaders issue instructions providing for local budget planning in accordance with each budget stability period. These instructions take into account: revenue assignment demarcation, expenditure assignments, percentage of shared revenues between budget levels, and allocation norms of the local budget (recurrent expenditures). The Province People’s Committee (PPC) issued Decision numbered 210/2006/QĐ-TTg dated 12 September, 2006, to provide principles, criteria and allocation norms for development investment by the State Budget in 2007 – 2010.

<sup>29</sup> The Team has found the following:

<sup>29</sup> PPCc resolution numbered 10/2006/NQ-HDND dated 11 December, 2006.

- Initial revenue and expenditure estimation had been revised more than 3-4 times each year, particularly at the commune levels. The added items are usually expenditures for administration, organization of different conferences, procurement, repairs, capital investment, or implementing new policies (for example, revising the planned expenditure for salary increases from 350.000 to 450.000 per month in 2007).
- Budget allocation at the province-level was linked with actual operational needs for provincial administrative agencies in comparison with the previous year, as reported by provincial spending units. This is quite an interesting innovation in Kon Tum province in this allocation methodology. By 2007, there had been a proposal from the DOF to allocate the recurrent expenditure for administrative departments according to its specific works requirements. This budget allocation was seen by different departments as a better response to their actual activities and needs.
- At the district level, however, budget allocation is not linked to the actual operational needs of the agencies. In each district that was visited, allocation of the budget for recurrent expenditures were based on wages; expenditure for operations were divided equally among the agencies. For the city, allocation is also based on wages; expenditures for operations are allocated to agencies by the principle of 70% for wages and 30% for operational costs. This allocation makes difficulties or lead to debts in recurrent expenditures. In some provinces, allocation norms applied to all agencies with different functions and tasks causes some agencies to have to cut the number of business days due to resources being unavailable while some others have had to remove planned activities due to exceeding norms.
- Particularly, city budget allocation for commune expenditure is only 0.25% of total recurrent expenditure and is equally distributed among all communes/wards. This is in accordance to the PPC decision to allocate in proportion to 5% of the total recurrent expenditures of the commune. This created a situation where communes and wards do not have enough resources for their activities and have to request additional budget assistance from the district DFP several times during a year.

In sum, budget allocation is not linked to expenditures' effectiveness, though this was agreed to by the head of the DOF. The budget is allocated without priorities. Budget allocation is still egalitarian rather than priority setting. There has so far been no assessment of budget-effectiveness. The team was informed that district officers sometime discuss budgeting over the phone with communes. Commune agencies and mass organizations in the visited districts are not making their budget plans, which, as regulated, have to be sent to the Commune accountant. The pilot budget planning process that involves the community participation introduced by UNDP Kon Tum Project, is being exercised in 4 communes of the two pilot districts, but neither has been integrated into the current process. Agencies at all levels are not proactive in budget management. There is usually a big difference between the estimate and actual

expenditure, For example, the difference between original budget estimate and current expenditure of the ward was about 30%,<sup>30</sup> and for the city budget it was 34% in 2007.

#### **4. Formulation of pro-poor socio-economic development plans**

While the planning and finance sections are responsible for the final draft of the plan, different sectors contribute to the plan content. In Kon Tum, most of the provincial departments under review have their sector-plans while the district-level offices formulate some kind of annual plan. The district gathers information from each commune and ward and then compares it with information from the statistical office, the taxation department and the land section.

There remain limitations in the planning process at the district level, itself considered an intermediary level. First, local units plan within the framework of the national target and the provincial programs. There is no strong motivation to formulate a plan outside of the existing potential sources of funding. Secondly, statistics from the locality are not always authoritative. The intermediaries for information gathering are the chair and vice chair of the commune-level People's Committee who in turn rely on their officials and hamlet heads. It is argued that the accuracy rate of information presented by the commune is between 50 and 70%.

##### **4.1 Poverty Alleviation Planning**

In Kon Tum, there are three key poverty alleviation efforts. The first are central government programs on education, health care, infrastructure, and housing. The second system includes programs from the province which focus on loans in kind without interest, instead of loans in cash, to poor households. The third effort comes from international NGOs: one uses cow-raising and other means to provide job training and initial capital for the poor and the handicapped. These programs are administered by various provincial departments which in turn have decentralized them to district-level administrations. A close look at Kon Tum reveals a number of areas to be considered for strengthening the effectiveness and efficiency of poverty reduction programs.

Implementation of poverty alleviation. Poverty alleviation work is coordinated by a committee at the provincial and district level. A deputy chair of the province serves as the chair of the committee while the Department of Labor, Invalids and Social Affairs (DOLISA) serves as the standing unit coordinating different departments. A similar structure is found at the district level. At the commune level, there is only a Committee overseeing the implementation of poverty alleviation programs. Members are agencies responsible for different programs: Education, Health, Minorities, Agriculture and Rural Development.

At the provincial and district level, there are officials responsible for poverty alleviation. At the commune level, the current commune structure designates one official to be responsible for Culture and Society Affairs. This person is responsible for both cultural areas as well as areas related to social policies in general. There is no poverty alleviation official as such, although it is strongly recommended by the DOLISA that at least 60% of an official's full time work be allocated for poverty

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<sup>30</sup> Public Financial Report for Quang Trung Ward PCs by June 2009



alleviation. In practice, each commune has a different strategy. Some have a part time official. Some contracted a person to work as a poverty alleviation official while some assigned existing cadres with additional responsibilities for poverty alleviation.

Agriculture and Rural Development. The agricultural sector contributes to poverty alleviation through its extension programs and the provision of seeds as well as loans. In practice, most of the service work related to extension, veterinary, and food protection met with difficulties ranging from the level of education of the minority population, the ability to apply knowledge, difficult terrain, scattered residential patterns, and scattered patterns of crops.

A major part of Kon Tum's land is forest land. Forest management thus is also considered an important management task. At the moment, illegal logging is a major problem. A reasonable forest management regime will motivate the population not to help illegal loggers. The apparatus responsible for forest management is not strong as the area of land is large while the staff size is small.

Implementation of Program 135. Program 135 involves a series of features promoting community participation in capital construction projects; it requests that the province assign all the 135 communes to serve as developers/project owners by 2010. In Kon Tum, 31 out of 51 communes have been assigned to such a position by mid-2009. Program 135 involves training, but training is not effective as local officials do not follow the instructions. The government program requests that the local community participate in the implementation process in order to raise their income. But the contractor does not hire the local population and there are no punishments if this stipulation is not implemented.<sup>31</sup> Program 135 also requires that the local population participates in the monitoring process and that the process of final transfer of the project has to involve the head of the community monitoring board. Actual implementation varies from locality to locality. In most cases, a board of two people is set up, consisting of the chair of the People's Council as the head and the chair of the local Vietnam Fatherland Front (VFF) as the deputy head.

Trade and Industry. Currently, Kon Tum has three industrial zones, two in cities and one in Dak To district. The spearhead industries are: agricultural processing, hydro-electric power, and the processing of natural resources for construction. Most of the enterprises are private, from outside the province. The Department of Trade and Industry has provided two types of services, trade promotion and vocational training related to trade and industry. Local enterprises do not enthusiastically participate in trade fairs although the Department subsidizes 50% of the expenses. This is because their resources are limited and also because company competition is not high. The capacity of local enterprises is low; most of them have not received any training. Kon Tum has a small-and-medium-sized enterprises club, but it has not been actively advocating for members. In the area of vocational training, the Department follows the extension programs designed by the central government. It has for example provided training on weaving and handicraft objects.

Poverty Alleviation in Kon Tum City and Quang Trung Ward. The City has 21 commune-level units (ten wards and 11 communes), most of which are considered to

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<sup>31</sup> The contractors are private enterprises located in the district.

be in the poor category. There are reportedly eight hamlets with over 40% of the population living in poverty.<sup>32</sup>

A small experiment with two poor hamlets in Quang Trung Ward shows that there is a need to rethink how to approach poverty alleviation in urban settings. First, most of the poverty areas are inhabited by minorities. Second, as the Kon Tum undergoes urbanization, the use of agricultural means to solve poverty problems is not sustainable. Most of the households do not have sufficient land and means for agricultural production. Third, an alternative occupation for the poor is a key issue. Kon Tum city has attempted to promote the handicraft industry. Nevertheless, prices are high and there is no market for the product yet. The experience of Quang Trung Ward also shows that it is difficult to eliminate poverty if the poor are single or elderly. One of the approaches emphasized is sharing. Another is resettlement for the young to a different locality. This will allow them more space for agricultural endeavors. Nevertheless, resettlement has to be decided by the Province. In sum, due to the absence of land as the key means of production, the government will have to turn elsewhere for solutions. Capital is one of the areas that needs attention.

#### **4.2 Local administration, Public Finance Management and Public Services Delivery**

As reported, the province is quite well in implementing government decrees 130/2005/QD-TTg and of 43/2006/QD-TTg. All public administrative agencies and almost all public services delivery agencies in the education and health sector are “enjoying” autonomy under the two decrees. It is reported that as the autonomy of agencies increases, agencies are more responsible for their works and more responsible in every spending decision, because the savings from recurrent expenditure can help staff increase their incomes, and heads of agencies are in better positions to award staff members according to their performance. For improving public services delivery due to implementation of Decree 43, there is not yet any officially reported information, however there is one report by district staff. The district staff explained that since the implementation of the mechanism in schools, it has been able to pay some more bonuses to teachers who in turn have more actively gone to children’s households to convince them to go to schools.

At the province level, all public administration and public service delivery units are implementing the two decrees. For the visited districts, all public administration units have implemented Decree 130/2005, but not all public service units have implemented Decree 43/2006. The main problem is with schools in remote areas, which have only few classes. For implementation of 130/2005; the main issue is that allocation of recurrent expenditures for public administration units is not linked with their actual activities and needs. As mentioned above, this situation is more serious for district agencies when considering their current work and actual allocations.

New functions of most of district/city divisions are stated as advisory to District People’s Committees on certain technical areas. However, those functions sometimes are not performed as ideally as they are supposed to be. Those functions indicate

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<sup>32</sup> As of 31 December, 2008, the City had 2,332 poor households with 10,718 people, or 7.83% of the population. Ethnic minorities form a major part of the poor, totaling 1,673 households and 8,362 people.

public service delivery works. District division staff are supposed to work on other projects considered “services-provided”. For example, for district DOLISA, many of the staff have to distribute social benefits to local people. For the Urban Management division, the staff has to do project-appraisal work, which could just as well be done by a consultant. For DFP, the financial staff has to work on land clearance and appraisal compensation issues.<sup>33</sup> All of these works require increasing demands on time. At the province level, some type of so-called public services delivery has been transferred to a newly created center which functions as a type of public-services delivery agency. For example, the Center of Land Administration and Measuring was separated from the Department of Natural Resources and Environment (DONRE). At the district level, this separation has not happened yet. One of the reasons why staff workers are interested in these services is that they could get additional payments, as regulated. So in fact, the work and time for state management issues of public administrative agencies at the district level in Kon Tum is quite small while the work and time for public services delivery for some agencies at the district level are much more. This situation is more serious for districts having high rates of poverty and low levels of economic development, such as Tu Me Rong district. Looking at this aspect, one could say that given such local administration and allocation; public resources have not been used efficiently.

### 4.3 Recommendations

Kon Tum is a poor province subsidized by the central government. The key is to improve the efficiency provided funds as well as to make sure that funds are directed to the right needs. This can be done through the following three measures:

- 4.3.1 Conduct research to assess the impact of the government’s poverty reduction programs on the poor
- 4.3.2 Conduct comparative research on public administration models for the promotion of pro-poor growth with emphasis on service delivery
- 4.3.3 Deepen the planning process with emphasis going to short-term strategic planning targeting poor areas. Specifically,
  - Strengthening of the support to participatory planning on poverty reduction (including planning for agricultural production and training) in poor communes
  - Strengthening of the system of sanctions to ensure popular participation in the monitoring of Program 135
  - Strengthen planning in the areas of trade promotion and vocational extension in trade and industry
- 4.3.4 Differentiation of poverty alleviation planning and poverty alleviation mechanisms in urban and rural areas with consideration going to the following elements: (1) master planning for the City; (2) development of clusters of industrial zones by the province and manufacturing industries by the City in coordination with the Department of Trade and Industry; (3) preparation of agriculture and non-agricultural labor; (4) preparation for future emerging problems related to land, requirement of vocational training for

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<sup>33</sup> Kon Tum City PC decisions: N. 484QD-UBND dated 23 February, 2009, on regulation of organization and function of Kon Tum City DFP; N 481/QD-UBND on Regulation of organization and functions of Kon Tum City Economic Division; Performance Report of Urban Management Division of Kon Tum City by May 13, 2009

industrialization, and transfer of labor from agriculture to industry; and (5) promotion of trade.

## **5. Implementation of the Law on Anti-Corruption**

The Kon Tum Provincial Steering Committee (PSC) was set up in December 2007 but only began to operate in April 2008. Members of the Steering Committee include the chair of the People's Committee as the head and the Chair of the Party Control Commission of the province as the vice chair. The PSC's working unit consists of five specialists recruited from the Internal Affairs sections, all of whom are full-time. In the province, Dak Ha District, the State Bank, and the Police also set up a steering committee after the Law on Anti-Corruption (LAC) came into effect. Although this is not within the framework of the National Assembly Resolution on provincial anti-corruption agencies, there is no attempt to dissolve them. At the district level, the intermediary is the District Inspectorate. The District's People's Committee with assistance from the Inspectorate unit reports to the Steering Committee.

### **5.1 Implementation of the Law on Anti-Corruption**

The PSC began to develop a plan in 2009, following the guidelines from the National Steering Committee. It adopts prevention as the key strategy while having measures to handle corruption cases that have been discovered. It also considers the strengthening of inspections as key. DOHA and the provincial inspectorate coordinate asset declaration. Asset declaration has been implemented every year. DOHA has also carried rotated of key positions as required by Decree 158. In practice, it is not easy to transfer officials responsible for specialized work from one place to another as the transferring unit will lose its experienced officials. This is different from certain enforcement positions such as Taxation which can be transferred more easily. Overall, a position transfer will involve necessary inconveniences for the transferred official's family and residence.

Kon Tum has its own corruption-prone areas. In Kon Tum, there are cases related to collusion between the government and the private sector in illegal logging.<sup>34</sup> In order to address this problem, the steering committee met with responsible agencies such as the Department of Agriculture and Rural Development (DARD) and the sub-bureau for Forestry Management and coordinated the anti-corruption operation among the police, the border patrol police, the Forestry Department and the community. The second anti-corruption area with increasing importance focuses on capital construction both in urban and rural areas. The third corruption-prone area deals with land.

Anti-corruption work in Kon Tum has met with some difficulties. Kon Tum is a mountainous area; as a result, it is difficult to have regular access to districts. At the institutional level, there is a lack of correspondence between the Law on Anti-Corruption and the Law on Inspection. There is a need for professionalization of the staff working in the area. There is also a need to identify the level of corruption and monitor progress or the lack thereof. At the moment, monitoring work is not yet systematic.

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<sup>34</sup> This can be seen in an illegal logging case in Dak Na District whereby 25 defendants were involved. The government agencies were found guilty of protecting illegal loggers.

## 5.2 Provincial Inspectorate and Anti-Corruption Work

The Law on Anti-Corruption (LAC) assigns the Government Inspectorate as the Standing Bureau for anti-corruption work. This, to some extent, shaped the organization and the operational scope of the provincial inspectorate. The Provincial Inspectorate is in the process of reorganizing itself based on Decree 4. The proposed number of staff members is 35. Headed by one chief inspector and two deputy inspectors, the unit will consist of five sections: the administration section, Inspection I (responsible for internal affairs, culture, and society), Inspection II (focusing on the economy), Inspection III (on petitions and denunciations), and Inspection IV focusing on anti-corruption and the handlings of inspection conclusions. At the district level, the District People's Committee decides the staff size of the inspectorate unit, with a minimum of five.<sup>35</sup>

The Provincial Inspectorate has begun to inspect the implementation of the LAC. So far, this has been merged with the socio-economic inspection plans. When the inspectorate team went out to inspect a socio-economic case, it also takes that opportunity to inspect the implementation of the LAC. The purposes are twofold: First is to reduce the number of visits to the locality and second is because of the limited size of the staff. In 2009, it focused on the implementation of the LAC in three districts. The plan followed the guideline provided by the Government Inspectorate although some requirements have been left out as Kon Tum districts have not yet have the capacity to implement them. The transfer of salary through bank accounts is one of those items.

At the moment, all inspection results have an advisory nature. After the upcoming restructuring, Inspection IV will follow up on the implementation. Nevertheless, there is not yet a punitive mechanism if recommendations are not followed. Normally, the inspectors may impose financial fines although it cannot intervene in administrative discipline.

In addition to the inspection of the implementation of the LAC, some conclusions drawn from the inspection of other socio-economic cases also reveal certain corruption prone areas. In the area of capital construction, common cases include wasteful programs, overlapping programs, endorsement of final products that the spending norms and design consultants deemed unnecessary, and excess amounts paid to the contractor.

## 5.3 District Inspectorate and Anti-Corruption: The Case of Tu Mo Rong

At the district level, as discussed, there is no steering committee for anti-corruption. In Tu Mo Rong District, the District Inspectorate is in charge of anti-corruption work. The Inspectorate unit has three staff members. It coordinated with the Office of Legal Affairs in propagating the LAC law and Decree 120. In 2008, the unit carried out two planned inspection cases, focusing on the People Committee's spending of the budget in Dak To Kan and Dak Ro Ong communes over the period of 2006-2007. The inspection activities discovered violations in the financial management of the

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<sup>35</sup> Each department also has its inspectorate unit governed by directives of the ministry. The inspectorate unit is under the direction of the head of the agency at each level. The provincial inspectorate compiles programs and plans from various units in order to check on overlapping. It does not have the authority to approve or amend the plans, however.

commune budget although the level of violations was not high. The violations by the People's Committee of Dac To Kan was amounted to 1,432,000 VND. In addition, it coordinated with inter-sector review groups to review the issuing of the Land-Use/Rights (LURs) titles in 11 communes. Also, it was a member in the Party Control Committee delegated to review the implementation of the Law on Anti-Waste of party units as well as communes in the district. Difficulties in carrying out inspectorate activities include the limited scope of the work at the district level and the lack of understanding of the role of the inspectorate sector; most units were reportedly "uncomfortable" when inspected.

#### **5.4 Recommendations**

- 5.4.1 Support to the PSC in the area of planning and monitoring, possibly in coordination with the National Steering Committee's work.
- 5.4.2 Support to the professionalization of the corps of officials working in the areas of anti-corruption in coordination with the National and Provincial Steering Committee's human resources development plans, if any.
- 5.4.3 Support the training of the inspectors with needed, specialized knowledge
- 5.4.4 Strengthen the inspection of the LAC through elaboration of the guidelines given by the Government Inspectorate.
- 5.4.5 From the public administration reform perspective, focus on the reform of the apparatus, policy mechanisms, and the "One-Stop-Shop" (OSS). The process of public procurement deserves special attention. Procurement should be aimed at acquiring a highly qualified corps of workers, not the least expensive workers. In the areas of forestry, there is a need to allocate forest land to the community with an appropriate remuneration so that they are motivated to protect the forests.

### **6. Institutional Frameworks and Mechanisms of Relations, Representation and Accountability between Local Officials and Citizens**

The People's Councils at all levels in Kon Tum operated within the framework of existing legal documents. Overall, the number of full-time deputies is very small. At the province level, full-time members are usually deputy chairmen, standing members, and heads or deputy heads of the People's Council Committees. At the district level, at the most, there are two full-time members, the deputy chairman and a standing member. At the commune level, the deputy chair of the People's Committee is the only person working full time. Within the current legal framework, the role of the elected bodies in planning is limited to the review of the plans submitted by the People's Committees. Although there is a consultation mechanism in place, state management agencies continue to assume the key role in plan formulation. Different People's Councils play different roles in monitoring.

The District People's Council of Tu Mo Rong, for example, reportedly carried out a total of six monitoring missions in 2008. The monitoring content focused on the implementation of the People's Council's resolutions, the implementation of the National Target Programs, the quality of construction projects, the implementation of the GRD Ordinance, health care services, and the implementation of social policy benefits for revolutionary contributors. The focal point of the monitoring is on the implementation of plans. For each monitoring mission, in addition to People's

Council deputies, elected deputies operating in the affected areas as well as state management agencies were also invited to join. The method of monitoring combined a review of reports from relevant agencies and direct field visits. Table 5 presents a summary of a monitoring report.

Table 5 Excerpts of the Monitoring Report of the People’s Council Standing Committee, Tu Mo Rong District, 2008

<b>Key Focus: Implementation of the Socio-Economic Plan Targets, Van Xuoi Commune, 2008</b>
<p><b>Agriculture</b></p> <ul style="list-style-type: none"> <li>- All year paddy: 114 hectares or 109.09% compared with the planned target</li> <li>- All year Corn: 31 hectares or 88.57% compared with the planned target</li> <li>- Coffee: 2.95 hectares or 59% compared with the planned target</li> <li>- Boi loi Tree: 30.8 hectares or 44.64% compared with the planned target</li> <li>- Cows: 336 or 104.57% compared with the planned target</li> <li>- Buffaloes: 301 or 86% compared with the planned target</li> </ul>
<p><b>Culture and Society</b></p> <ul style="list-style-type: none"> <li>- Number of poor households has increased by 22.</li> <li>- Medicine: Supplies guaranteed</li> <li>- Teachers: Shortage of kindergarten teachers</li> <li>- Students: Rate of retaining students not guaranteed</li> <li>- Classes: Shortage of kindergarten classes in hamlets</li> </ul>
<p><b>Capital construction projects under the support from the National Target Programs</b></p> <ul style="list-style-type: none"> <li>- Debt payment for the Mo Ko Hydro electrical station</li> <li>- Debt payment for the road to Ba Khen Hamlet</li> <li>- Kindergarten classes at Dan Van not yet constructed</li> </ul>

Sources: HDND Huyen Tu Mo Rong, Thuong Truc HDND, “Bao cao ket qua giam sat nam 2008 cua thuong truc hoi dong nhan dan huyen Tu Mo Rong,” thang 12 nam 2008.

Similar to other provinces, while the People’s Council Standing Committee and its sub-committee were active in monitoring, individual deputies were not yet active.<sup>36</sup> There were also cases in which deputies were not present at “meeting-with-voter” sessions.

At the commune level, local councils were quite active in carrying out monitoring work. A close look at the Quang Trung Ward Peoples’ Council provides some insight into the institution’s potentials and limitations. The Ward People’s Council has 21 deputies, nine groups. Of 21 deputies, 5 are ethnic deputies from the two poor hamlets of the ward. There are a total of 7 female deputies, one of whom is an ethnic minority. Eleven of the deputies are also working in ward administration, while ten are from residential areas. Following the existing regulations, the People’s Council has a standing committee, consisting of two members, a chairman and a vice chairman. The vice chairman works full time. Should the ward People’s Council continue to

<sup>36</sup> See “Bao cao tinh hình hoạt động năm 2008 và chương trình công tác năm 2009 của HDND Huyen Tu Mo Rong,” tháng 12 năm 2008; HDND Huyen Tu Mo Rong, Thuong Truc HDND, “Bao cao ket qua giam sat nam 2008 cua thuong truc hoi dong nhan dan huyen Tu Mo Rong,” tháng 12 năm 2008.

exist after restructuring, local deputies have recommended that there be one additional full time member.

The key responsibility of the ward People's Council is to follow up on the implementation of the People's Council Resolution. There are two types of monitoring activity. The first focuses on the implementation of the overall socio-economic development plan while the second focuses on issues considered crucial. For the year 2009, monitoring has included the implementation of Program 134 and the development of infrastructure capacity for two poor hamlets. The monitoring team will report to the Council and the People's Committee. The ward does not have problems with post-monitoring implementation as the chairman of the People's Council is the party chief.

Deputies meet with voters four times annually as stipulated by law. In addition to every three months at the local level, the local officials attend meetings of residential units. Each month, there is one residential meeting. Deputies gather information and needs from citizens and communicate them to the upper echelon. Responses though, have not been rapid. Urgent issues in the locality include building a secondary school for the ward, a paved road system, and the need to build a recreational area for children.

To strengthen direct participation, the Team recommends the strengthening of the monitoring role of the People's Councils in the short-term with emphasis going to the gathering of opinions from voters.

## **7. Associational Context: Functions and Environment of Mass Organizations and Associations**

While waiting for the promulgation of the Law on Association, Decree 88 continues to regulate the operation of associations. At the province level, associations register with the Department of Home Affairs (DOHA). Currently, there are 28 registered society organizations.<sup>37</sup> The province has recommended that associations operating in a particular area may register with the district instead. The key problem in the management of associations is that the associations are in dire need for support from the local government while the latter does not have a sufficient budget to support all associations and their staff members. Second, the central legal framework, Decree 151, has encouraged associations to get involved in public service delivery. Yet, in practice, there is no regulation governing how the government may sign contracts with associations for service provision. From the perspective of local officials, in addition to providing services, associations may act as social evaluators (*tu van phan bien*) for key local projects and plans.

At the district level, the management of local NGOs and CSOs is jointly carried out by both the Office of Home Affairs and specialized sector management agencies. In Tu Mo Rong, the Office of Home Affairs is assigned the responsibility of assisting the District People's Committee with the management of association activities. Additionally, the Regulations governing the operation of the Office of Labor, War Invalids and Social Affairs and the Office of Industry and Trade also stipulate that

<sup>37</sup> See details in "V/v noi dung lam viec voi UNDP," prepared by DOHA.



these offices will assist the District People's Committee in guiding and monitoring association activities in the locality whose work is related to the sector's jurisdiction.

In Kon Tum, the local branch of the Vietnam Union of Science and Technology Association (VUSTA) is quite active. It serves as a contact point for local society associations and government agencies. The local branch of VUSTA has recruited association members who are entitled to receive a small amount of local government support. In return, the association members share information on their activities through regular reporting.

To strengthen direct participation, the Team highlights the two measures. The first measure is to clarify the financial mechanism that allows the government to sign contracts with associations while also promoting a sustainable governance structure of local associations. This should be done at the province level should the Budget Law allow sharing with relevant central agencies. Second is to pilot a collaboration between associations, the local government, and the community in the areas of environment and health care.

## **8. Grassroots Democracy and Citizen Involvement in Local Governance**

Overall, the Vietnam Fatherland Front (VFF) plays a large role in mobilizing popular participation, though the degree of its activities varies from locality to locality. In Kon Tum city, the primary responsibility of the local VFF is to mobilize citizens to participate in the development of residential units, help with poverty alleviation work, and follow good practices associated with Ho Chi Minh. In Kon Tum, the local population has contributed enormously to development activities. In Quang Trung ward, one of the key contributions regarding infrastructure is to build a total of 55 alleys in the residential areas.<sup>38</sup> Fifteen alleys reportedly have been equipped with electricity, costing around 22 million VND. In addition, local contributions also went to the building of a conference hall for each residential area. Within the rubric of the Grassroots Democracy Ordinance, the ward VFF also organized a vote of confidence on key positions. In 2008, six key leaders received between 64 and 84% of the votes. In addition, the VFF also organized the election of residential unit heads, the term of which is 2.5 years. Each residential area and hamlet has a People's Inspectorate Board.

In the city of Kon Tum and Tu Mo Rong District, there is no community monitoring board. Nevertheless, when constructing alleys, a construction board is set up comprised of various members from the community. The People's Inspectorate Board will inspect these units prior to the transfer of the construction projects. In Tu Mo Rong District, community inspection is carried out within the rubric of Program 135.

Overall, the implementation of the Ordinance on grassroots democracy as well as related popular participation mechanisms has not been extensive. In Tu Mo Rong, the Office of Home Affairs, in coordination with the Office of Legal Affairs and the Office of the People's Committee carried out an investigation on the implementation

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<sup>38</sup> Popular contribution amounted to 1.4 billion VND, while contribution from the City was 864 million VND and from the ward, 53 million VND.

of grassroots democracy. The mission reported that only one commune in the district had a coordination document with the VFF. The other 11 communes had not developed such as document.

Although information on a number of important projects such as Program 135, Program 134, Program 168, and Decision 167 was publicized as required and local discussion sessions and assessments of the poor were organized, the level of legal awareness on the part of the local population remains low. This is alarming, as all of these projects deal with assistance for house building, land clearing, resettlement compensation and priorities for basic construction projects. Local officials are not active in promoting the role of the community in monitoring the impact of central government projects.<sup>39</sup>

To strengthen direct participation at the local level, the Team recommends two measures. First is to pilot a committee at the commune level to link the government and the community on economic issues. The second is to strengthen the role of community monitoring in key capital construction projects within the framework of Program 135 and Decision 80.

### **Section III Gap Identification**

Section I reviewed the overall context of local governance as well as the key features of Vietnam's local governance system as suggested in the Terms of Reference (TORs) while Section II focused in detail on Kon Tum. The Team has restructured the items listed in the TORs into eight areas:

1. Development of the local public administration within the framework of the restructuring of the local administrative system based on Decree 13 and Decree 14
2. State management decentralization
3. Planning and Budgeting
4. Formulation of pro-poor socio-economic development plans
5. Implementation of the Law on Anti-Corruption
6. Institutional Frameworks and Mechanisms of Relations, Representation and Accountability between Local Officials and Citizens
7. Associational Context: Functions and Environment of Mass Organizations and Associations
8. Grassroots Democracy and Citizen Involvement in Local Governance

Based on Section I and II, Section III identifies two problem areas that need attention: those between central policies and local implementation, and those between the Strategic Partnership Initiative's (SPI) local governance components and what is needed in terms of the SPI's intervention.

#### **1. Gaps between Central Policies and Local Implementation**

There are five gaps between central policies and local implementation that have emerged in the analysis of central trends and local implementation. These gaps are not

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<sup>39</sup> UBND Huyện Tu Mơ Rông, Phong Nội Vụ, "Báo cáo tình hình kiểm tra việc thực hiện Pháp lệnh dân chủ ở cơ sở," 2009.

mutually exclusive. Collectively, they have hindered the effectiveness and efficiency of local governance.

The first is the gap between the centrally-designed management framework and the local condition. This gap can be seen in the process of Kon Tum implementing the Public Administration Reform (PAR) in decentralization, planning and management. The new design has been adopted but the process of implementation has generated a series of challenges that has hampered the efficiency of the local governance system.

The second gap is between centrally designed policies and local motivation and capacity. The gap in this area has delayed implementation. This is clearly seen in decentralization at the commune level.

The third is the gaps between local socio-economic needs that require a different approach from centrally designed policies. These gaps mainly deal with issues on policy options and the selection of those options. They can be seen in the area of socio-economic development planning, poverty reduction measures, and anti-corruption.

The fourth gap is between existing centrally designed policies and potential at the local level. This can be seen in the limited functions of elected bodies, civil society organizations, and popular participation. These forces have potential to serve and promote efficiency and effectiveness of local governance.

Finally, there is a gap between policy implementation and the analysis of short and medium term policy impact.

All these gaps are present in Kon Tum although some may be more prominent than the others. Kon Tum should not be seen as an exceptional case. It can be argued that the same policy-implementation gaps are also present in other provinces.

## **2. Gaps between the SPI Focuses and Local Governance Issues**

The three SPI components in varying degrees focus on local governance issues. The UNDP component in the joint UN project in Kon Tum focuses directly on planning and budgeting. The policy research and policy dialogue component addresses general key issues at the national level but also focuses on the provincial level. So far, the emerging priorities component has not yet clearly included a local government focus. Yet, the SPI components have not completely addressed the existing and emerging gaps. A summary of gaps between SPI focuses and what is needed is found in Table 6.

It is reasonable to argue that the reform of a local governance system is a precondition for successful implementation of socio-economic development and poverty reduction objectives. New macro policies may create an enabling environment for growth and poverty reduction, but for these policy objectives to be translated into reality, it is necessary for the public administration units dealing with these tasks to implement them effectively. Complimentarily, the PAR needs the monitoring and evaluation indicators for the specific outcome targets to measure its own effectiveness in raising

the quality of life of the citizens. From this perspective, gaps in local governance will need to be dealt with in a more systematic and programmatic way.

Table 6 Gaps between SPI Focuses and Local Governance Issues

Policy Areas	Gaps		
	The UNDP Kon Tum Component	The Policy Research and Policy Dialogue Component	The Emerging Priorities Component
1. Development of the local public administration within the framework of the restructuring of the local administrative system based on Decree 13 and Decree 14		<p>-The PAR policy research projects have included the study of a substantial number of provinces. Nevertheless, there is no systematic emphasis on the Central Highlands. There has been no emphasis on decentralization per se although the issues are addressed in the research projects.</p> <p>- The climate change research and dialogue activities may take into account the question of how the concept may be implemented at the local level.</p>	The mid-term review TORs focus on the local governance issues in general and the Kon Tum experience in particular. Nevertheless, there is no clear indication that the reprinting of the gender equality guidelines, the review of the government's poverty alleviation policies, and the development of social security strategy will focus on local experiences in general and the Central Highlands experiences in particular.
2. State management decentralization	During its first years, the Project remains limited in its support to planning reform. The support focuses on the	The UNDP has produced a substantial number of reports	
3. Planning and Budgeting			

	grassroots level and has not been placed in a larger context of local governance reform. Issues related to the centralization and decentralization of planning have not been raised.	on the subject. There is a need to compile the documents and publish them for stock taking and experience sharing purposes.	
4. Formulation of pro-poor socio-economic development plans	There is no clear interaction between Project-supported plans and current socio-economic development and poverty reduction plans. The Project has not yet clearly focused on development policy options.	The economic research activities explore various aspects of economic issues. Nevertheless, there is no systematic emphasis on economic experiences of provinces, districts, and communes. The proposal to review the government's poverty alleviation policies does not explicitly emphasize particular case studies.	
5. Implementation of the Law on Anti-Corruption		The PAR/Anti-Corruption research activities have not yet focused on the implementation of the LAC at the local level.	
6. Institutional Frameworks and Mechanisms of Relations, Representation and Accountability between Local Officials and Citizens	During its first year, the Project has not yet had impact on the effectiveness of elected bodies in	Issues related to representation and accountability have not become a separate scheme of	

	monitoring plan formulation and plan implementation.	research topics.	
7. Associational Context: Functions and Environment of Mass Organizations and Associations	The Project emphasizes participation of the poor and women but it is not clear what the channels and mechanisms are.	All policy areas require popular participation. The policy advisors have emphasized this element in their research programs and dialogues. More could be done when studying local governance.	
8. Grassroots Democracy and Citizen Involvement in Local Governance			

## **Section IV Overall Recommendations**

Based on the discussion in Sections I through III, the Team put forth a set of recommendations that are aimed to further strengthen the local governance system in Kon Tum in particular and in Vietnam in general for the AECID-UNDP's consideration.

### **1. Specific Key Findings and Conclusions of the Context and Trends Analysis to be Incorporated into UNDP Agenda**

Section II presents key findings in the way Kon Tum has implemented centrally designed policies and programs. Section III of the report identifies a number of gaps found in the local implementation of centrally-initiated policies. Section III also compares policy gaps between the SPI's current focus and emerging issues identified in the study of Kon Tum.

Consideration of these gaps should serve as the basis for the UNDP and the AECID to formulate the SPI's short and medium-term support. This can be reflected in amendments to the UNDP Kon Tum Project, the strategy towards policy research and policy dialogue, and the decision to support emerging issues.

Annex IV confirms the need to pay attention to local governance issues.

### **2. Right Approach and Scope for Policy Advice and Program Identification on Local Governance**

#### *Approach*

In identifying approaches to local governance for the AECID-UNDP SPI, the Team considered three factors: Vietnam's current context of change, the UNDP's comparative advantage, and the projects of other development agencies.

The timeframe of central government operations in Vietnam is according to a series of "five-year plans". The transition between one five-year plan and another is critical as all levels of government create plans for the next five to ten years while the central government decides on national policy direction. The next break between five-year plans in 2009-2010, providing a timely opportunity of approach for the SPI to review local governance components from the previous plan and clarify governance issues for the upcoming SEDP plan for the next five and ten years.

The second factor is the UNDP's broad, decade-long experience with policy advising and implementation. Through project implementation, the UNDP has already explicitly addressed two of the eight local governance issues identified in this report: (1) planning and budgeting (through the SLGP and the Kon Tum project), and (2) institutional frameworks and mechanisms for relations, representation and accountability between local officials and citizens (through the project on capacity



building for the National Assembly and selected local deputies).<sup>40</sup> A thorough review of these results will provide the SPI with an input for the central government's upcoming reform of the policy and legal framework for plans, budget laws, and People's Council functions at all levels.

In addition to these two approaches, the UNPD may explore other aspects of local governance issues described in this report (see sub-sections below). Of the eight local governance issues already mentioned, international development cooperation agencies and non-governmental organizations have already initiated projects in anti-corruption and capacity building for issue-oriented Civil Society Organization. In these areas, the UNDP's approach can be to avoid project redundancy yet support these efforts through reviews of local governance implications.

#### *Scope for Policy Advice*

Because all local governance issues are related to the division of functions and responsibilities between central and local authority, definition of the network of stakeholders is a key starting point. For the remaining SPI terms, policy advice should focus on the diversification of the central government's policy implementation and local experiences as inputs into policy process.

#### *Program Identification*

So far, international development agencies have tended to focus on individual provinces, districts, or communes as the basic units for their projects supporting local governance. In most cases, central government agencies are not directly involved in these projects. This approach is useful if the objective of the project is to provide budgetary support for the unit or to use the unit as a pilot unit. In practice, the effectiveness of these project-based approaches varies. As a consequence, program-based approaches have been increasing. (Supplement 1 provides a list of projects and programs on local governance).

The SPI program on local governance would be improved if it included a set of units (based on administrative level or agency function) and relevant central government agencies. Whether such an undertaking can take off however, let alone be completed within the remaining duration of the SPI, is a concern.

The Team has proposed areas where project and program proposals are relevant in Sub-Section 5.

### **3. Areas Requiring Further Study**

One area deserving attention is the model of local governance appropriate for a minority-inhabited, mountainous, and poor area. Of the eight areas under discussion, four areas should be prioritized for further study during the remaining terms of the SPI.

1. Restructuring of local public administrations based on Decrees 13 and 14.
2. Formulation of pro-poor socio-economic development plans.

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<sup>40</sup> As mentioned in the main report, the policy research and policy dialogue component of the SPI includes some analysis of governance at local levels. Nevertheless, there is no explicit approach to local governance *per se*.

3. Institutional frameworks and mechanisms for relations, representation and accountability between local officials and citizens.
4. Grassroots democracy and citizen involvement in local governance.

#### 4. Areas Requiring Policy Advice

Policy advice is needed. Types of policy advice are listed in Table 7.

Table 7 Proposed Type of Policy Advice

Areas of Policy	Type of Advice
1. Restructuring of the local administrative system based on Decree 13 and Decree 14	Policy implementation strategy; policy monitoring
2. State management decentralization	Policy research to identify options for decentralization; policy implementation and monitoring for areas with clear guidelines
3. Planning and Budgeting	Policy research to identify options for planning and budgeting decentralization (related to 2)
4. Formulation of pro-poor socio-economic development plans	Policy research to identify the public administration models for pro-poor growth
5. Implementation of the Law on Anti-Corruption	Policy implementation strategy; policy monitoring
6. Institutional frameworks and mechanisms of relations, representation and accountability between local officials and citizens	Policy research to identify policy options for the reform of the existing legal framework
7. Associational context: functions and environment of mass organizations and associations	Policy research to identify policy options for the reform of the existing legal framework
8. Grassroots democracy and citizen involvement in local governance	Policy implementation strategy; policy monitoring

#### 5. Key Areas Where Project and Program Proposals are Relevant

Table 8 presents key areas where projects and program proposals are relevant.

Table 8 Areas for Projects and Programs

Policy Areas	Relevance for Projects and Program
1. Restructuring of the local administrative system based on Decrees 13 and 14	High
2. State management decentralization	High
3. Planning and Budgeting	Medium (linked with 1 and 2)

4. Formulation of pro-poor socio-economic development plans	High
5. Implementation of the Law on Anti-Corruption	Medium
6. Institutional frameworks and mechanisms of relations, representation and accountability between local officials and citizens	High
7. Associational context: function and environment of mass organizations and associations	Medium
8. Grassroots democracy and citizen involvement in local governance	High

## **6. Partnership Strategy on Local Governance with Government, Civil Society Organizations, Donors, and International NGOs**

The SPI not only helps consolidate the UNDP and the AECID but it also helps generate networks of partnerships with other government agencies, Vietnamese researchers, social organizations, donors, and citizens. These partnership networks cannot be taken for granted. Neither should the UNDP or the AECID assume that the partnerships will naturally develop under the rubric of the SPI components.

For the remainder of the SPI term, two strategies will help build a network for local governance partnership.

The first strategy is to publicize the SPI framework and its concerns on local governance for potential stakeholders. Within the government sector, a number of central ministries have departments and units responsible for the local government. The Ministry of Home Affairs (MOHA) has a department responsible for local governments although in practice, regulations governing local units are prepared by various agencies both inside and outside MOHA. Publicity for the SPI framework will help the UNDP and the AECID formulate a list of various direct and indirect stakeholders in local governance. Outside the government sector, potential stakeholders vary depending on various issues. Vietnam has a large number of research institutes which carry out research at both the central and local levels although there is no particular agency responsible for local governance research *per se*. A large number of research institutes have units which start operation as local NGOs target specific issues.

The second strategy is to explicitly use the SPI framework as a means to develop partnerships. This can be carried out through the SPI components. In the Kon Tum project, the project document has sufficiently identified possible networks including local authorities from various sectors, elected bodies, and citizen groups such as the poor, women, and minorities. In the case of the policy research and policy dialogue component, the main partnership networks may focus on the eight issues raised this report. Each issue could be divided into areas that need policy research, areas that need policy advice (policy options, policy implementation and policy monitoring), and those that need projects or programs. For each of these areas, stakeholders and their degree of involvement may change.

## Supplement 1

### List of Governance-Related Projects/Initiatives in Vietnam<sup>41</sup>

#### A. World Bank, ADB, and Action Aid Projects

Sources: Communication with the World Bank, ADB, and Action Aid

Organization	Project name	Objectives/Focuses	Beneficiaries	Duration	Total fund
World Bank	<b>Lending</b>				
	PRSC8	To assist the Government to implement its Socio-economic Development Plan (SEDP) 2006-2010. It aims to support all four pillars of the SEDP, namely, fostering business development, ensuring social inclusion, managing natural resources, and strengthening governance.	GoV	Aug 08 – Dec 09	USD 350 mil
	Tax project	To assist the General Department of Taxation (GDT) in strengthening governance in tax administration and to increase the level of voluntary compliance with the tax system by improving the effectiveness, efficiency, transparency and accountability of the tax administration.	GDT	Sep 07 – Jun 13	USD 80 mil
	Customs project	To facilitate trade, increase revenue collection, improve the production of foreign trade statistics, and enhance community protection and national security by improving the effectiveness, efficiency, accountability and transparency of the Customs Administration. In addition, the project would be a key factor in facilitating Vietnam's accession to the WTO and securing the gains from greater integration into the world trading system.	GDC	Nov 05 – Jun 11	USD 65.9 mil

<sup>41</sup> The Team thanks the World Bank, the ADB, Action Aid, and the Department of International Cooperation, MOHA, for providing information for Items A and C.

Land Administration (VLAP)	To increase access to land information services to all stakeholders through development of an improved land administration system in selected provinces in Vietnam. Such a system is considered to be an essential public good to be provided by the Government of Vietnam and is embedded in the government's responsibility to guide and regulate sustainable economic and social development. A transparent land administration system contributes to good governance and should further strengthen trust of local people in land related development activities in the country.	Tien Giang, Ben Tre, Vinh Long, Binh Dinh, Khanh Hoa, Quang Ngai, Ha Tay, Hung Yen and Thai Binh	June. 2008 to Dec. 2013	USD 75 mil
MDTF for PFM2	To support the client to develop capacities towards a robust PFM system with enhanced quality and effectiveness of public resources management, market orientation, and transparency and accountability.	MOF	02 Jun 09 – 31 Dec 12	USD 5.1 mil
<b>Non-Lending</b>				
Governance and Poverty Policy Analysis and Advice Programme (GAPAP)	To support the development of relevant information systems, analysis and policy advice for improved policy making on governance and poverty. Supported by UK-DFID	Many	Jul 07 – June 12	GBP 4.7 mil
Pilot of the Construction Sector Transparency Initiative (CoST)	To promote transparency of key documents and processes in the construction sector. Supported by UK-DFID.	MOC	May 09 – Oct 10	
	To enhance quality of public service delivery as a result of	Gov	August 2008 to	1,250,000

<b>Asian Development Bank</b>	Supporting Civil Service Reform	<p>simplifying administrative procedures of public agencies and improving efficiency of public investment.</p> <p>To develop an integrated civil service reform policy framework to facilitate the introduction of results-based management in the civil service.</p>		August 2011	USD (ADB: 1,000,000 USD; Government: 125,000 USD)
<b>Action Aid</b>	Strengthening inter-cultural and inter-ethnic understanding, and solidarity through poverty alleviation programs in Soc Trang Province	<ul style="list-style-type: none"> <li>○ Ensure equal rights, and access of the poor to poverty alleviation programs, education, and information, irrespective of ethnic origin</li> <li>○ Create a community-based mechanism to build peace and promote reconciliation among the vulnerable communities across all ethnic groups in Soc Trang province</li> <li>○ Promote equal representation of ethnic people, women in local government bodies and social organisations by enhancing their awareness, capacity and economic development.</li> </ul>	Women, Children and Youth from 8 Communes in Long Phu District, Soc Trang province	24 Months, starting from January 2008	EUR 133,536
	Working out a people's framework for monitoring the public administration reform process in Vietnam	<ul style="list-style-type: none"> <li>● Accessing Right to Information</li> <li>● Pilot a model on People's framework in monitoring the progress of PAR</li> <li>● Strengthening quality of People's Councils through representation and ensuring accountability and transparency Vietnam PAR</li> </ul>	4 provinces (Ha Tinh, Dien Bien Lai Chau, and Dak Lak)	3 years, starting from January 2008	DKK 5,000,000.00

## B. Selected Projects on Planning and Budgeting Reform at Planning and Ministries<sup>42</sup>

### **Technical Assistance TF 051164 to CPRGS Secretariat for CPRGS implementation and M&E at MPI (4/2003 to 20/5/2006).**

The World Bank (WB) provided a TA involving different stakeholders and strengthening joint-ministries and sectors in CPRGS implementation, so that CPRGS documents can be translated into concrete action plans, in which resources are prioritized to link CPRGS implementation to available resources. TF 051164 held some demonstrative models of participatory planning at the commune and district level in Nho Quan district, Ninh Binh province and My Tu district, Soc Trang province, and also consultations of 5 year national SEDP in Ninh Binh, Soc Trang and Quang Ngai.

“Chia se” Vietnam-Sweden Poverty Alleviation Program at the Ministry of Planning and Development (MPI). This 6 year Sida-funded program (2002 -2008) aims at supporting poverty alleviation and broad political and societal changes. It is in line with the increasing decentralization and grassroots democracy promotion in Vietnam. Chia Se attempts to empower the poor, especially those of ethnic minority groups, foster gender equality and improve governance. The program currently consists of four individual projects, three provincial projects in northern and central Vietnam and a national level one.

- In the provincial projects, two districts take part in each province among three beneficial provinces: Ha Giang, Yen Bai and Quang Tri, through participatory planning and the setting up of local development funds (LDF).

### **Public Finance Management Reform Project (PFMRP) at MOF.**

PFMRP is among projects for implementing the Master Program on Public Administration Reform in the period 2001-2010 approved by the PM in Decision No. 136/2001/QD-TTg dated 19 July, 2001. The project is a part of modernization program for the financial sector funded by the World Bank, the United Kingdom and the North Ireland government

The objective of the Project is to modernize state budget management and usage ranging from planning to execution, reporting, and budgetary accountability based on: (i) modernizing the Financial Management Information System from central to local levels; and (ii) enhancing transparency in public financial management. The project consists of three components operating in 5 years (2003 – 2008).

*Component 1: Strengthening Treasury and Budget Management System.*

The first and largest component of PFMRP involves the establishment of an integrated Treasury and Budget Management Information System (TABMIS) to support the formulation, monitoring, inspection and application of budgetary accounting techniques to all administrative levels.

<sup>42</sup> Compiled by Nguyen Thi Thanh Hang.

*Component 2: Strengthening State Budgeting and Capital Budget Planning*

The second component of PFMRF involves the strengthening of state budget and capital budget planning through the development of a Medium Term Fiscal and Expenditure Framework (MTF&EF) with close coordination between MPI and MOF at central level, and between planning agencies and finance agencies at local levels.

*Component 3: Strengthening Management of Public Debt and Monitoring of State-Owned Enterprise (SOE) Fiscal Risks.***Supporting SED Monitoring at GSO.**

The UNDP funded project which started in 2005, aims at improving the monitoring framework for SED planning, Vietnam Development Goals (VDGs) and Millennium Development Goals (MDGs) through strengthening not only statistical practices in Vietnam but also national capacity by operating all components of the monitoring framework.

In detail, the project aims at achieving four main outputs: (i) adjusting/updating the National Statistic Indicator System (NSIS) to serve SED planning and monitoring system of SEDP implementation/VDGs/MDGs; (ii) adjusting/updating the National Statistics action plan; (iii) improving data quality and standardizing data collection; and (iv) enhancing data reporting, dissemination, use and archiving.

Six ministries are included in the project: MPI (including GSO), MARD, MOH, Ministry of Education and Training (MOET), MOLISA, and MOF. Besides that, at the provincial level, three pilot provinces including Bac Kan, Quang Tri and Binh Duong (in 2007, Binh Duong was replaced by Quang Nam) participate in pilot activities.

**Strengthening Local Government Project (SLGP) at MPI.** Strengthening Local Government Capacity in Planning, Budgeting and Public Resource Management Project (SLGP) was implemented for the period of 2005 -2009, funded by the UNDP, UNICEF, and the UK Fund for International Development (DFID) and Development Co-operation of Ireland (DCI) and led by MPI. The project, which has been operating on a trial basis in the four provinces of Bac Kan, Vinh Phuc, Quang Nam and Tra Vinh, aims to improve the capacity of local administrations to formulate SEDPs and budget plans and improve the quality of public service delivery to people.

Project activities mainly focus on building and enhancing personnel capacity for local government's leaders and officers. The project also attempts to build organizational capacity in order to support local governments in interacting with other government levels, mass organizations and civil society in an effective manner. In addition, the project also aims to provide information about processes and policy frameworks suitable to local governments to help improving their institutional capacity.

## 1.1.1.1 Projects related to planning reform supports in Hoa Binh

➤ *The Extension and Training Support Project for Forestry and Agriculture in the Uplands Project*

ETSP is funded by the Swiss Agency for Development (SDC) from June 2003 to December 2006 and led by Helvetas, the Swiss Association for International Cooperation. MARD in actual project implementation. The project has three components in the uplands of three provinces, namely Dak Nong, Hoa Binh, and Thua Thien Hue, among which the largest component is in Hoa Binh. The objective of the project



is to provide an agricultural and forestry extension system and service suppliers for sustainable management of natural resources and improvement of household living standards. The first intermediate purpose of the project is to improve household living standards through agricultural and forestry extension services and enhance institutional capacity at local levels, including participatory village and commune development planning (VDP/CDP).

In Hoa Binh, the project is implemented in Lac Son district (the project's beneficial commune is Quy Hoa, two spill-over' beneficiaries are Binh He and Vu Lam) and Tan Lac district (three targeted beneficial communes are Ho Luong, Quyet Chien and Quy My, six 'spill-over' beneficiaries are Tuan Lo, Bac Son, Nam Son, Lo Son, Thanh Hoi, Man Duc). The consultant team visited Quyet Chien commune, Tan Lac district which has been the most successful applicant of VDP/CDP approach.

#### **Northern Mountains Poverty Reduction Project (NMPRP)**

The World Bank-funded NMPRP was implemented in six northern mountainous provinces: Bac Giang, Hoa Binh, Lao Cai, Phu Tho, Son La and Yen Bai during the period 2001 -2007. The project aimed at helping the poor in the project areas to benefit from improved and sustainable infrastructure and social services and enhancing institutional capacity in highland districts and communes. Towards these objectives, in all project components, community participation in determining priorities is evaluated, focusing on the transport and rural market systems, the link between local administration centers and the rural road system. The participatory approach was also applied in selecting investment on small-scale irrigation, clean-water supply systems and agricultural development. The project also aimed at supporting rural health and education system development. Finally, the project had a component of CDF creation (implemented after the second quarter 2005, in Hoa Binh) where plan and budget management and capacity improvement for the Commune Development Boards' staff were supported by the project.

### C. Local Public Administration Reform Projects

Source: Department of International Cooperation, Ministry of Home Affairs

No.	Project Names	Executing Agency	Duration
1.	Project on Supporting the Master Plan on PAR in Vietnam, Phase III	MoHA	2009-2012
2.	Technical Assistance Project for the ADB-funded Program, Phase II	MoHA	2006-2008 (extended until 2010)
3.	Project on Supporting the Implementation of the Law on Civil Servants	MoHA	2009-2011
4.	Project on Supporting PAR in Darlak, Phase II	Dak Lak DoHA	2003-2007 (extended until the end of 2009)
5.	Project on Supporting PAR in Lai Chau	Lai Chau DoHA	2008-2010
6.	Project on Supporting PAR in Dien Bien	Dien Bien DoHA	2008-2010
7.	Project on Supporting PAR in Lao Cai	Lao Cai DoHA	2008-2010
8.	Project on Supporting PAR in Dak Nong	Dak Nong DoHA	2008-2010
9.	Project on Supporting PAR in Ninh Binh, Phase II	Ninh Binh DoHA	2006-2011
10.	Chia Se (Sharing) Project in Quang Tri Province, Phase II	Quang Tri Provincial People's Committee	2007-2010
11.	Project on Strengthening Capacity in Grassroots Democracy in Thai Binh	Thai Binh DoHA	
12.	PAR Technical Assistance Project in Ho Chi Minh City, Phase III	Ho Chi Minh City DoHA	2008-2011
13.	Project on PAR and CPRGS Implementation in Hau Giang province	Hau Giang Provincial People's Committee	2007-2011
14.	Project on Supporting PAR in Cao Bang Program on Improving the Provision of Public Services in MARD Project on Strengthening Capacity for the Commune Authorities in Cao Bang	Cao Bang Provincial People's Committee	2007-2010 2008-2010

<b>No.</b>	<b>Project Names</b>	<b>Executing Agency</b>	<b>Duration</b>
15.	Project on Supporting PAR in MARD, under the overall management of MARD	MARD	2007-2012
16.	Project on Capacity Building for Elected Bodies in Vietnam, Phase III	National Assembly Office	2008-2012
17.	Project on Supporting the Legal Reform for the National Assembly Office, Phase III	National Assembly Office	2006-2009
18.	Cooperation Project between the Vietnamese National Assembly and the Danish Parliament	National Assembly Office	2008-2010
19.	Institutional Support Project for Vietnam	National Assembly Office	2006-2009

