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GIVING LIFE TO GRASSROOTS DEMOCRACY IN VIETNAM-THE UNCDF APPROACH TO LOCAL DEVELOPMENT



ACRONYMS

ADB	Asian Development Bank
AusAID	Australian Agency for International Development
CDB	Commune Development Board
CERUPAD	Centre for Rural-Urban Planning and Development
CIDA	Canadian International Development Agency
CPC	Commune People's Committee
DDB	District Development Board
DPC	District People's Committee
DPCo	District People's Council
DPI	Department of Planning and Investment
FINNIDA	Finnish International Development Agency
IPF	Indicative Planning Figure
IR	Investment Report
LPP	Local Planning Process
MIS	Management Information System
O&M	Operations and Maintenance
PMB	Project Management Board
PPC	Provincial People's Committee
PRA	Participatory Rapid Appraisal
PSG	Planning Support Group
RIDEF	Rural Infrastructure Development Fund
RIDU	Rural Infrastructure Development Unit
RRA	Rapid Rural Appraisal
SIDA	Swedish International Development Agency
TSG	Technical Support Group
UNCDF	United Nations Capital Development Fund
UNDP	United Nations Development Programme
VND	Viet Nam Dong

CONTENTS

PREFACE

INTRODUCTION

A. INSTITUTIONAL FRAMEWORK

- (1) Provincial level arrangements
- (2) District level arrangements
- (3) Commune level arrangements
- (4) Village level arrangements
- (5) Problems, issues and difficulties encountered

B. COMMUNE LEVEL LOCAL PLANNING PROCESS

Step 1 – Commune selection and IPF allocation

- (1) Commune selection
- (2) Allocating indicative planning figures (IPFs)
- (3) Problems, issues and difficulties encountered

Step 2 – Village-level database and village identified candidate projects

- (1) Preparatory meeting in the commune
- (2) First village level meeting
- (3) Second village level meeting
- (4) Problems, issues and difficulties encountered

Step 3 – Commune project selection

- (1) Project selection for IPF 1
- (2) Project selection for IPF 2
- (3) Problems, issues and difficulties encountered

Step 4 – Formulation, appraisal and approval of investment reports (IRS); design and costing

- (1) Investment reports
- (2) Design and costing
- (3) Problems, issues and difficulties encountered

Step 5 – Tendering and contracting

- (1) Tendering documents and plans
- (2) Tendering procedures
- (3) Bid opening, evaluation and approval
- (4) Negotiation and contracting
- (5) Problems, issues and difficulties encountered

Step 6 – Construction and handover

- (1) Client-contractor-supervisor arrangements
- (2) Contingencies and additions
- (3) General and final inspections
- (4) Problems, issues and difficulties encountered

- Step 7 – Operations and maintenance
- (1) Defect liability management
 - (2) Operations and maintenance (O&M)
 - (3) Problems, issues and difficulties encountered

- Step 8 – Disbursement
- (1) RIDU as cashier
 - (2) District State Treasuries as cashiers
 - (3) Problems, issues and difficulties encountered

Step 9 – Evaluation

C. DISTRICT LEVEL LOCAL PLANNING PROCESS

D. CAPACITY-BUILDING

E. OUTCOMES

- (1) Grassroots democracy in practice
- (2) Capacity-building
- (3) Infrastructure delivery
- (4) Transparent selection of contractors
- (5) Management Information System (MIS)
- (6) Policy impact and replication

F. LESSONS LEARNED

ANNEXES

INTRODUCTION

The Socialist Republic of Vietnam is currently undertaking significant reforms in the way that public goods and services are provided. In general, Vietnam is seeking to move towards a more decentralised system of planning, budgeting and implementing development programmes. More specifically, as demonstrated by Decree 29 (issued in 1998) on grassroots democracy, there is a clear commitment to more accountability, improved transparency and enhanced participation in local governance.

The Rural Infrastructure Development Fund (RIDEF) project, funded by the Provinces of Quang Nam and Da Nang, UNCDF, AusAID and UNDP, has been implemented since 1996. RIDEF has introduced an innovative, community-driven planning system and piloted commune and district level management of small-scale infrastructure development in the Provinces of Quang Nam and Da Nang. The project has been operational in all 14 districts of Quang Nam Province and in the one rural district of Da Nang Province, and has provided funding for infrastructure construction in 122 of the poorest communes (out of a total of 217 rural communes) of those districts, with a total population of about 800,000 people. Given the process of reform mentioned above, the procedures developed by and the lessons learned through RIDEF should be of interest to a wide range of actors, both at the national and the local levels.

This document attempts to describe in some detail the approach used by RIDEF (particularly the local planning process) and should therefore be seen as a supplement to UNCDF's Executive Brief "RIDEF – lessons for decentralised planning, financing and delivery of public infrastructure". The document also examines some of the outcomes of RIDEF and the main lessons learned.

A. THE INSTITUTIONAL FRAMEWORK

RIDEF's local planning process operates within a specific institutional framework, summarised in table 1.

(1) Provincial level arrangements

At the provincial level, RIDEF is managed by the Rural Infrastructure Development Unit (RIDU), accountable to the PPCs of Quang Nam and Da Nang through the Department of Planning and Investment (DPI). RIDU is headed by a NPD (the head of DPI) and a project coordinator (also from DPI) and is composed of specialist technical staff (rural planners and engineers).

Table 1: local institutional framework

Level	Institution	Membership	Function	RIDEF innovation
Province	Provincial People's Committee (PPC)	Elected Chairman (from Provincial People's Council) and government representatives	Provincial administration approval of sub-projects	No
	Rural Infrastructure Development Unit (RIDU – part of Department of Planning & Investment)	Technical staff	Financial and technical support for local planning process; appraisal of sub-projects.	Yes
District	District People's Committee (DPC)	Elected Chairman (from District People's Council) and government representatives	District administration; approval of some sub-project design/costing	No
	District People's Council (DPCo)	Elected members	Selection of district level projects	No
	District Development Board (DDB)	Some DPC members, technical service representatives, representatives of mass organisations	Selection of district level projects	Yes
	Project Management Board (PMB)	Some DDB members + community representatives	Management of implementation of district-level sub-projects	Yes
	Planning Support Group (PSG)	Representatives of mass organisations, technical services	Support for LPP (facilitation)	Yes
	Technical Support Group (TSG)	Technical services	Support for LPP (technical backstopping)	Yes
Commune	Commune People's Committee (CPC)	Elected Chairman, government representatives		No
	Commune Development Board (CDB)	Some CPC members, representatives of mass organisations, government representatives	Selection of commune-level projects	Yes
	Project Management Board (PMB)	Some CDB members + community representatives	Management of implementation of commune level sub-projects	Yes
Village	Village	Villagers	Selection of priority village projects	No



It should be noted that when RIDEF started up, Quang Nam and Da Nang were one Province. They were subsequently split into two, with Da Nang becoming a largely urban Province (with only 1 rural district), while Quang Nam retained an essentially rural profile. As a result, RIDU is not officially tied to one Province, but is a joint special unit of the DPIs of the two Provinces,

Provincial authorities (either the PPC or the DPI) are responsible for approval of a number of stages in RIDEF's local planning process.

(2) District level arrangements

In the fifteen rural districts in which RIDEF operates, district level arrangements are as follows:

- the District People's Committee (DPC) is responsible for the approval of the designs and costings for some commune and district level projects;
- overall responsibility for the management of district level infrastructure projects lies with the District Development Board (DDB), headed by the Chairman of the DPC and composed of technical department staff (including the district DPI). The DDB is a RIDEF innovation;
- the responsibility for initial selection of district level projects lies with the District People's Council (DPCo), made up of elected members;
- Project Management Boards (PMBs), set up to manage the implementation of specific district level projects and made up of local community representatives; these are RIDEF innovations;
- the Planning Support Group (PSG), established under the auspices of RIDEF, is made up of representatives from district mass organisations (Women's Union, Farmer Associations, Youth Union, Veterans Association, etc.). District PSGs are usually made up of between 5 and 10 people. The PSG is responsible for facilitating the planning process in the communes that make up the district. The PSG is a RIDEF innovation;
- the Technical Support Group (TSG), also a RIDEF innovation, is made up of technical staff (civil engineers, irrigation engineers, transport engineers, etc.). The TSG's role is to provide technical assistance to communes – facilitating the conduct of feasibility studies, supporting the formulation of investment reports, etc. The TSG usually has a slightly smaller membership than the PSG.

(3) Commune level arrangements

At commune level, arrangements are as follows:

- the Commune Development Board (CDB), a RIDEF innovation, is responsible for the management of commune level projects. The CDB is usually headed by the Commune People's Committee (CPC) Chairman (or Vice-Chairman) and is made up of the commune accountant and representatives of mass organisations;
- the PMBs, set up to manage the implementation of each commune level project and made up of local community representatives as well as a CDB member. Again, these are RIDEF innovations.

(4) Village level arrangements

No particular arrangements exist at the village level. However, it is through a process of consultation at the village level that priority projects are initially selected.

(5) Problems, issues and difficulties encountered

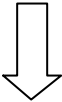
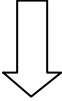
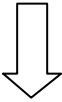
Two main problems with this institutional framework were encountered by RIDEF:

- firstly, the availability of PSG and especially TSG personnel (who are full-time civil servants) was not always guaranteed. They have time constraints and were sometimes difficult to mobilise for commune level planning;
- secondly, in the more remote and mountainous districts there were often shortages of technical personnel.

B. COMMUNE LEVEL LOCAL PLANNING PROCESS

Since 1996, RIDEF has developed a comprehensive local planning process (LPP), designed to cover all stages from project identification through to project implementation and ending with evaluation. The LPP is summarised in table 2 below.

Table 2: Summary of RIDEF LPP

Process	Step	Output
A. Problem and project identification 	1. Commune selection and IPF allocation	IPF announcements to selected communes
	2. Village-level database and village-identified candidate projects	Information and data obtained through participatory feasibility study for possible investment reports for prioritised projects
B. Project assessment 	3. Commune project selection	Selected projects for investment
	4. Formulation, appraisal and approval of investment reports (IRs); design and costing	Approved investment reports; approved designs and cost estimates
	5. Tendering and contracting	Signed construction contracts
C. Project implementation 	6. Construction and handover	Final inspection and handover
	7. Operations and maintenance	Operated and maintained infrastructure
D. Evaluation	8. Disbursement	Payment of contractors
	9. Monitoring and evaluation	Lessons learnt & impact assessment

The next sections of this document describe each step in RIDEF's local planning process and provide insights into difficulties, issues and problems encountered.

The following page provides a summary of the sequence of the 9 steps involved in RIDEF's local planning process



STEP 1 – COMMUNE SELECTION AND IPF ALLOCATION

(1) Commune selection

RIDEF does not provide funds for infrastructure development to all of the communes in all fifteen districts. Instead, RIDEF (with the limited funds at its disposal) seeks to target the *poorest communes*. In order to do this, RIDEF has established a commune database which

collates secondary data on income, infrastructure endowments and other poverty indicators. On the basis of this database, the poorest communes in the 15 districts (122 out of a total of 217 rural communes) have been identified.

(2) Allocating Indicative Planning Figures (IPFs)

Once the target communes have been identified, RIDEF then calculates the Indicative Planning Figure (IPF) that will be allocated to each commune. The IPF is a hard budget ceiling, announced to communes at the beginning of the LPP and is thus a predictable and certain capital budget. A commune is able to select priority projects up to the total value of its IPF. RIDEF operates on the basis of two IPF allocations to each commune (IPF1 and IPF2), corresponding to two multi-year planning cycles. In theory, IPF2 expenditure is planned following completion of the projects funded by IPF1.

IPFs are calculated using an allocation formula. This formula takes into account three indices:

- an income index (based on food production estimates, livestock holdings, and other income estimates), such that the lower the income index of the commune, the higher will be its fund allocation;
- an infrastructure index (based on infrastructure endowments in the irrigation, electricity, road, education, markets and health sectors), such that the lower the infrastructure index of the commune, the higher will be its fund allocation;
- a population index, such that the higher the population of the commune, the higher will be its fund allocation.

The formula operates within the framework of the total fund made available by RIDEF and thus allows for proportionally greater per capita allocations to be made to those communes with relatively low incomes and relatively poor infrastructure endowments. It is thus a way of ensuring that the poorer communes receive larger per capita allocations than the less poor ones.

In concrete terms, RIDEF's per capita IPF allocations have varied from a maximum of roughly US\$ 32 (in the remote and mountainous district of Hien) to a minimum of about US\$ 6 (in the lowland district of Dien Ban). This is a significant variation – communes in Hien receive per



capita allocations over four times larger than do communes in Dien Ban.

Table 3 provides a summary of total IPF allocations made to the communes in the 15 districts covered by RIDEF.

RIDEF IPFs, however, are not entirely allocated to communes. Of the total IPF allocation made to the communes in a district, 20% is earmarked for district level projects. Thus, in reality, a commune is expected to plan commune level projects on the basis of 80% of its IPF allocation.

IPF allocations are made available to communes in order to finance infrastructure investments (e.g. school buildings, culverts, roads, etc.) and costs related to their implementation (e.g. consulting engineers for design, costing and supervision) – the IPF cannot be used to fund other types of expenditure (such as recurrent costs). However, communes are free, through the local planning process, to identify the specific types of infrastructure that they judge to be most needed. IPFs should therefore be seen as capital budget block grants, the use of which is at the discretion of each commune.

Table 3: IPF 1 and 2 allocations (1996-2002)

DISTRICT	IPF 1 (US \$)	IPF 2 (US \$)	TOTAL IPF ALLOCATION (US \$)
Thiang Binh	403,732	373,042	776,774
Duy Xuyen	252,730	215,653	468,383
Nui Thanh	386,784	396,791	783,575
Hoa Vang	199,480	163,070	362,550
Que Son	368,006	400,605	768,611
Dien Ban	316,397	292,540	608,937
Tien Phuoc	293,056	217,091	510,147
Hien	275,920	379,829	655,749
Hiep Duc	221,090	227,065	448,155
Tam Ky	252,984	235,084	488,068
Tra My	217,640	220,721	438,361
Nam Giang	125,585	166,329	291,914
Dai Loc	217,739	217,739	434,758
Hoi An	168,795	168,795	337,590
Phuoc Son	190,478	190,478	380,956
TOTALS	3,890,056	3,864,472	7,754,528

this does not include IPF allocations funded by AusAID (US \$ 344,000 for communes and US \$ 557,000 for the district).

(3) Problems, issues and difficulties encountered

Two issues have emerged about this step of the LPP:

- although IPF2 planning was intended to take place following completion of the projects funded through IPF1, in practice IPF2 planning usually took place whilst IPF1 projects were being implemented. This was because the time taken for implementation (particularly in the first few years of RIDEF) was considerably longer than had been expected. In order to ensure that IPF2 allocations could be spent within project lifetime it was therefore decided to carry out IPF2 planning earlier than originally intended;
- in retrospect, the formula used for calculating IPF allocations was overly complex and could be simplified so as to make it more understandable to a wider range of stakeholders.

STEP 2 – VILLAGE-LEVEL DATABASE AND VILLAGE-IDENTIFIED CANDIDATE PROJECTS

In this step, the objective is to undertake participatory data collection and to facilitate the initial identification of candidate projects at the village level. Before doing so, however, there is an initial preparatory meeting that takes place at the commune’s headquarters (CPC office). Table 4 summarises the different phases of step 2.

Step 2 clearly aims to ensure that village communities participate – from the outset – in the local development process. By consulting village communities, CDBs are able to identify the real needs of rural people. Because projects identified through a participatory planning process are more likely to correspond to local needs, there is likely to be a greater degree of ownership of those projects by rural communities and a greater likelihood of those communities making contributions to their implementation (in the form of cash or in kind).

Table 4: step 2 phases

Phase	Purpose	Participants
1. Preparatory meeting at commune headquarters	- explain LPP to commune and village representatives - announce IPF allocations - organise phase 2	- CDB - representatives of all villages in the commune - district PSG and TSG personnel - RIDU
2. First village level meeting	- collect basic data - analyse problems and solutions - prioritise candidate projects - undertake participatory feasibility studies	- 10-20 village representatives (men and women) - CDB representatives - district PSG and TSG personnel - RIDU (backstopping)
3. Second village level meeting	- feedback on 1 st village level meeting - estimate community contribution to projects - identify PMB members and O&M arrangements	- as many villagers as possible - CDB representatives - district PSG and TSG personnel - RIDU (backstopping)

(1) Preparatory meeting in the commune

For each commune, the LPP starts off with an initial preparatory meeting, bringing together the CDB, representatives of all the commune’s villages, the TSG and PSG, and RIDU staff. The aim of this meeting is to explain the LPP, announce the size of the commune’s IPF allocations and then set dates for the village meetings to take place in phase 2. Village representatives are asked to prepare for the phase 2 meeting, by ensuring the attendance of 10-20 villagers.

During this preparatory meeting, participants also discuss the plans of programmes and projects in the commune other than RIDEF. This is to ensure that there is no overlap between RIDEF funded investments and other investments.

(2) First village level meeting

For each village, a day is chosen for a village level meeting. The first meeting takes place on the morning of that day and involves 10-20 village representatives, CDB representatives and the PSG/TSG. RIDU assists for backstopping purposes. A range of activities are undertaken during the first (morning meeting). Table 5 summarises these activities.

Table 5: first (morning) village level meeting activities

Activity	Description	Purpose
Village database	CDB and village representatives discuss/correct/update the village level data presented by the CDB	Updating the commune database
Village poverty ranking	CDB and village representatives poverty rank all the villages in the communes in terms of infrastructure and income	For further prioritisation of candidate projects in step 3
History of village infrastructure	CDB and village representatives briefly review the history of the main infrastructure in the village or used by villagers; the physical characteristics, benefits, impacts and O&M needs are discussed	To draw attention to infrastructure planning issues
Problems, causes, solutions	CDB and village representatives discuss/analyse the village’s problems-causes-solutions. It is important to note that solutions are specific programmes/projects, with physical characteristics	Initial identification of all projects
Prioritisation of candidate projects	Village representatives discuss and decide upon 2-3 priority projects. CDB representatives will check to see whether it is planned to address any such priorities through non-RIDEF resources (e.g. sector programmes)	To establish priority projects for further analysis
Participatory feasibility studies	CDB and village representatives, with TSG and PSG support, study the feasibility of the 2-3 priority projects focusing on issues such as: site, scope, technical specifications, beneficiaries, benefits, impacts, local contribution capacity. TSG produce rough designs, cost estimates (including consultants’ fees) and breakdown (by contributor)	To provide the information necessary for step 4

RIDEF has developed a set of standardised forms (in Vietnamese) for each of these activities.

(3) Second village level meeting

A second, village level meeting is held later on the same day, either in the afternoon or the evening – depending on the availability of villagers and the completion of participatory feasibility studies by the TSG. At this second village level meeting, the village representatives who participated in the morning meeting explain to a general village assembly what was discussed and what priorities were identified. The discussion then moves on to discuss what the local community contribution might be for each of the priority projects (both for implementation and for subsequent maintenance) and who should be members of the PMB that would be set up to oversee project implementation.

At the end of this second meeting, PSG/TSG should have a fairly clear idea of what village level priorities are, how feasible they are, how much the village community is willing to contribute to their implementation, and who local PMB members should be. The information collected is filed at the CPC office for future use.

(4) Problems, issues and difficulties encountered

The principal difficulties encountered in implementing step 2 have been:

- the time needed for district level staff (in the PSG and TSG) to change from being technocrats to becoming facilitators. This is a problem of attitude and custom;
- related to this is the general novelty of an approach which takes participation a significant step further than has traditionally been the case. Many officials find it difficult to understand that community participation should involve much more than just consulting village headmen;
- in order to get PSG, TSG and CDB personnel involved in step 2, there have to be incentives (daily subsistence allowances, transport, etc.);
- organising village level meetings takes time;
- in the more remote and mountainous areas, the process of village consultation can take more time and, because literacy rates are low, requires that the afternoon meeting be much more visual;
- although levels of participation have been relatively high during the village consultation process, the *quality* of women's participation has often been low. Rural women tend to be passive and say little.

STEP 3 – COMMUNE PROJECT SELECTION

(1) Project selection for IPF1

This is, in many respects, the crucial stage in the planning process – it is during step 3 that the CDB must decide which village priority projects will be funded out of the commune’s IPF. This means making hard decisions about inevitably scarce resources. The process of selection therefore needs to be transparent and based on clear criteria. In RIDEF’s LPP this is done during a one-day project selection workshop, held at the commune’s headquarters.

The workshop is held in the CPC offices and participants include:

- CDB
- at least two representatives of each of the commune’s villages (although every villager has the right to participate in the workshop);
- PSG
- TSG
- RIDU

In preparation for the workshop, the CDB (with PSG and TSG support) aggregates the results of the village consultation process. All the information collected (candidate projects, sites, technical scope, cost estimates, proposed village contributions, number of beneficiaries) is presented on a single, large sheet. In addition, the CDB also prepares a presentation on the commune, on its priorities, and on provincial and national planning orientations.



During the workshop, the CDB presents a summary of the commune’s situation (in terms of infrastructure), a brief description of RIDEF and other development programmes, and the aggregated results of the village consultation process (step 2 of the LPP) to participants.

Workshop participants then decide whether project selection is to be done by using a multi-criteria ranking matrix or by a flexibly run discussion.

The multi-criteria matrix used by RIDEF allows candidate village projects to be compared with each other in terms of the following criteria:

- the relative poverty of each village;
- the priority accorded to each project (by each village);
- the number of beneficiaries;
- the size of the local contribution.

Using these criteria and the matrix, and within the limits of its IPF, the CDB (with PSG and TSG support) is able to prioritise among the candidate projects proposed by village communities. Table 6 presents an example of the multi-criteria matrix as used by RIDEF. The outcome of this stage of the public, commune-level workshop is the final selection of village infrastructure projects. It is important to note that the process is explicitly public and thus corresponds to the spirit of Decree No. 29 (issued by the Government of Vietnam in 1998) concerning grassroots democracy.

Following project selection, the workshop then goes on to choose the members for each PMB (made up of CDB and local community representatives).

(2) Project selection for IPF2

As described above (step 1), RIDEF makes two rounds of financing available to communes – IPF1 and IPF2. All the documentation arising out of steps 2 and 3 in the planning of projects for IPF1 is kept by the CDB and should be available for use in planning for IPF2.

Because appropriate information related to all candidate projects not selected during the course of IPF1 planning, the selection and appraisal process for IPF2 is somewhat different to that for IPF1. IPF2 planning takes place over a period of three days, as follows:

Day 1

- public review of the implementation of IPF1 (step 9 of the LPP);
- project selection workshop (at CPC office and following the same procedures as for IPF1 project selection).

Day 2

- renewal of feasibility studies for selected projects – this is undertaken in case circumstances have changed since initial studies carried out in the original step 2.

Day 3

- TSG and PSG discuss selected projects with CDB and beneficiary villages, in order to finalise feasibility studies and to make updated estimates of community contributions.

(3) Problems, issues and difficulties encountered

Carrying out step 3 of the LPP has shown that there are a number of problems and issues:

- it had originally been intended to use a more sophisticated multi-criteria matrix for facilitating the process of project selection. However, this proved too complex and was replaced by the simpler matrix. Although the simpler matrix

Table 6: example of multi-criteria matrix for selecting projects (for Commune A – IPF allocation = VND 544,108,000)

Project	Location	Priority according to villages				Socio-economic information						Decision		
		V1	V2	V3	V4	Poverty score of village	# beneficiaries		Total cost of scheme (VND 000s)	Local contribution		RIDEF cost	Overall priority	RIDEF
		1	2	3	4		Direct	In-direct		Value (VND 000s)	% of total			
1. Inter-village road village 1- village 2	Villages 1 & 2	1	1		4	4	1,400	3,000	419,700	41,900	10%	377,800	1	Yes
2. Wharf 1	Village 1				1	4	770	300	58,699	5,800	10%	52,800	4	
3. Wharf and road	Village 2		2		1	3	630	350	127,700	12,700	10%	115,000	5	
4. Village road	Village 3			1	2	2	924	1,000	174,800	17,500	10%	157,300	2	Yes
5. Cluster of wharfs	Village 3			2	1	2	924	500	90,300	9,000	10%	81,300	6	
6. Cluster of wharfs	Village 4				1	1	1,037	400	101,800	10,100	10%	91,700	3	
7. Village roads	Village 4				2	1	1,037	800	157,100	15,700	10%	141,400	7	

Notes:

- V1, V2, etc. = Village 1, Village 2
- Total equity score = 1st priority projects for each village have a score of 2 (this scheme 1 has a score of 4 because it is 1st priority in 2 villages).
- Poverty score (as ranked in step 2 by each village) = the higher, the poorer.
- Project 1 selected because it scores highest on equity, has been proposed by the poorest village, and has many beneficiaries.
- Project 4 selected because it scores well on equity, has been proposed by the 3rd poorest village, and has many beneficiaries.

is much better adapted to local capacities, it does run the risk of making the process of project selection rather mechanical; ideally, project selection should encourage serious debate among workshop participants;

- there is some evidence that the final selection of projects is determined by the desire to maximise the use of IPF allocations. The inclination of some CDBs is to select those projects which fit the IPF allocation most closely (so as not to miss the financial opportunity);
- although RIDEF tried to encourage CDBs to think about project selection in relation to all available funding (RIDEF and others), step 3 has largely been limited to the selection of projects for specific RIDEF funding.

STEP 4 - FORMULATION, APPRAISAL AND APPROVAL OF INVESTMENT REPORTS (IRs); DESIGN AND COSTING

During step 4 of the LPP, all projects selected by communes are subjected to basic feasibility studies, documented by investment reports (IRs). The objective is to ensure – as far as possible – that projects are technically sound. They are then designed and costed in detail, prior to being tendered.

(1) Investment reports (IRs)

Once a CDB has completed step 3, it informs RIDU of the projects that it has selected. Assuming that these are compatible with RIDEF's eligible investment menu, RIDU then issues a Notice of Acceptance. CDBs can then begin the preparation of investment reports.

An IR is a document that describes and analyses proposed projects; it is effectively a feasibility study. The following elements make up an IR:

- rationale and objectives of the project;
- scope of the project (size, dimensions, etc.);
- location and site of the project;
- technical analysis (hydro-geological, design features, drawings, quantities);
- economic and financial analysis (costs, sources of finance, local contribution);
- project implementation (operations & maintenance arrangements, calendar);
- annexes (sketch of scheme position, Minutes of Step 3 selection meeting included table of scheme priority order, preliminary drawings, and other relevant documents).

Table 7 summarises the responsibilities for formulating, appraising and approving IRs in the RIDEF system.

Table 7: formulation, appraisal and approval of IRs

Approximate project cost and project complexity	IR Activity		
	Formulation	Appraisal	Approval
< 1 billion; technically simple (e.g. kindergarten)	CDB with TSG assistance	RIDU	DPI/PPC at provincial level
< 1 billion; technically complex (e.g. large irrigation scheme)	CDB with specialist consultancy support	RIDU	DPI/PPC at provincial level
> 1 billion (e.g. suspension bridge)	CDB with specialist consultancy support	Relevant technical department at provincial level + RIDU	DPI/PPC at provincial level

RIDEF has developed a standardised format for IRs.

In the case of relatively simple projects valued at less than 1 billion VND, the district level TSG will help the CDB formulate the IR using information obtained during the course of step 2. The extent to which the TSGs are involved will depend upon the simplicity of the project – those for which there are standard “blueprints” require little TSG assistance and such IRs can be prepared almost entirely by CDBs. For somewhat more complex projects of less than 1 billion VND, specialist consultants can be called in to assist the CDB in IR formulation – again, using information collected during step 2. It should be noted that the vast majority (> 90%) of projects funded by RIDEF were costed at less than 1 billion VND. Large project IRs, valued at over than 1 billion VND, are formulated as thorough feasibility studies by specialist consultants, but submitted for appraisal and approval by CDBs. All consultant inputs for investment report formulation are paid for by RIDEF as investment-related costs.

All IR appraisals take place at the provincial level (either done by RIDU or in collaboration with the relevant technical department). In the event that there are mistakes or errors in IRs, RIDU is expected to reply to the CDBs in question within a period of 15 days. All IRs (irrespective of the value of the projects) must be approved by the DPI/PPC at provincial level.

(2) Design and costing

At this stage, selected projects are designed and costed in detail. The process of project design and costing varies, depending on the complexity or simplicity of the project.

For relatively simple projects (schools, kindergartens, small culverts, etc.), CDBs can make use of standardised design and cost schedules made available by RIDU (examples of these can be found in the annexes to this document). These types of infrastructure are of standardised dimensions and their costing is subject to only minor



variations (such as the cost of transporting materials to site, which varies according to distance) – such variations can be handled by CDBs with support from TSGs. Using such standardised documents substantially cuts down the time and costs incurred between project and contractor selection.

In the case of more complex projects, CDBs are expected to carry out specific design and costing. As this requires considerable technical expertise, CDBs

(with RIDEF funding) use the services of licensed consultants (as defined by Government regulations) to design and estimate the costs of their projects. Consultants finalise designs and estimate costs on the basis of information contained in project investment reports. Consultants are instructed that the total estimated costs should not exceed the total investment cost as specified by the IRs.

CDBs are responsible for checking the designs and cost estimates submitted by consultants, especially where they significantly differ from the rough designs provided by the investment reports. Again, as this can be a technically demanding task, CDBs can call upon external support (from TSGs and, if necessary, from RIDU) for the initial appraisal of designs and costings.

Table 8: appraisal and approval of designs and cost estimates

Estimated project value	Appraisal	Approval
< 500 million VND	District level DPI	DPC Chairperson
500 million – 1 billion VND	Licensed consultant company or appraisal section of relevant technical department at provincial level	Director of relevant technical department at provincial level
> 1 billion VND	Relevant technical department at provincial level	PPC Chairperson

Table 8 summarises the procedures for the final appraisal and approval of designs and cost estimates. These are based on existing Government regulations.

(3) Problems, issues and difficulties encountered

RIDEF has encountered a number of problems with the implementation of step 4:

- it has sometimes taken a considerable amount of time to formulate IRs and then finalise project design and cost estimates. Initially, step 4 involved a participatory feasibility study (PFS), during which basic information was collected at village level for projects selected by the commune. As this

took time, it was eventually decided to carry out the PFS in step 2 (village consultation) as a short cut. In addition, the original IR format was too elaborate and demanding; it was drastically simplified (from a 35-40 page to a 5-10 page document). Even with these modifications to the original LPP, step 4 can still take a lot of time – sometimes up to a 12 months for complex projects (such as rural electrification);

- linked to the issue of the time taken to implement step 4 is the centralised nature of the appraisal and approval process for IRs. As has been seen, the appraisal and approval of IRs for all commune projects – insisted upon by RIDEF but not in accordance with official Government regulations – takes place at the provincial level. This means that documents need to be transmitted from sometimes very remote communes to provincial capitals, adding to the time taken for step 4 to be completed. Given that there have been no cases of project IRs being rejected by the Province, it would be safe to conclude that this insistence upon provincial approval is overly bureaucratic and largely unnecessary – approval of IRs would be more efficiently handled at district level;
- contracting consultants to do design and costing for relatively small projects has proved difficult (see box 1 for a general discussion of the difficulties encountered by CDBs in contracting consultants).

STEP 5 – TENDERING AND CONTRACTING

RIDEF promotes the use of tendering and competitive bidding procedures as the most appropriate way of selecting contractors for the implementation of small scale infrastructure projects. This is because tendering and competitive bidding:

- allow for the transparent selection of contractors;
- can result in significant cost savings (through bidder competition);
- are suitable for a wide range of infrastructure investments;
- can ensure that contractors are capable.

(1) Tendering documents and plans

The first stage in step 5 consists of the preparation by the CDB in question of tendering documents and a tendering plan. In doing this, CDBs can be assisted by either specialist consultants (paid for by RIDEF) and TSG/RIDU; however, final responsibility for the tendering documents lies with the CDBs as project owners. Tender documents consist of three parts:

- the tendering plan, in turn made up of:
 - application for approval;
 - tendering plan (schedule);
 - list of invited bidders (if applicable).

- Volume I, consisting of:
 - o tender invitation;
 - o tender instructions;
 - o general contract conditions;
 - o annexes and schedules;
 - o any relevant drawings;
 - o reference bill of quantities;
 - o tender baseline prices.
- Volume II, consisting of:
 - o technical specifications (for all types of scheme);
 - o general contract conditions.

To facilitate the preparation of tendering documents, RIDEF has developed standardised formats for the tendering plan and for Volumes I and II (all of which – technical specifications aside – are much the same irrespective of the project in question).

All tendering documents must be appraised by RIDU and then approved by the DPI/PPC (i.e. at provincial level).

(2) Tendering procedures

RIDEF has promoted three types of tendering procedure:

- public competitive bidding – this is the preferred option, consisting of the announcement of bidder invitations through advertisement in the public media;
- invitation to bid – this option can be used (to save time) in the case of small projects. CDBs invite a number of contractors (selected from a roster maintained by RIDU) to bid. CDBs can also invite other contractors to bid, provided that they are qualified and licensed;
- simplified limited competitive bidding in the case of projects valued at less than 100 million VND. At least 3 qualified local artisanal building groups are invited to bid.

Over time, the tendency has been for the vast majority of tenders to adopt public competitive bidding, which has proven to be the best way of making costs savings.

(3) Bid opening, evaluation and approval

The procedures used by CDBs for bid opening and evaluation are identical to those provided for by Government of Vietnam tendering regulations.

At first, all bids were submitted to the RIDU office. Now, however, bids are submitted to district DPI offices. Bid opening, on the other hand, usually takes place at the commune office of the CPC; in the case of very remote communes, bids are opened at district headquarters.

As the senior representative of the project owner, the CDB chairman is in charge of the bid opening process, to which all bidders are invited

to send their representatives. The seals of all bid envelopes are first checked, then opened one after the other. The bid value, proposed implementation calendar and bid bonds are then publicly announced. Bidder representatives then sign the minutes of the bid opening process.

Satisfactory bids are then passed on to the Bid Evaluation Experts' Group for analysis and evaluation. Bid evaluation takes place in two stages:

- bids are first assessed with regard to their technical quality. Only those bids scoring 70 points (out of a maximum of 100) for their technical quality will be considered in the second stage of the evaluation process;
- technically acceptable bids are then evaluated on the basis of price. The bid with the lowest price is selected as the successful bid.

After completing the bid evaluation process, the CDB (on the basis of the Bid Evaluation Experts' Group's conclusion) submits the minutes of the process and the bid analysis record to the provincial DPI for approval of the selection made. Assuming that all is in order, the provincial DPI then issues a Decision of Acceptance. The CDB can then send a Notice of Acceptance to the successful bidder, as well as letters of information to all the unsuccessful bidders, informing them of the results of the bid evaluation process and inviting them to reclaim their bid bonds.

RIDEF has developed standardised formats for the drafting of bid opening minutes, bid analysis records, applications for provincial DPI acceptance, Notices of Acceptance and letters to unsuccessful bidders. These standard formats speed up the paperwork for the CDBs.

(4) Negotiation and contracting

After being notified by the CDB of the outcome of the bid evaluation process, successful bidders submit their performance bonds and then negotiate their contract. When consultants have been used for the formulation of tendering documents, they assist the CDB in negotiations with successful bidders. CDBs can also call upon assistance from their TSGs or from RIDU.

Contract negotiation clarifies the key requirements of the CDB. Any mathematical errors that are in the bid are corrected at this stage. The works calendar is also thoroughly reviewed. Following the completion of negotiations between the contractor and the CDB, a contract is drawn up and signed. A copy of the contract is sent to the DDB and to RIDU for information.

(5) Problems, issues and difficulties encountered

Implementing step 5 has highlighted some problems and issues:



- for smaller projects, there have often been difficulties in attracting bids from contractors (see box 1 below);
- for projects in the more remote and mountainous communes, contractors have often been reluctant to submit bids (again, see box 1);
- at the start of RIDEF, very few commune level officials were familiar with tendering and contracting procedures. This problem was dealt with by providing them with training (see the section below on RIDEF capacity-building);
- provincial approval of the bid evaluation process and its result would appear to make step 5 more long-winded than necessary. In practice, there have been very few cases of the provincial DPI rejecting contractors selected by CDBs. It would therefore seem more appropriate for approval of contractor selection to be delegated to the district DPI, so as to streamline the process.

STEP 6 – CONSTRUCTION AND HANDOVER

The PMB, on behalf of the CDB, is primarily responsible for this step in the local development process.

(1) Client-contractor-supervisor arrangements

CDBs and PMBs rarely have the technical staff necessary for proper supervision of contractors and construction/installation activities. RIDEF thus promotes the recruitment, by PMBs/CDBs, of technical supervisors, responsible for overseeing the quality and progress of contractors' progress. The responsibilities of such supervisors (defined by Ministry of Construction regulations) are clearly spelt out in the contract between the CDB (the client) and technical supervisors. The fees paid to technical supervisors are funded by RIDEF.

Technical supervisors are generally expected to:

- ensure that contractors comply with agreed designs;
- ensure that works are of the specified quality;
- monitor contractor progress and ensure that works proceed according to schedule;
- assess the need for any changes in design;
- report to clients and sign off on any payment requests from contractors.

They are expected to be on-site on a frequent, if not permanent, basis.

In addition to technical supervisors, CDBs/PMBs also appoint community-elected superintendents to oversee day-to-day activities on the construction site. Technical supervisors consult with

Box 1 – general problems in contracting services

CDBs have often had considerable difficulties in attracting contractors for relatively small scale infrastructure projects, for which profit margins are slim. This has been especially so for the more remote, mountainous communes, where distances and high transport costs make contractors even more reluctant to bid on small scale infrastructure projects. One way to get round this problem is to “lump” together several projects – a CDB can, for example, combine a kindergarten, several culverts and an irrigation canal into a single tender in order to attract bids from contractors.

Similar problems have been encountered in obtaining the services of consultants for designing and costing projects, for preparing tendering documents and for supervising contractors. As specified by Vietnamese regulations, consultants are paid a relatively small percentage of the total value of projects – for small projects this does not provide enough of an incentive for consultants. The problem is worse in the more remote and mountainous areas. To get round this problem, RIDEF has increased the percentage paid to consultants for smaller projects and encouraged consultants to take on all phases of project management – from design to supervision.

community-elected superintendents before making any recommendations to the CDBs/PMBs.

(2) Contingencies and additions

During the course of construction work, it may become apparent that certain aspects of the original design require adjustment. In order to deal with this, RIDEF procedures allow for changes.

(3) General and final inspections

Once construction activities have been completed, contractors (after having discussed the issue with supervisors) inform the CDB and request a general technical inspection. General inspections are carried out by Inspection Boards, composed of the contractor, the CDB/PMB, the supervisor, the community-elected superintendent, TSG members and RIDU. If the inspection reveals that there are deficiencies or faults in the infrastructure, the contractor will be expected to repair them before final inspection.

Final inspection, carried out by an inspection board made of the same membership as for the technical inspection, leads to the official handover of the infrastructure to the CDB/PMB.

(4) Problems, issues and difficulties encountered

- a persistent problem has been the poor quality of supervisors. Local consultants have little experience of this kind of supervisory work. As a result, some projects were not implemented according to designs; in some cases, due to poor supervision, contractors were able to use materials of lower quality than specified in design documents; in addition, due to supervisors’ lack of experience, problem solving on site was often not properly done and resulted in delays;
- the quality of the supervision and oversight provided by community-elected superintendents has been variable. In

the coastal and lowland communes, community-elected superintendents have usually been able to provide good quality monitoring of contractors; in more remote and mountainous areas, however, where education levels are much lower than on the coast or in the lowlands, superintendents have sometimes been unable to meet their responsibilities.

STEP 7 – OPERATIONS AND MAINTENANCE

(1) Defect liability management

All the contracts between CDBs and contractors provide for a 12 month defect liability period after the handover of infrastructure. During that period, any defects in construction are to be made good or repaired by the contractor. At the end of the defect liability period, and assuming that there have been no defects detected or that the contractor has repaired them, the CDB authorises payment of the 5% of the total value of the contract retained for the defect liability period. Once payment of the retention is made, the contractor's obligations to the CDB come to an end.

(2) Operations and maintenance (O&M)

Operations and maintenance refers to the management of any infrastructure once it has been built and to the arrangements for ensuring that maintenance requirements are provided for. A market shed, for example, requires management of access to stalls and levying of user fees, as well as regular maintenance. Unless there are adequate O&M arrangements, infrastructure serves little or no purpose and rapidly deteriorates.

Investment reports for CDB projects include an analysis of O&M requirements and a description of the arrangements made for O&M. CDBs are responsible for ensuring that O&M arrangements are implemented in practice. CDBs are expected to formulate annual maintenance plans for all infrastructure – such plans specify the kind of maintenance work to be done, how often it needs to be done, what funds (if any) are to be made available for maintenance, and who is responsible for maintaining the infrastructure in question.

(3) Problems, issues and difficulties encountered

The main problem experienced by RIDEF in step 7 has been the poor quality of some of the operations and maintenance arrangements put into place. Some infrastructure has been poorly maintained and, as a result, has deteriorated. Local officials and community leaders do not appear to attach enough importance to O&M. To rectify this, RIDEF has organised training in maintenance planning. It is also clear that there are no clear guidelines on O&M, specifying who is responsible (province, district, commune, community). Finally, there are no rules about how user fees should be managed – the user fees charged for market stalls in one of the market places built with RIDEF

funding, for example, were collected by the commune – but were not re-invested in market upkeep and maintenance.

STEP 8 - DISBURSEMENT

Disbursement refers to the actual payment of contractors and consultants for services rendered. RIDEF disbursement procedures are based on Government regulations and place the preponderant responsibility for requesting payment on CDBs (as project owners). CDBs are also responsible for ensuring that all requests for payment are accompanied by the necessary documentation (e.g. copies of contracts, records of inspection, etc.).

(1) RIDU as cashier

In the case of the more remote and mountainous districts, RIDU operates as cashier for the CDBs. Requests for payment are sent directly to RIDU, where the project's senior accountant checks that all the relevant documentation has been attached to the request. If all documentation is in order, payments are made to contractors and consultants.

(2) District State Treasuries as cashiers

Wherever possible, RIDEF tries to decentralise the disbursement function to district State Treasury departments. Under this system of disbursement, RIDEF makes quarterly transfers of funds to the CDB accounts in the district State Treasury; these advances are made on the basis of disbursement schedules.

Instead of submitting requests for payment of contractors and consultants to RIDU, CDBs submit them to the district State Treasury, as well as sending copies to RIDU and to the provincial State Treasury. The latter appraise the documentation sent by CDBs and then, if the documents are in order, authorise the district State Treasury to make payment.

(3) Problems, issues and difficulties encountered

There have been two problems/issues with the RIDEF disbursement system:

- district State Treasury departments were initially unfamiliar with the procedures for contractor and consultant payments. This was resolved through the provision of training;
- the perceived need for all district State Treasury department disbursements to be authorised by RIDU and the provincial State Treasury has resulted in delays in the payment of contractors and consultants. Decentralisation of the disbursement function has therefore only been limited.

STEP 9 - EVALUATION

This is the final step in the LPP and involves – following the handover of completed infrastructure – a public review of the planning and implementation process for each project.

Responsibility for organising step 9 lies with the CDB, which invites the following to a public review meeting:

- RIDU;
- DDB, TSG and PSG;
- technical supervisor;
- contractor;
- representatives of the beneficiary community.

During the review meeting, the CDB and villagers analyse and assess the following aspects of the project:

- the LPP as a whole;
- the project selection process;
- construction (contractor performance, technical supervision, community superintendent, local contribution, and the CDB's management of implementation);
- the working relationship between the CDB, the technical supervisor and the contractor;
- disbursement issues;
- impact and benefits of the project;
- operations and maintenance arrangements.

At the end of the public review meeting, participants examine the lessons learned and discuss ways of improving future investment management.

In its final year of implementation (2002), RIDEF carried out a beneficiary assessment/evaluation of its activities in all the communes covered by the project. This was done by district and provincial officials (who received training on beneficiary assessments).

C. DISTRICT LEVEL LOCAL PLANNING PROCESS



As has been seen (see step 1), 20% of the IPFs allocated to communes is set aside to finance district level projects. District level planning is not as formalised as commune level planning. At the district level, selection of sub-projects is the responsibility of the District People's Councils, with final approval from the DDB. Some districts consult commune leaders about the selection of district level projects; others districts are less participatory. Following project selection, however, the LPP for district level projects is identical to that for commune level projects.

Generally, district level projects are infrastructures that serve more than 1 commune – in one district, for example, two small hospitals (one in the east of the district, the other in the west) have been funded as well as four bridges (all improving links between communes and the district). District level projects should be seen as a valuable complement to commune or community level projects.

The only major issues arising out of district level planning are the following:

- it should become more bottom-up and formalised. Under RIDEF, DDBs had no clear guidelines as to how to identify and then select district level projects;
- there should be a sharper distinction made between district and commune level projects, reflecting their different functional mandates and responsibilities.

D. CAPACITY-BUILDING

Implementing the LPP is a demanding task for both communes and districts, particularly since neither have had much experience of managing local development. CDBs, in particular, had never functioned as project owners, with responsibilities for design and costing, contractor selection, and construction supervision. In order to help communes and districts meet their new responsibilities and undertake new types of activity, RIDEF has developed a capacity-building strategy, the most important component of which has been training.

Over the life of the project, training has been provided to a wide range of local actors. Table 9 provides a summary of the basic package of training courses made available by RIDEF.

Training has been provided by specialised consultants as well as by individual members of RIDU.

In addition to formal training, however, it is important to note that a good deal of RIDEF's capacity-building took the form of on-the-job training – i.e. in the actual process of implementing the LPP at commune and district levels. Learning by doing has been a key aspect of RIDEF.

Table 9: summary of types of RIDEF training courses

Type of training	Content	Trainees
LPP	All steps in the LPP, but with a particular emphasis on steps 2 and 3	TSG and PSG members
Implementation arrangements	Steps 4, 5, 6, 7, and 8 of the LPP	CDB/PMB, TSG, and PSG members; State Treasury officers (for step 8)
Infrastructure maintenance	Guidelines on maintenance planning	CDB members and community representatives
Monitoring and evaluation		TSG and PSG members
"Master" trainers	Training methods	Selected TSG and PSG members (to make up a core group of provincial trainers)

E. OUTCOMES



(1) Grassroots democracy in practice

Perhaps the most significant achievement of RIDEF has been the extent to which the project – through its LPP – has given real meaning to grassroots democracy at the local level. Although the Government of Vietnam, through its 1998 Decree 29 on grassroots democracy, has clearly signalled its commitment to making local government more transparent, participatory and accountable, implementation of this policy has not been easy.

RIDEF's LPP, which stresses community participation in the identification of needs and projects, community involvement in the process of project selection by CDBs and commune-level ownership of project management, provides a practical example of how to democratise the development process at the local level. The different steps of the LPP provide a concrete way of increasing community participation and of ensuring commune-level management of infrastructure design and delivery. The LPP is a significant step away from top-down planning and has demonstrated the feasibility of a more bottom-up approach.

(2) Capacity-building

RIDEF contributes to the strengthening of local capacity to manage the local development process. Several hundred commune and district level officials and staff have benefited from the various training courses organised by RIDEF. Commune officials now know how to manage the implementation of small-scale infrastructure projects. In districts, PSGs and TSGs – through training and learning-by-doing – have learnt how to facilitate village level needs assessments and project identification exercises and have gained new skills in the areas of project feasibility assessments and design/costing. There is a palpable sense of being more competent (and increasingly self-confident) among most local actors. The extent to which local capacities to manage development projects have been strengthened is reflected in the progressively reduced time-lag between sub-project selection and sub-project completion.

(3) Infrastructure delivery

Although there is a sometimes surprising tendency for local officials to point to the local planning *process* as being the most important aspect of RIDEF, infrastructure delivery has been significant and impressive. Table 10 provides a summary of the types of infrastructure project that have been delivered (or are in the course of delivery) in the 122 communes and 15 districts covered by RIDEF.

Table 10: infrastructure delivery by RIDEF (1996-2002)

Type of infrastructure	No. of projects	Estimated project costs (VND ,000s)	% of total costs
Bridge culverts	234	36,212,837	23.9
Electricity	57	12,078,886	8.0
Health stations	9	2,338,422	1.5
Irrigation schemes	50	8,056,102	5.3
Kindergartens	169	12,609,872	8.4
Markets	24	12,535,724	8.3
Primary schools	141	23,194,808	15.3
Roads	79	30,235,995	20.0
Suspension bridges	13	8,238,271	5.5
Drinking water	78	5,733,263	3.8
Totals	854	151,224,181	100.0

These infrastructure projects were all identified through the participatory planning process and their implementation has been managed by commune and district authorities. Although no formal impact assessment has been carried out, it seems reasonable to assume that many of these small-scale schemes have contributed towards reducing poverty.

(4) Transparent selection of contractors

The tendering process introduced by RIDEF has been successful in making the selection of contractors more transparent. Bid opening has been public and the criteria used for contractor selection have ensured both technical capacity and lower prices. Although no tendering system is entirely able to avoid some degree of mal-practice, RIDEF's tendering and competitive bidding procedures represent a great improvement over regular contracting methods for small-scale infrastructure construction.

(5) Management Information System (MIS)

During the course of RIDEF's implementation, RIDU staff have developed a highly sophisticated MIS (based on Microsoft Access, a readily available software programme) to enable monitoring of LPP implementation, infrastructure projects, training courses, management of the commune database, and financial operations. The MIS allows RIDEF to track all infrastructure projects, from identification, through to tendering and on to final completion. It provides a unified tool for following commune and district planning. Although designed for the specific needs of RIDEF, this MIS is potentially useful for other projects and for all local level investment planning.

RIDEF's Management Information System can be accessed on the CD-ROM.

(6) Policy impact and replication

The RIDEF model of local development appears to have had some impact on national policy and on other projects. At national level, policy-makers were influenced by RIDEF in their design of the National Programme 135 of “Support to the Poorest Communes”. Several jointly funded Government and donor projects have also been influenced by the RIDEF experience – notably FINNIDA’s Thua Thien-Hue Rural Development Programme and CIDA’s programme in Soc Trang Province. There is also some evidence that the RIDEF experience has informed the project formulation process of several other donors – SIDA, the World Bank, and ADB, among others. It is clear that RIDEF has exerted an influence well beyond Quang Nam and Da Nang Provinces.

F. LESSONS LEARNED THROUGH RIDEF



A number of important, policy-relevant, lessons have been learnt through the implementation of RIDEF.

(1) Most importantly, RIDEF has clearly demonstrated that with appropriate support, **communes and districts are capable of identifying, planning and delivering small-scale infrastructure of potential benefit to the poor**. Whilst this should be in no way surprising, in the context of Vietnam it is a vital lesson. In the light of the RIDEF experience, continued reluctance of central

government and provincial authorities to delegate planning, budgeting and implementation functions to lower tiers of local government appears unjustified.

(2) Because the LPP is community-based, with villages identifying their infrastructure projects, **infrastructure delivery has been demand-driven and thus more appropriate to local needs**. As expressed by the General Secretary of the Provincial Communist Party of Quang Nam "... the people know what their needs are, more so than us [the Government]". The lesson from RIDEF is that an appropriately designed LPP can enable local needs to emerge and be met at a geographically significant scale.

(3) RIDEF has also demonstrated that **for participatory methodologies (such as PRA or RRA) to be used on a widespread and cost effective basis they need to be adapted and made less intensive**. RIDEF did use RRA techniques, but did so in a modified way. There is obviously a trade-off in the quality of participation – but this must be seen as inevitable given the need to have a planning process which delivers benefits to a large number of people in a relatively timely manner. This is a key lesson, underlining the need to understand that participation is costly – a widely-used planning system that uses elaborate participatory methods is likely to do so to the detriment of sustainability and real service delivery.

(4) The use of IPFs for commune and district capital investment has **provided local authorities with a predictable source of funding and has simulated a realistic hard budget ceiling within which difficult choices have had to be made about project selection**. The IPF system of financing used by RIDEF not only provides local authorities with resources with which to satisfy locally identified needs, but it also encourages them to move away from a wish-list approach to planning and towards a more clearly prioritised focus on planning. At the same time, the project selection process at commune level has been made as transparent as possible, without becoming too complex. There are obvious lessons here for central-local fiscal transfer mechanisms in Vietnam.

(5) RIDEF has also shown that ***intrinsically and necessarily limited capacities at commune level can be made up for by timely and appropriate backstopping and mentoring from district and provincial level staff, as well as from consultants***. The TSGs and PSGs, for example, who themselves have benefited from RIDEF-sponsored training, have provided communes with valuable support in conducting the LPP. For more technical activities (such as design and costing), communes have been able to call upon the services of consultants. This points to the need to think about “local capacity” in a rather different way and to look for ways of harnessing capacities which exist at all levels of local government and elsewhere. While it is clearly unrealistic to expect communes to have all the capacities necessary to manage local development, RIDEF has shown that it is possible to harness capacities situated elsewhere to support commune ownership of the development process. This has clear implications for the reluctance (of both Government and some donors) to devolve responsibilities to lower level authorities because they are seen to have limited capacities.

(6) The tendering and competitive bidding system introduced by RIDEF for small-scale infrastructure projects ***has proved itself to be cost effective***. Evidence from RIDEF indicates that competitive bidding can lead to substantial savings, and thus a more efficient use of limited financial resources. The mid-term evaluation of RIDEF, for example, concluded that the average successful bid has been more than 10% lower than the initially estimated costing; in some cases, successful bids have been as much as 25% lower than the estimated costing. This has enabled communes and districts to plan additional projects, funded out of savings made on earlier projects.

(7) Another lesson from RIDEF is that ***commune level investments can be complemented by more strategic investments at district level***. RIDEF allocated 20% of commune IPFs for funding district level infrastructure – and this was often used to fund the kinds of project (a larger health centre, for example) that might not figure highly in a village selection process, but which might be a priority for a larger community. In other words, not all needs are likely to be identified at the lowest levels – and this needs to be taken into account when designing a system of local level planning and financing.

(8) Finally, RIDEF has shown that ***local development can be financed by using regular State Treasury branches in districts***. During the first phase of RIDEF, disbursement to contractors was done by RIDU, acting as cashier for the CDBs and DDBs. Later on, and whenever possible, disbursements were handled by district State Treasury branches, receiving advances from RIDU. This indicates that, in many cases, existing disbursement arrangements can be adapted to support the process of decentralised planning and budgeting.