

# Scaling up rural sanitation in Vietnam: political economy constraints and opportunities

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Daniel Harris, Michelle Kooy  
and Pham Quang Nam

**Working Paper 341**

Results of ODI research presented  
in preliminary form for discussion  
and critical comment

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economy constraints and opportunities**

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\* Disclaimer: the views presented in this paper are those of the authors and do not necessarily represent the views of ODI

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## Acronyms

AusAid	Australian Agency for International Development
DANIDA	Danish International Development Agency
DARD	Department of Agriculture and Rural Development
DFID	U.K. Department for International Development
CERWASS	Centre for Rural Water Supply and Environmental Sanitation
CHC	Community Health Club
CLTS	Community Led Total Sanitation
CSO	Civil Society Organisation
DFID	UK Department for International Development
GoV	Government of Vietnam
IEC	Information, Education, Communication
INGO	International Non-government Organisation
MDG	Millennium Development Goal
MARD	Ministry of Agriculture and Rural Development
MoC	Ministry of Construction
MOET	Ministry of Education and Training
MoF	Ministry of Finance
MoH	Ministry of Health
MPI	Ministry of Planning and Investment
NTP-RWSS	National Target Program in Rural Water Supply and Sanitation
PAPI	Provincial governance and Public Administration Performance Index
PEA	Political Economy Analysis
PGPE	Problem-Driven Governance and Political Economy Analysis Good Practice Framework
PHAST	Participatory Hygiene and Sanitation Transformation
PPC	Provincial People's Committee
SM	Sanitation Marketing
TPBS	Target Program Budget Support
TSSM	Total Sanitation and Sanitation Marketing
VIHEMA	Vietnam Health Environment Management Agency
VCP	Vietnamese Communist Party
VBSP	Vietnam Bank for Social Policy
WSS	Water Supply and Sanitation

## Executive summary

This paper presents the findings of one of two country case studies conducted as part of a broader project entitled ‘Analysing the governance and political economy of water and sanitation service delivery’ commissioned by the UK Department for International Development (DFID). The objective of the research project is to develop the utility of political economy analysis (PEA) for the water supply and sanitation (WSS) sector, with a focus on improving the operational impact of DFID (and other donor) country programming.

While the objective of the case study is therefore to inform the development of DFID’s approach to sector-level political economy analysis, the paper and the research that underpins the paper have been undertaken with the primary goal of working with the staff of the DFID-Vietnam country office to think through the implications of a problem-driven political economy analysis approach for addressing the issues encountered in their work.

Extensive consultation with the DFID-Vietnam country office resulted in the conclusion that one of the main conundrums faced by DFID staff working on issues of WSS is the simultaneous presence of persistently disappointing outcomes in the rural sanitation subsector under the current policy paradigm and the limited uptake at scale of a number of seemingly effective ‘innovative approaches’ that have been piloted with donor support. This puzzle is particularly salient given the country’s overall development achievements and specifically given achievements within the sector in increasing access to urban sanitation and rural and urban water supply.

These innovative approaches, which are consistent with evolving best practice in WSS policy and programming elsewhere, are often loosely characterised as following a bottom up, demand-driven approach to sanitation provision. While allowing for some variation across the range of approaches piloted, a number of common characteristics can be identified:

- They are demand led instead of supply driven.
- They emphasise software over hardware, with hardware (if any) to follow software implementation and not vice-versa.
- They include software components that go beyond stating public-health reasons for adopting good sanitation practices and instead are based on various (social, economic, cultural) reasons motivating sanitation practices.
- They use very low or no hardware subsidies.
- They rely on the provision of supply-side elements by the private sector rather than the state.
- They rely on greater involvement of non-state actors.

The adoption of such approaches at scale would constitute a significant departure from the practices that have dominated the sub-sector in Vietnam for the last several decades. Those limited efforts that have been made in the sub-sector have entailed the provision of household sanitation in rural areas through a poorly financed, top down, supply-driven approach that has (1) failed to achieve widespread coverage and (2) failed to trigger sustained behaviour change in households it did reach.

In addressing the issues specified in conjunction with the DFID-Vietnam country office, it is helpful to distinguish between two separate (albeit closely related) problems. The underlying problem is the persistently poor performance observed in rural sanitation. This problem remains the fundamental motivation for the study (and the work of DFID and other donors in the sector) and provides the context for our consideration of the second, more narrowly defined problem, and the focus of this study: the failure of a broad range of actors to scale up ‘innovative approaches’ aimed at redressing these disappointing outcomes in Vietnam. To some extent, addressing this second problem requires us to understand the political economy blockages that have constrained sector performance to date, but we do so with the aim of understanding the extent to which implementation of innovative approaches at

scale is likely to work with, or against, the elements of the prevailing political economy in the Vietnamese context.

Much of the way in which sector outcomes have been generated in recent decades can be traced to the way in which incentives within the WSS sector have served to constrain *any* efforts in the rural sanitation sub-sector. Policy-making in Vietnam, including WSS policy, is dependent on the production of a significant amount and variety of policy documents to guide action at lower administrative levels. The policy framework largely responsible for ensuring the provision of rural sanitation is provided by the National Target Program in Rural Water Supply and Sanitation (NTP-RWSS, henceforth NTP). The NTP has changed significantly with each of its three iterations, shifts that have, on balance, been positive for the sanitation sub-sector. However, NTP1 (1998-2005) and NTP2 (2006-2010) largely failed to account for the powerful incentives shaping intra-sectoral funding decisions. When faced with the choice between investments in rural water supply and investments in rural sanitation, financial gatekeepers under the NTP programme (initially in the Ministry of Agriculture and Rural Development at the national level, but in fact more importantly, at the provincial level in the Provincial People's Committees and the provincial arm of the Centre for Rural Water Supply and Environmental Sanitation (pCERWASS) have tended to direct funding towards the former. Stronger existing levels of demand, greater visibility of water-supply infrastructure and opportunities for rent creation capable of supporting the maintenance of personal, political and social networks that are highly valued in the Vietnamese context, all tend to support such tendencies.

From a ministerial perspective there are additional serious questions regarding the incentives for involvement in rural sanitation. Within government, the (rural) sanitation brief, handed in bits and pieces back and forth between the Ministry of Health (MoH) and the Ministry of Agriculture and Rural Development (MARD) over the course of the last two decades, has not historically brought with it much in the way of the bureaucratic clout associated with increased budgets or staffing, reducing the incentive for ministries to compete for or embrace responsibility for the subsector. Thus, when each ministry has had the brief, rural sanitation has been only a small part of the ministerial portfolio, with other, perhaps more profitable, sets of responsibilities receiving priority. Such profits can be monetary in nature, for example through the cost-recovery possibilities associated with water supply investments, or political, as in the case of the prioritisation of basic health services. These types of incentives suggest that the problem lying behind the persistence of poor outcomes in rural sanitation may be that, historically, it has hardly been worth the trouble of engaging with the issue much at all.

We also note that this basic resourcing issue may also help to explain specific experiences with donor funded and international non-government organisation (INGO) implemented innovative approaches, including the reluctance to commit to a single strategy. The resource-constrained nature of the policy-making and programming environment (and regardless of the fiscal state of Vietnam as a whole, the sub-sector must certainly be called resource-constrained due to the dynamics described above) suggests it would be an extraordinarily difficult decision on the part of those charged with management of the sub-sector (currently the Vietnam Health Environment Management Agency, or VIHEMA) to choose a particular approach to sanitation and to tell other organisations currently active in the sector that their programming is no longer desired. If the Government of Vietnam expresses an authoritative opinion in favour of some models at the expense of other, the sector may lose some of what little support (financial or otherwise) is currently being received from the organisations with those models that perform marginally worse. In the Vietnamese context, such reluctance may be compounded by an informal socio-cultural preference for 'no-lose' outcomes, particularly in the case of allocative decisions, with significant distributional consequences. Where such norms are prevalent, decision-makers may display a preference for widely distributing resources when provided with a range of options rather than selecting and supporting a single approach (i.e. to innovation in sanitation).

Importantly, NTP<sub>3</sub> will go some way to redressing the imbalance between expenditures for water and sanitation. Changes in sector governance arrangements proposed in NTP<sub>3</sub> documents indicate there will be revised budget allocation procedures, with separate disbursements made to provinces for water supply and sanitation, effectively recentralising some degree of authority and ringfencing a portion of public NTP funds for sanitation. However, while the question of incentives driving intra-sectoral allocation in favour of water supply has been key in understanding the origins of the lack of resources devoted to rural sanitation and thus identifies a key constraint to any strategy to improve sector performance, it is in itself insufficient for our purposes. The task set forth in the problem identification phase of the project requires us to consider the potential for scaling-up innovative approaches to rural sanitation that have been the recipients of significant donor support. This a process that depends not only on funds becoming available for sanitation, but also on whether or not ‘innovative approaches’ are well-suited to implementation at scale in Vietnam, given the prevailing political economy of the subsector.

Beyond intra-sectoral allocation of resources between water supply and sanitation programming, what are the political-economy barriers to uptake of ‘innovative approaches’?

### **Visibility, more budgeting regulations and incentives for the status quo**

- Innovative approaches to sanitation which stress a (supply-side) subsidy-free approach to rural sanitation may not hold much appeal for government and party leadership in a context historically defined, in part, by expectations of government provision of public services. What political benefit might there be to engaging in a sub-sector in which non-governmental organisations create additional demands among the population that the government then has no role in fulfilling due to a private-sector focused approach to the supply side? Using the Community Led Total Sanitation (CLTS) or Total Sanitation and Sanitation Marketing (TSSM) approaches, households may not associate the government with the support provided, but rather will credit themselves for making the investment under a ‘zero subsidy’ programme.
- This dynamic is compounded by a historical legacy inherited from earlier iterations of sector arrangements. Each Vietnamese National Target Program is formally divided between development expenditure (managed by the Ministry of Planning and Investment, MPI) and recurrent expenditure (managed by the Ministry of Finance, MoF). A strong preference for investments in water supply infrastructure in the early days of the NTP-RWSS created a pattern of allocating exceptionally little funding for recurrent expenditure. This has served to constrain the options for sanitation policy as software programming is funded through the recurrent expenditure budget line. Reinforced by regulations limiting the percentage of funds that can be devoted to software activities at the commune level, the recurrent budget under NTP<sub>2</sub> has constituted only about 10% of the total NTP budget, making this programme highly oriented toward infrastructure investment.

### **Demonstration effects, ‘fence-breaking’, and risk aversion in WSS policy**

- The example of innovative policymaking with regard to economic management seen in the *Doi Moi* reform period, whereby policy directions came not from party leadership in Hanoi, but from a select group of local leaders who adopted a range of innovative practices (‘fence breaking’) is not a reasonable model for doing government business in the WSS sector in contemporary Vietnam. Key preconditions for innovative policy-making, present for the ‘fence breaking’ of economic management, are absent in the context of the sanitation sector. First, a lack of support from above for innovative policies is not balanced by securing widespread support from below: rural sanitation is characterised by a lack of effective demand arising from a generalised lack of public awareness, which prevents any appreciation from below of benefits of the more risky strategies adopted. Second, sanitation planners and health workers are generally not at a high enough level of power to push provincial policy in a direction that deviates from official policy. Third, risky strategies are possible and effective if, and only if, the incentives line up in such a way that there is sufficient payoff if the strategies succeed. There is currently not sufficient payoff for taking on risk in adopting innovative sanitation policies that differ from central government directions.



- Therefore, although the NTP<sub>3</sub> project documents and sector strategy papers produced by the Government of Vietnam reveal discourses of responsive governance and avoidance of overly prescriptive top-down central mandates, ‘encouraging local innovation’, safety is still preferred over the risk that innovation can entail. In cases of uncertainty, lower government levels tend to wait for explicit instructions from above (often in the form of a relevant inter-ministerial circular). When a regulation is lacking, for example, permitting the adoption of innovative approach X, officials in lower levels of government tend to do nothing (or, rather, continue to abide by the status quo) rather than use this freedom to experiment with new approaches.

### **Decision-making, democratic centralism, and bottom-up approaches**

The way in which decisions tend to be made in Vietnam has important implications for ‘innovative’ approaches. Two key elements are worth noting.

- First, there is a generalised cultural preference for consensus-based decision-making practices that allow for the sharing of benefits when decisions produce beneficial outcomes as well as the sharing of blame when things go poorly. Such practices can slow down the speed of reform, but can provide scope for debate and compromise. Consensus seeking is, however, subject to potential asymmetries in power among actors, with divides between key ministries relevant to the prospects for improved sanitation and the adoption of ‘innovative’ approaches.
- Second, at the public-policy level there is an additional feature generated by the contemporary party-state system: democratic centralism. Democratic centralism describes the dynamic in which significant debates (and often delays) take place, and are even encouraged prior to a decision being taken (particularly where there is no exogenously imposed deadline). However, once a decision is made, all actors involved are then expected to be bound by it and not to challenge or act in any way contrary to the decision.

Given the way in which the ‘innovative’ approaches to rural sanitation have been developed as local-level pilots and are now to be scaled up (i.e. working from the local outward), processes of collaborative decision-making must therefore take place anew in each project location, spreading outward from commune to commune and perhaps eventually upward to spread district to district. While there may be reasons to doubt the effectiveness of interventions that take place only at the highest levels and then rely purely on top-down accountability mechanisms, a purely bottom-up (or, local-outward) approach seems to entail significantly more consensus building than an approach that takes advantage of whatever strength there is in systems of democratic centralism.

Our analysis suggests that it is feasible to pursue strategies for the rural sanitation sub-sector that build on much of what appears to be effective in the so-called innovative approaches. For example, the emphasis on software and the adoption of strategies that include demand-generating activities may indeed be possible, despite poor performance in this area to date. However, this will require follow through on a number of institutional reforms already underway at the central level to create the necessary enabling environment, including:

- **Establishing policy space for budget allocation to critical elements of innovative approaches.** Securing sufficient resources is a pre-condition for any attempt to address the problem of poor sub-sector outcomes. While the ringfencing of funding for sanitation planned for NTP<sub>3</sub> appears to have resolved some of the constraints arising from incentive patterns influencing intra-sectoral allocation, the types of demand-generating activities associated with innovative approaches to sanitation will require a shift in the balance between investment expenditure and recurrent expenditure, as provinces and local government are still restricted in the use of GoV funds for innovative approaches through this division. Donors could support the MARD and MoF (and possibly MoH) in conducting an analysis of the previous circular guiding investments under NTP<sub>2</sub> to clearly point out these shortcomings prior to the GoV development of a new circular that will provide guidelines on the management and use of state budget for NTP<sub>3</sub>. Interviews suggest it may be feasible to expand the recurrent budget to as high as 30% of NTP expenditure, a large increase from its value of 12% in 2010.

- **Minimisation of political risk for sanitation planners and others approving sanitation expenditure** will require establishing a firm legal basis for specific components of innovative approaches necessary for behaviour change. Ensuring that a ‘menu of options’ is included in official sector documentation (a ministerial decision, the Sanitation Action Plan and/or NTP3 documentation) to establish the legality of specific activities critical to innovative approaches would be a helpful step in this direction. The Ministry of Health has previously provided guidance on sanitary latrine hardware in a similar manner. Without such a menu, local level decision-makers are extraordinarily unlikely to innovate on their own. While fulfilling these requirements is primarily the responsibility of GoV, donors should be aware of opportunities to engage in policy debates where possible and to support the emergence of consensus around established options within MoH.

However, there appears to be less scope for other elements of traditional innovative approaches to be implemented at scale and therefore strategies for the sector will need to be adapted to the specificities of the Vietnamese context. Of particular concern is the reliance on a particular form of non-governmental actor that does not appear to be present at scale: namely, the familiar form of community-based NGO that has been responsible for implementation of this type of approach in other contexts. In the case of Vietnam, the external INGOs and Vietnamese civil society organisations (CSOs) that have tended to form an integral part of initiatives to scale up sanitation do not exist at scale. Therefore, the delivery mechanisms for demand-generation activities would need to be rethought to work through the organisations and actors that do exist at scale in Vietnam: the Government of Vietnam, the Vietnamese Communist Party (VCP) and a variety of mass organisations, including the Farmers’ Union and Women’s Union.

- **New actors, new challenges.** As a result of this issue of available actors, much of this paper has focused on the need to work within GoV systems (including budgets). However, there is also potential for thinking more about how donors might work with those actors like the VCP and mass organisations. Their nationwide coverage, penetration into rural areas, good relationships with local government (often through VCP connections) and knowledge of local context are valuable assets in efforts to deliver services at scale and in the locally grounded manner envisioned in innovative approaches. If such organisations and the networks they possess could be leveraged within the NTP on the demand side, there may be significant potential for improved outcomes at scale. Donors appear less comfortable engaging with such actors than with traditional partners like the INGOs that have been supported in pilot initiatives carried out to date and engaging further takes unfamiliar partners onto tricky ground. Interviews suggest that VCP actors and mass organisations would require specific capacity building within the organisations to help them develop the requisite sector-specific skills and knowledge to implement components of innovative approaches (perhaps through a training-the-trainer scheme on demand generation), and clear guidance from central, sectoral and party leadership. Donors could potentially help with the former, but would need to do so in a way that does not compromise the unique features of the organisation. In other words, it is unlikely they could be treated in the same way as current INGO and CSO partners with regard to funding and accountability relationships.
- **Good practice in support to pilot initiatives.** In such a strategy, pilot initiatives (including those carried out by INGOs already active in the sub-sector) could continue to play an important role. However, the design of pilot schemes would need to be done in such a way as to facilitate uptake by such actors. For example, donor support to the sector could provide funding for projects that ‘pilot’ innovative approaches, but with use of government cost norms and with all human resource costs accounted for. This would help to prevent the proliferation of small-scale pilots by INGOs which are viewed as prohibitively expensive by government, regardless of the effectiveness of the outcomes achieved. An alternative model could be to require the provision of initial direct support to pilots to be followed by support to MoH to implement similar strategies. This type of approach may help not only by demonstrating the potential of innovative approaches to those with the reach to implement at scale, but also by providing increasingly

realistic information to important financial gate-keepers in government (MoF and MPI) about cost approaches (e.g. accurate unit costs) and ensuring compatibility with government cost norms, thus easing some resistance to the adoption of ‘recurrent expenditure’.

The Vietnamese context itself offers a number of potential entry points that, historically, have not necessarily been associated with innovative approaches, but may prove helpful in improving sub-sector outcomes, including:

- **Leveraging strong traditions of democratic centralism.** Adopting a strategy that involves state, VCP and mass-organisation actors will necessitate consensus building within government of Vietnam leadership. With the recentralisation of intra-sectoral allocations and the division of responsibilities and activities under NTP3, achieving national-level consensus, first in the Ministry of Health and then more broadly, will be critical. For donors, there may be the potential to adopt a role that prioritises coordination and progressive rebalancing in consensus-building to strengthen the leadership of MoH. Limited technical assistance and capacity building in key areas of weakness in engagement with other GoV stakeholders, such as the establishment of unit costs and other financial information on components of innovative approaches currently outside the established government cost norms for standard budgeting, may be a part of such a strategy, but the priority should be on those activities that contribute to the goal of facilitating consensus building. At lower levels of government, the challenge is less in building consensus than in establishing clear policy directives and implementation guidelines to guide sector staff.
- **The development of contextually appropriate incentive regimes for local leaders** can play an important complementary role. Little attention, it seems, has been paid to date to the role of local leaders (including, but not limited to Provincial Peoples’ Councils and Committees), while decisions about allocation within the subsector (e.g. hardware subsidies vs. investments in innovative approaches) are still made at the provincial level with significant influence from the Provincial People’s Council (PPC) and its chairman. The best programming here may be that which refocuses debate and discussion away from traditional metrics (i.e. external assessment of successful achievements regarding coverage rates) and towards incentives for local leaders. Early initiatives around incentives might include the inclusion of sanitation metrics in key evaluations of local government performance (e.g. the Vietnam Provincial Governance and Public Administration Performance Index, PAPI). However, there also appears to be room to build on the apparent effective mechanisms of top-down performance pressures, including those involving the potential power of non-monetary incentives for sector specialists and local leaders that leverage nationalistic values.

## Conclusion

The country case study on rural sanitation in Vietnam set out to answer the question: ‘if outcomes in the sanitation subsector in Vietnam have been disappointing, and a number of seemingly effective “innovative approaches” have been piloted, why has there been so little progress to date in promoting the uptake of these piloted approaches at scale?’

We began with the assertion that it is helpful to distinguish between two separate (albeit closely related) problems. With respect to the underlying problem of the persistently poor performance of the rural sanitation sub-sector, we have suggested that poor sector performance is the result, at least in significant part, of a set of incentive problems that have resulted in the general neglect of the sub-sector relative to other WSS priorities, namely water supply, within the programmatic framework provided by the first two iterations of the NTP-RWSS. Yet in a context in which action at scale is limited to a small subset of actors that are either government actors or closely tied thereto, this understanding of the roots of the general public sector neglect of the sub-sector is also clearly relevant in understanding the presence, to-date, of a second, more narrowly defined problem: the failure of a broad range of actors to scale up ‘innovative approaches’ aimed at redressing these disappointing outcomes in Vietnam.

While GoV actions will need to match the wording of recent policy documentation, the binding constraint presented by the financing arrangements in the sector seems to have been addressed by the ringfencing of funding for sanitation under NTP3. However, we are still faced with the question of the extent to which implementation of a set of innovative approaches at scale is likely to work with, or against, the elements of the prevailing political economy in the Vietnamese context. Here, the evidence appears mixed. Adopting innovative approaches in their entirety does not appear to be appropriate to the Vietnamese context. We have suggested that approaches to sanitation that cut out the state, focusing on generating demand among citizens and on developing the capacity of the private sector on the supply side could encounter strong resistance in a context in which service delivery is largely seen as a government responsibility. Additionally, the requisite non-governmental infrastructure does not appear to exist in the form seen in successful experiences with innovative approaches, as, for example, in south Asia.

However, this does not mean that it is not possible to adopt and promote strategies that incorporate some of the key features of such approaches and that have proven critical in producing better sanitation outcomes. Greater emphasis on demand generation, sequencing of software and hardware components, a broader conceptualisation of software activities and the involvement of (though perhaps not total reliance on) private sector suppliers are all potentially consistent with the political economy constraints. Looking forward, an approach is needed that combines the elements of innovative approaches necessary to achieve better outcomes in rural sanitation with the types of delivery mechanisms and actors available in the Vietnamese context.

# 1 Introduction

## 1.1 Rationale

The past decade has witnessed a significant increase in the interest of the international donor community in applied political economy analysis (Harris et al., 2011). With varying degrees of success, a number of frameworks have been developed as tools to help donors to better understand country contexts, to identify and explain persistent sub-optimal outcomes, and to design appropriate donor interventions. While much of the early work in this area took the form of broad country-level analysis, more recently donors have moved towards the application of political economy frameworks at the sector or even sub-sector (policy- or programme- specific) levels. The water supply and sanitation (WSS) sector has been no exception to this trend, with a number of country case studies produced in the last few years (McCluskey, 2011; WSP, 2011; Singh, 2008; O’Meally et al., 2009; Foot and Rashid, 2009; Swatuk, 2008).

This paper constitutes one part of a broader project entitled ‘Analysing the Governance and Political Economy of Water and Sanitation Service Delivery’, commissioned by the UK Department for International Development (DFID) and carried out by the Overseas Development Institute (ODI) in an effort to develop the utility of political economy analysis in the WSS sector, with the objective of improving the operational impact of DFID (and other donor) country programming. As agreed with DFID staff and described in the terms of reference for this project, this focus requires both the initial selection of a theoretically robust, analytical framework that is applicable in the sector<sup>1</sup> and the testing of that framework as it might be applied in particular country contexts. Therefore, while this case study should inform the development of DFID’s approach to sector-level political economy analysis more broadly, the paper and the research that underpins the paper have been undertaken with the primary goal of working with the staff of the selected country office (DFID-Vietnam) to think through the implications of such an approach for addressing the issues encountered in their work.

## 1.2 Framework for analysis

The analytical framework adopted in this paper, as in the research project more broadly, is the Problem-Driven Governance and Political Economy Analysis Good Practice Framework (PGPE) developed by Fritz et al. (2009). Whilst a number of frameworks for applied political economy analysis have been developed and subsequently used by donor organisations, academics and a range of consultants (Edelmann, 2009), the analytical framework used here was selected for a number of reasons.

First, the core components of political economy analysis (actors, institutions and structural features) are clearly presented (see Box 1). These three components interact with one another and in doing so, influence political and public-sector action and policies, their implementation, and ultimately, development outcomes.

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1. This was the focus of the introductory working paper. A summary is provided in Section 1.2, with more detail available in Harris et al. (2011).

### **Box 1: Core components of political economy analysis**

**Structural factors** are the conditions that influence the state and political system, including geographic, demographic, historical, economic and social characteristics of the community in question. ‘Generally these are not readily influenced, either because of the timescale needed, or because they are determined outside the country’ (The Policy Practice and ODI, 2009:5). However, structural factors provide the foundational elements of the context in which analysis must be grounded and often include systemic constraints on what is possible in a given context.

**Institutions** are both the formal and informal norms that govern behaviour, being the explicit or implicit ‘rules of the game’. Institutions tend to be more susceptible to change in the medium term than structural features. These are sometimes grouped together with the structural factors in the previous point as the ‘context’ as in the institutional analysis and development (IAD) framework, or occasionally, with the actors (stakeholders) as in the World Bank’s Political Economy of Policy Reform framework.

**Actors** are the individuals or organisations that are most relevant to the issue in question. These include those individuals or organisations that support reform as well as those who oppose it; individuals or organisations that engage with the issue as well as those who ignore it; and individuals or organisations who benefit from potential reforms and those who incur costs. Their actions are shaped by incentives (both material and non-material). Precisely what types of incentives exist for each actor or set of actors and how actors respond to incentives will be shaped by all of the factors above and the resultant decision logic used. Actors will vary in their ability to exercise agency, in large part due to the power (economic, social, and political) they hold.

Source: Fritz et al. (2009) and DFID (2004).

Second, as the name implies, the framework facilitates analysis that is focused on a particular developmental challenge (see Figure 1). As political economy analysis is defined in part by the way in which it takes local realities as its starting point rather than a given idealised form, some degree of contextual focus is clearly a prerequisite. However, there has also been a significant move in the last few years away from analysis that is purely and broadly contextual in focus and towards analysis that is grounded in a single development ‘problem’ or ‘question.’ This shift has been driven by a perceived demand for approaches that are more likely to produce findings that are directly relevant to country office operations.

Third, the framework is open with regard to the potential interventions one might make in response to emerging findings, thus preserving space for country office staff to engage creatively in problem solving and avoiding the tendency to apply familiar blueprint approaches. No particular model of best practice is assumed to lead to improved sector outcomes.

## 2 Applying the framework to Vietnam

In the remainder of the paper we follow the theoretical framework and project approach introduced in this section in an analysis of one case study, the political economy of scaling up innovative approaches to rural sanitation in Vietnam. The problem-driven framework is illustrated in the figure below (Figure 1), which also illustrates the research process undertaken. The first step of the research process was to identify the problem(s) for investigation; this is illustrated on the top line of Figure 1. Problem identification was done in close collaboration with the DFID Vietnam office, and this approach is further outlined in the next section of the paper (Section 2).

Following the identification of the problem, step 2 was to outline the institutional and governance arrangements that provide the context for action in the sector. This included identification of both formal policy and programmatic responses to the challenges of extending access to improved sanitation facilities to rural populations as well as some of the informal norms influencing decision-making. Much of this type of material will be familiar to readers with existing knowledge of the Vietnamese context, but this paper attempts to link generalised findings to the specific problems raised at the outset.

Step 3 was to identify the incentives of the actors involved, and develop an understanding of how they did or did not support scaling up of innovative approaches to rural household sanitation. In practice, the story that emerges from steps 2 and 3 inevitably draws on findings from both these closely-related fields of inquiry and therefore we do not distinguish between the two in the presentation of analytical findings (Sections 3 and 4). The final task was to suggest a set of implications for donor programming based on the analysis carried out in previous steps (Section 5).

**Figure 1: Problem-driven governance and political-economy analysis**

Problem-driven governance and political-economy analysis	What vulnerabilities/ challenges?	Evidence of poor outcomes to which GPE weaknesses appear to contribute
	Institutional and governance arrangements and capacities	What are the associated institutional set-up and governance arrangements?
	Political-economy drivers	Why are things this way? Why are the policies or institutional arrangements not being improved?

Source: Adapted from Fritz et al., 2009:7.

The methodology adopted for the first three steps study included early engagement on problem identification with DFID country office staff in Vietnam and an initial period of primary and secondary research, conducted over a period of 2 months from March-April 2011. Secondary data were collected through a review of Government of Vietnam policy documents, and relevant sector documents from the Government of Vietnam (GoV), key donors (RWSS donors, World Bank, INGOs). This was then followed by primary research undertaken over a three week period in country (April-May 2011) and a two week follow-up visit (June-July 2011) during which in-depth interviews were conducted with the key sector actors listed in Annex 1. The research was conducted by two researchers from ODI, combining sector expertise with political economy analysis expertise, together with a Vietnamese sector expert.

### 3 Problem statement

As described above, the first step for the project was to identify a specific policy or operational problem around which to focus the political economy analysis. The process of problem identification was carried out in collaboration with the DFID Vietnam country office through a series of discussions, correspondence and, eventually, meetings with country office staff. These interactions drew on an assessment of the WSS sector in Vietnam, including both sector outcomes and policy and programming to date, and, to some extent, the composition of DFID Vietnam's sector portfolio (Figure 3) as well as the work of other donors active in the sector (AusAid and DANIDA).<sup>2</sup>

#### **Box 2: Overview of DFID involvement in the WSS sector in Vietnam**

Responding to the disappointing rates of coverage for sanitation achieved to date in the subsector, DFID began a programme of support to rural sanitation in 2010, joining the WSS sector alongside other Target Program Budget Support (TPBS) donors (AusAID, Denmark and the Netherlands (silent partner)) in support of GoV, communities and households. DFID staff designed a programme comprising three areas of support totalling £17 million over four years (2010-2013) including:

- The use of on-budget support of £12m for the National Target Programme for Rural Water Supply and Sanitation and, through the Vietnam Bank for Social Policy (VBSP), of up to £4m 'using a modality agreed by all parties and mirroring the use of central Government NTPII-RWSS funds' (DFID, 2009).
- A programme of coordinated off-budget technical assistance (TA) supported with £1m of allocated funds and including a 'programme funded post in DFID Vietnam to drive sector reform on behalf of all donors' (DFID, 2009).
- A Scaling-up Sanitation (SUS) challenge fund intended to provide a mechanism to facilitate efforts to identify and take promising pilot approaches to scale. This initiative targeted support to 'innovative household sanitation and hygiene approaches' (June 2010). Criteria for 'innovation' were not specifically defined but referred to 'successful [demand-led] approaches' already piloted in Vietnam. The approaches piloted were not identified in the call for proposals, but consisted of: Community Led Total Sanitation, Sanitation Marketing, Total Sanitation and Sanitation Marketing, Community Health Clubs, Participatory Hygiene and Sanitation Assessment Transformation.

Source: DFID (2009) *Programme Memorandum: DFID Support to the GoV NTP-RWSS*

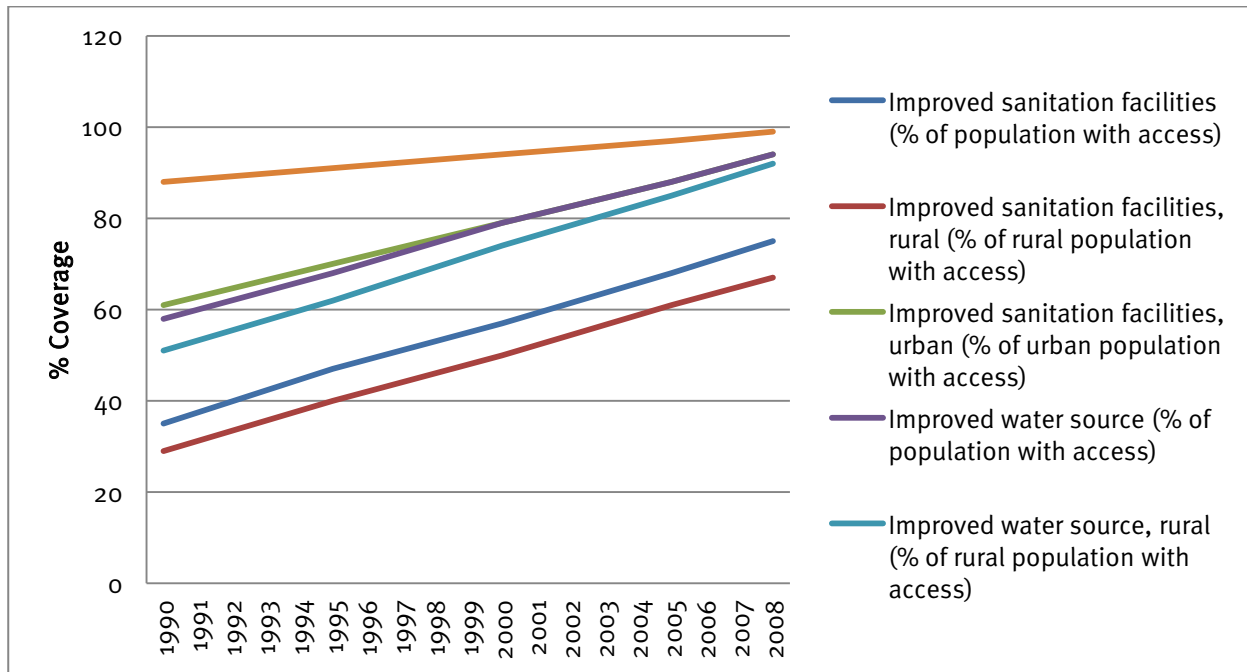
#### 3.1 Sub-optimal sector outcomes

As elsewhere, current estimates on coverage rates in the WSS sector in Vietnam remain much disputed and are heavily reliant on definitions used when measuring access to improved sanitation facilities and water sources. Nevertheless, looking across a number of recent evaluations of sector performance reveals reliable patterns of variation between subsectors, with urban areas outperforming rural ones and with performance on sanitation indicators, and particularly those for rural sanitation, lagging behind water supply indicators. These findings hold even when using the most optimistic figures on rural sanitation, that of the World Development Indicators (Figure 4).

2. In this case, the DFID country programme in WSS will run only through to 2013. Given this relatively short time horizon, it was agreed between DFID staff and the research team that the problem identification and the subsequent phases of the research process should make an effort to look beyond DFID's immediate operational needs.



**Figure 2: Water supply and sanitation in Vietnam, 1990-2008**



Source: World Development Indicators; <http://data.worldbank.org/data-catalog/world-development-indicators>.

Drawing on the findings of the 2009 Vietnam Population and Housing Census Expanded Sample Results, published by the Central Population and Housing Census Steering Committee in 2010, UNICEF suggests just 39% of rural households are using improved sanitation facilities (Central Population and Housing Census Steering Committee, 2010 in UNICEF, 2011). The most recent (2011) Vietnam Development Report notes that ‘[p]rogress in providing access to sanitation and hygiene has been especially difficult’.

While some improvements have been made, results on the whole have been disappointing, particularly in comparison to the achievements the country has made in increasing access to water supply. The contrast with Vietnam’s performance in other areas of development is also striking (Table 1). While Vietnam had met the Millennium Development Goal (MDG) targets for urban water supply and sanitation and rural water supply in 2009, it has only recently met the target of 67% access for rural sanitation related to ‘[h]alving the proportion of people without access to hygienic sanitation’ (JMP Update, 2010). It is however worthwhile noting that Vietnam’s own sector-monitoring and evaluation systems for rural water supply and sanitation have reported coverage at 55% for rural sanitation, below the JMP coverage figures (DFID Vietnam 30 Sept memo).

With 70.4% of the country’s population still living in rural areas (Central Population and Housing Census Steering Committee, 2010:33) slow performance in the sub-sector represents a significant challenge to the country and has been the focus of donor partners working in the sector.

**Table 1: Summary of performance against the Millennium Development Goals**

MDG 1:	Achieved
MDG 2:	Achieved
MDG 3:	Achieved
MDG 4:	Achievable
MDG 5:	Striving to achieve
MDG 6:	Difficult but striving to achieve
MDG 7:	Difficult to achieve
MDG 8:	Achievable to some extent

Source: Adapted from MPI (2010) *Millennium Development Goals 2010 National Report*

### 3.2 Insufficiency of ‘traditional’ supply-driven approaches

As highlighted by a number of reviews of so-called ‘traditional’ approaches to sanitation, the very slow rise in levels of access to household sanitation in Vietnam is hardly unique (Cairncross, 1992; Jenkins and Sugden, 2006; WHO, 2000). Indeed, international experience over the course of the last three decades suggests a number of countries have faced challenges in improving sanitation outcomes. These challenges include, but are not limited to, the overall low level of investment in sanitation vs. water supply.

Based on an analysis of previous ‘traditional’ supply-led hardware-dominated approaches, a growing shift in thinking about the sanitation sector over the last decade suggests that policy and programming focusing exclusively or almost exclusively on the supply-side (and specifically, on subsidised provision of technology and hardware) and top-down government implementation is unlikely to achieve its desired outcomes, with sanitation facilities widely unused or misused (Cairncross, 1992, 2004; Jenkins, and Sugden, 2006; Peal et al., 2010; Mukherjee, 2000; WSP, 2004).<sup>3</sup> Outliers in this analysis do exist, as both China and Thailand have demonstrated (see Box 3). Experience also suggests that it is not enough to simply add on a software (Information, Education, Communication) component to a traditional sanitation approach, because the top-down provision of software, focusing exclusively on public health messages has also proven ineffective (Jenkins and Sugden, 2006).

Reflecting the failure of previous decades of ‘traditional’ sanitation programming to substantially increase sustainable access there was a paradigm shift in global sanitation policy and adoption of subsequent ‘demand-driven’ approaches. Globally, sanitation financing went from funding sanitation facilities (supply-driven, hardware-oriented) to ‘funding sanitation promotion and leveraging resources’ (Metha and Knapp, 2004). Replacing the top-down supply-driven approaches are bottom-up, demand-led approaches that focus first on gaining an understanding of the target community and appreciating the very different reasons that motivate people to improve sanitation and hygiene at home. Following this new approach, one or more of a variety of demand led software approaches (e.g. CLTS, SM, TSSM, CHCs, PHAST) are used to identify and stimulate a combination of cultural, social and economic and health-related motivations for better sanitation practices. The motivations of individual households are then supposed to lead them (not the state) to securing subsequent hardware (the latrine), purchased with or without subsidy from local private sector. In this new approach, public subsidy is largely limited to software provision, market development, and/or service provision at the end of the sanitation service chain (i.e. sludge treatment plants). Worldwide, this approach has now become a critical component in the campaign to reduce hygiene- and sanitation- related morbidity and mortality (Peal et al, 2010).

<sup>3</sup>.Metrics for success include a poor take-up rate, evidence of poor targeting of subsidies and limited reach (Peal et al., 2010).

### Box 3: China's sanitation success with traditional approaches

China is a notable outlier, contradicting some part of the above global analysis about the ineffectiveness of top-down, centralised approaches to rural sanitation provision. What is often left unremarked in the literature regarding demand-led sanitation is that China has been largely successful in rolling out sanitation services across urban and rural areas, yet the experience and approaches adopted – which have evolved with changing political and socio-economic conditions – have received very little international attention. China's approach to rural sanitation does adopt some of the more recent norms of sanitation best practice, in limiting state subsidies for hardware to less than 10% with the majority of financing coming from users, and in combining hardware with an emphasis on software, but the demand-generation approach is limited to the traditional public health related messages (Suchen et al., 2004). While China's approach does make mention of bottom-up development through 'community participation', its success in increasing access to sanitation is not based on elements of an 'innovative' demand-led approach. Rather, progress in sanitation has been the product of good coordination between all levels of government institutions, strong messages from the central government, setting high national targets, and aligning incentives for responsible agencies to achieve this.

### 3.3 Limited uptake of 'innovative' approaches to rural sanitation

An examination of Vietnam's sector strategy documents illustrates that they reflect the global paradigm shift and recent 'best practices' regarding demand-led approaches. A 2010 evaluation of Vietnam policy documents in the sector (Sijbesma et al., 2010) noted that officially, rural water supply and sanitation activities under the government's sector policies should be community-managed and implemented with participatory methods:

The strategy follows a demand-based approach, in which the users: (i) decide on the type of rural water supply and sanitation facilities they want and will pay for; (ii) finance the construction costs and either hire the contractors themselves or do their own construction; (iii) are fully responsible for the operation and management of the facilities. Behavior change will be promoted through awareness raising and capacity building. Information, Education, Communication (IEC) programmes must also be added to introduce the technology and design options, the operation, management and financing mechanisms, and opportunities for credit to help users make the right decisions. (Sijbesma et al., 2010)

However, in contrast to the approach to sanitation laid out in official policy documents, government programmatic responses intending to improve rural sanitation outcomes have relied largely on supply-side approaches, including the provision of free materials for latrine construction and, later, investments in technology and subsidies for hardware, while failing to have any meaningful community participation or other software elements. The top-down, supply-side approach to increasing access to sanitation has remained the norm since the 1980s, when, following reunification, Vietnam initiated a rural development programme with assistance from UNICEF. Current subsidies for sanitation include a direct subsidy for households (VND 800,000-1,000,000<sup>4</sup>) and, since 2004, access to subsidised credit from the Vietnamese Bank for Social Policy (VBSP) through which households may borrow up to VND 4,000,000<sup>5</sup> for sanitation (and a similar amount for household water-supply improvements).

Extremely limited funds have been set aside within the overall budget for demand generation and/or software components of sanitation programmes. Current legislation restricts the software costs of the sanitation programme to less than 20% of the total commune<sup>6</sup> sanitation budget, as material support (steel, cement, etc.) for households must be at least 80% of the budget for a commune (Nam, 2011), reflecting the decades-long focus on the hardware components of sanitation programming. As a result, the demand-generation component of GoV strategies to increase access to rural sanitation, historically,

4 800,000 – 1,000,000 VND is equivalent to £23-29 GBP.

5 4,000,000 VND is equivalent to £117 GBP

6. Communes are one of the four administrative levels of local government in Vietnam. From largest to smallest these include: provinces, districts, communes and villages (although administrative apparatus at the village level is limited).

has consisted largely of limited, poorly funded and often poorly integrated Information, Education, Communication (IEC) activities.

However, in the last few years a number of organisations (largely a core group of international non-governmental organisations (INGOs) with the support of the international donor community) have been piloting various demand-led approaches which were considered ‘innovative’ in the context of Vietnam’s current sector practice. Through interviews with donors, Government of Vietnam officials and INGOs active in the sector, we identified five such innovative approaches that have been piloted to date in Vietnam: Community Led Total Sanitation (CLTS); Sanitation Marketing (SM); Total Sanitation and Sanitation Marketing (TSSM); Community Health Clubs (CHCs); and Participatory Hygiene and Sanitation Transformation (PHAST). There are important differences between these strategies<sup>7</sup> but we can identify at least five shared characteristics that are important to consider in how they are more, or less, amenable for uptake at scale within the current political economy of Vietnam.

- Drawing on international experience in sanitation, **‘innovative approaches’ piloted in Vietnam are demand led**, with provision of actual hardware (latrines) following from demand expressed by households by their willingness to pay. The demand is generated by software activities that focus first on gaining an understanding of the target community and appreciating the very different reasons that motivate households to improve sanitation and hygiene. This is done through a variety of software techniques, including community-based, participatory methods (CHC, CLTS, PHAST) and marketing strategies (SM, TSSM).
- In these models, **where the supply side is addressed, efforts focus on the private sector** rather than government as key providers of public services (SM, TSSM). This includes various links in the sanitation service chain, including: hardware manufacturers (latrine, toilet slabs, taps), installation, operation and maintenance (sludge removal).
- There has been an effort to develop and **promote the use of a variety of sanitation options** (toilets, latrines) based on user preferences (and not on MoH hygienic latrine standards and construction manuals).
- The approaches surveyed have a **strong emphasis on software** (including IEC, demand generation, hygiene training) rather than hardware components of sanitation. Software components that go beyond stating public health reasons for adopting good sanitation practices and instead are based on various (social, economic, cultural) reasons motivating sanitation practices.
- In contrast to traditional approaches, there is a greater **involvement of non-state actors or non-traditional state actors**, including civil society organisations, the private sector and occasionally donors.

Together these features address a number of perceived failings identified in earlier experiences in the sector internationally and draw on considerable experience in rural sanitation initiatives in other countries. As such, the innovative approaches have generally been viewed by donors as holding significant potential for improving sector outcomes, with multiple donors supporting individual pilot initiatives. However, despite the proliferation of pilot programmes, many of which have been reviewed favourably where evaluation has been carried out (Sijbesma et al., 2010),<sup>8</sup> little has fundamentally changed in the nationwide approach to rural sanitation. Uptake of innovative approaches to rural sanitation has been limited and, in the words of one official interviewed for this project, ‘pilots have remained pilots.

This presents donors and their advisors with a conundrum: if outcomes in the sanitation subsector have largely remained disappointing under the current policy paradigm and a number of seemingly effective ‘innovative approaches’ have been piloted, why has there been so little progress to date in

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<sup>7</sup> For a more detailed description of the leading innovative approaches, see Annex 2.

<sup>8</sup> To note, most of the evaluations have been done by the implementing organisations rather than independently and/or by the GoV.

promoting the uptake of these piloted approaches at scale? Understanding why this is the case has important implications for government and donor strategies in the sub-sector and, as such, has been specified in conjunction with DFID as the question to be addressed in the remainder of this paper.

However, we note here at the outset of the analysis that in addressing these issues, it is helpful to distinguish between two separate (albeit closely related) problems. The underlying problem is the persistently poor performance observed in rural sanitation. This problem remains the fundamental motivation for the study (and the work of DFID and other donors in the sector) and provides the context for our consideration of the second, more narrowly defined problem, and the focus of this study: the failure of a broad range of actors to scale up 'innovative approaches' aimed at redressing these disappointing outcomes in Vietnam. To some extent, addressing this second problem requires us to understand the political economy blockages that have constrained sector performance to date (see Section 3), but we do so with the aim of understanding the extent to which implementation of innovative approaches at scale is likely to work with, or against, the elements of the prevailing political economy in the Vietnamese context.

## 4 Understanding generic constraints to progress in rural sanitation

Much of the way in which sector outcomes have been generated in recent decades can be traced to the way in which incentives generated by institutions within the WSS sector have served to constrain any efforts in the rural sanitation sub-sector. Under the heading of institutions, we include here both formal policies and programmes in place in the sector and informal norms that influence decision-making processes. A number of studies have provided such analysis at the broader country level, either as their primary focus, or in order to inform analysis of a related issue (see, for example, Shanks et al., 2004; Rama, 2008; Vu, 2009; Gainsborough, 2010). There is tremendous value in such accounts. However, rather than provide a comprehensive contextual analysis, here we selectively highlight a number of formal and informal rules that seem most salient to the problems at the heart of this analysis.

### 4.1 Formal rules governing decision-making in the WSS sector

#### Policy-making processes in Vietnam

While there have been significant changes in the socio-economic status and composition of the nation and the policy regime that has created that composition, there is a strong argument in favour of the position that much remains unchanged in Vietnam, particularly in the political sphere. Most fundamentally, a number of commentators have noted the capacity of power to sustain itself, even where such persistence requires substantial re-invention or re-imaging (Gainsborough, 2010). This is perhaps most visibly demonstrated in the essentially unchallenged dominance of the Vietnamese Communist Party (VCP) since the end of the war with America and reunification in 1976, though there is a broader argument to be made that encompasses political and economic elites.

There remains a significant degree of state–Party fusion (Shanks et al., 2004), with VCP structures existing in parallel to formal government bureaucracy at all levels, from national to village level. The state, the Party and the nation remain fundamentally bound together in the Vietnamese nation-building project (see Box 4). VCP structures have in some respects lost some authority relative to their historical peak prior to *Doi Moi* reforms because government control has receded in some key areas (e.g. economic management) (Vu, 2009). However, the party retains significant decision-making authority in those areas where the public sector has retained influence, including the delivery of public services.<sup>9</sup> The ability of the Party and those at the top of the broader political and economic hierarchy to navigate the turbulent waters of socio-economic transition is a critical feature of the national political economy and may provide some clues as to how policies come to be adopted in a rapidly changing Vietnam.<sup>10</sup>

Challenges to the VCP are, in fact, not unknown, coming both from within the country (Thayer, 2009), and, to a limited extent, externally as in the case of Chinese challenges to territorial integrity. Yet at no point has the Party appeared at risk of losing control, nor have there been substantial cleavages within the Party itself. As described by Rama (2008), the fundamental transformations of the *Doi Moi* period are all the more remarkable ‘because the process did not involve one group of individuals displacing another within the structure of power. Unlike in other transition countries, there were no internal coups, no political purges, no open infighting ... Some of the same leaders who embraced the planned economy model in the 4<sup>th</sup> Congress were leading *Doi Moi* by the time of the 6<sup>th</sup>’ (Rama, 2008:10).

9. For an assessment of the role of the private sector in the WSS sector in Vietnam, see SEAWUN (2009). While the authors identify a number of potential roles, the centrality of the public sector is demonstrated by the authors’ conclusion that ‘[r]ural and small town sanitation has rather low potential for PSP’ (2009:173).

10. Such a phenomenon is not unprecedented internationally. See, for example, analysis of recent ‘reform’ in post-Suharto Indonesia (Hadiz, 2010; Aspinall, 2010).

#### **Box 4: Narratives of nationalism**

In Vietnam, the relationship between identity, nationalism, patriotism and legitimacy is complex. A substantial literature has arisen to address these issues and a complete treatment of the subject is well beyond the immediate scope of this paper. However, for our purposes, it is sufficient to note that the nation-building project evolving under the VCP involves, to a significant degree, appeals to nationalist and patriotic narratives. These concepts, alongside strong notions of sovereignty, independence, performance and struggle, form an important foundation for the maintenance and development of the formal party–state apparatus. The campaign-style National Target Programmes are perhaps the clearest example of the way in which formal policy and programmatic responses are often underpinned or framed by the Vietnamese nation-building project, but there is a broader point to be made regarding the resonance of such themes in shaping the behaviour of actors in Vietnam. Nationalistic or patriotic themes, including a sense of duty to serve the nation, the party and/or the Vietnamese people constitute a central, and occasionally explicit, basis for development in Vietnam. There are clearly limitations to this nationalism, as evidenced by current sensitivities regarding the relationship between the *Kinh* majority and the various ethnic minority groups that together comprise the Vietnamese nation (this fieldwork carried out for this project did not ascertain the extent to which such divisions impact on the provision of services in rural sanitation). However, the implication of the general salience of such narratives to the decision logics of actors at both national and local levels is worth considering.

The policy process is therefore intimately tied to the VCP at all stages of the policy cycle: agenda setting, policy making and policy implementation. While agenda setting and policy formulation demonstrate relatively close links, the links between policy formulation (i.e. promulgation of legislation) and implementation are subject to a number of vagaries. Neither the policy positions set by Party agencies nor the legislation produced in accordance with such positions provide guidance on implementation (e.g. planning guidelines and financing strategies). For this detail, the inter-ministerial circulars produced by the relevant line ministry and cross sector ministries (e.g. MoF, MPI) are critical (see Box 5).

#### **Box 5: Types of policy in Vietnam**

The number of stages involved in the policy-making process in Vietnam results in the production of a tremendous amount and variety of policy documents.

Every 20 years or thereabouts (eg 1991 and 2011) the Party Congress adopts (or revises) a new Party Platform (Cuong Linh) that sets out the Party philosophy for nation building and defense. Once every 10 years (in 1991, 2001 and 2011), the Party Congress approves a 10-year socio-economic development strategy (SEDS) that sets long-term development goals to be achieved. Once every five years (1991, 1996, 2001, 2006 and 2011), the Party Congress approves a socio-economic development plan (SEDP) that sets medium-term development objectives and solutions. Resolutions of the Party’s Central Committee detail the main direction in specific areas, for example, concerning agriculture and rural areas, cultural development, foreign policy etc. All of these Party documents are the basis for the National Assembly, government, ministries and localities to adopt laws, ordinances, decrees, circulars and decisions within their respective power.

‘Resolutions of the Party National Congress ... set the framework for policy directions (in the form of *Resolutions* and *Instructions*) which are presented to, and given legal form through, the workings of the National Assembly which authorises the framework for the drafting of legislative documents by the government, as well as passing major legislation (in the form of *Laws*, and *Resolutions* and *Decrees* issued through the NA Standing Committee) ... Pursuant to ratification by the National Assembly, the government and Prime Minister will then issue *Decrees*, *Decisions* and *Instructions*, and the sector ministers issue specific *Decisions* and *Circulars* to put them into action.’ (Shanks et al., 2004)

## Preference for programmatic approaches

For much of the last two decades, key government policies in Vietnam, whether for poverty reduction or those designed to address other policy challenges, have often taken the form of national target programmes. As Shanks et al. (2004) argue:

The official rationale for such an approach is to concentrate resources, provide clear and target-oriented definitions of roles and responsibilities, and facilitate coordination between different parts of Government. They also, arguably, reflect a certain “style” of policy-making: the socialist period relied heavily upon exhortation and social mobilisation through a “campaigns” approach to the solution of social and economic problems, and target programmes reflect this legacy.<sup>11</sup>

With respect to poverty reduction, the most well known of these programmes are the National Target Program for Hunger Eradication and Poverty Reduction & Job Creation (NTP HEPR-JC), and the Program for Socio-Economic Development in Communes Faced with Extreme Difficulties (Program 135) that supports investments in infrastructure in poor communes. However, as target programmes continue to play an important role in Vietnamese government policy, a wide range of specialised programmes have also emerged to support efforts in specific sectors or on specific issues, including forestry, HIV/AIDS, climate change, and rural water and sanitation (the last of which is dealt with more extensively below). Despite their widespread use, target programmes are not, however, free from criticism, with authors noting significant tensions between sector-specific coherence and inter-sectoral complementarity as well as ‘weak coordination, management, supervision and monitoring of the multi-sector national target programs’ (Shanks et al., 2004).

## Programmatic approaches in the WSS sector: NTP-RWSS

Since the late 1990s, the GoV has demonstrated a clear preference for programmatic approaches in the WSS sector. The most relevant sector programme for the problem identified in Section 2 is almost certainly the National Target Program for Rural Water Supply and Sanitation (NTP-RWSS),<sup>12</sup> although other relevant programmes include Program 135.<sup>13</sup> The NTP-RWSS (hereafter called NTP) is now approaching its third iteration, which is now awaiting the Prime Minister’s approval but is expected to be signed off in early 2012 and will guide sector operations during the period 2011-15.<sup>14</sup>

The policy framework provided by the NTP has changed significantly with each of its three iterations; the shift has, on balance, been positive for the sanitation sub-sector. While NTP1 paid virtually no attention to sanitation, subsequent iterations of the programme have been increasingly explicit in addressing the challenge of improving rural sanitation coverage and a body of legislation in relation to this has been developed. This is not to say that the framework provided by the latest iteration is sufficient to guarantee the achievement of all desired outcomes, but rather to point out a trajectory of increasing attention to sanitation within formal policy discourses. In the remainder of this sub-section we provide a brief overview of the financial and managerial governance arrangements under each of the programmes and provide an overview of NTP approaches to demand-generation activities.<sup>15</sup>

Throughout NTP1, 2 and 3, the Ministry of Agriculture and Rural Development (MARD) has been and will continue to be the lead agency for the programme. Prior to the enactment of the State Budget Law in 2004, all NTP projects were managed by MARD and under NTP1 the role of MoH was largely

11. Alternatively, it is possible to argue that the preference for targeted programmes reflects a broader east/South–East Asian pattern of state-society relations and tradition of state-led development, as much as it does a particularly socialist tradition. Similar ‘campaigns’ approaches have also been an important part of the policy landscape in other, non-socialist states in the region (Dang Kim Son, personal communication).

12. The NTP-RWSS is a sector program, but it is not a Sector Wide Approach (SWAp). The NTP program is at times represented as the entire RWSS sector, and at other times is represented by GoV as part of the RWSS sector.

13. As noted in interviews with NTP 135 staff, infrastructure expenditure under Programme 135 is extensive but, as a result of the decentralisation of expenditure, decisions to the recipient communes is not guided by any sort of central policy.

14. NTP-RWSS1 covered the period 1998-2005, while NTP-RWSS2 covered the period 2006-10.

15. For a more detailed comparison of the programme documents of NTP2 and NTP3, see Annex B.



insignificant, both in the programme document<sup>16</sup> as well as in practice. This arrangement was in line with sub-sector strategy documents at the time (e.g. the August 2000 version of the National Rural Clean Water Supply and Sanitation Strategy up to Year 2020 and the associated Action Plan) under which MARD retained formal responsibility for coordinating the implementation of RWSS programmes and projects, including overall coordination of demand-side (IEC) activities in sanitation. Interviews, however, suggest that the sanitation activities, and particularly those on the demand side, were largely neglected under NTP1 given MARD's traditional emphasis on water supply.

The NTP2 document mandated the creation of a steering committee, chaired by MARD and with members from different ministries and organisations (MoH, MOET and mass organisations). The Standing Office within MARD is tasked with supporting the Steering Committee on day-to-day programme management. Tasks and responsibilities of each ministry involved are described, and later formalised by the *Inter-Ministerial Circular 97* issued on 22 November 2007.

While MARD retained its official leadership role and overall responsibility for the programming under NTP2, implementation was characterised by a division of responsibilities for various activities related to rural sanitation among a number of actors. MARD retained control of the programme's annual work plan and expenditures (e.g. approval of allocation of subsidies for latrine construction), though the provincial arm of the Centre for Rural Water Supply and Environmental Sanitation (pCERWASS) played a strong role in day-to-day management. However, experience under NTP1 suggested that MARD lacked the technical expertise in the sanitation sub-sector as well as the organisational presence at the local (sub-provincial) level necessary to carry out IEC activities at anything other than the national level. As a result, the Ministry of Health (MoH) was assigned a significant portion of responsibility for demand-side activities, with health workers at each administrative level from the Department of Health to individual village health workers and, in some cases, the Vietnam Women's Union contracted by pCERWASS to lead on IEC implementation.

However, MoH responsibilities in the subsector have often come with little or no funding attached. Indeed the NTP3 programme document notes explicitly that 'MoH had no funds allocated for designating full-time staff in charge of supervising the program implementation for the fulfilment of the program's targets for sanitation, even though these targets were huge and difficult to achieve' (GoV, 2011:19). As in the case of IEC duties at the local level, sanitation activities have often been assigned in addition to other established duties, resulting in limited participation of health workers in the NTP (ibid.).

In this respect, the locus and extent of control over budget allocation under the NTP is critical. In practice, there is a significant potential gap between central government budgeting within the NTP and the reality of expenditure. This occurs for at least two reasons. First, the guidance on the allocation of funds to different sub-sectors given in programme documentation generally refers to total funding, including government budget, donor funding, private funding, and VBSP loans.<sup>17</sup> However, the government has little influence on the allocation of the private funding, and limited influence on loans, suggesting the percentages mentioned in both NTPs are rather what it is aiming for, not something that the government or ministries can decide.

Second, the power held by local- (and particularly provincial-) level governments is considerable. NTP funding under NTP2 was transferred from the central level to the provincial level as a lump sum. It was then up to the provincial authorities to allocate it to water supply or sanitation and to specific activities within each sub-sector. *Inter-Ministerial Circular 97* of 2007 gives ultimate authority in this area to the Provincial People's Committee (PPC), with the provincial Department of Agriculture and Rural Development (DARD) and pCERWASS coordinating the development of the programme plan at provincial level for PPC approval. The central level (MARD) issued annual guidelines on budget allocation to provinces. However, while those guidelines encouraged the provinces to prioritise

16. MoH is mentioned only once in the NTP1 summary, together with the Vietnam Women's Union and Youth Union.

17. Consistent with greater emphasis on sanitation, NTP3 entails a significant increase in fund allocation for sanitation compared to NTP2, from 21% of the total to 41%.

sanitation, they were not a binding document. In practice, it has often been the case that provinces allocate the vast majority of NTP funds for water supply, and little for sanitation. Informal reports indicate that a significant number of provinces do not even develop sanitation plans.

NTP3, once approved, will entail significant, though not total reforms to sector governance arrangements. While changes will not enable total certainty regarding the total funding available to each sub-sector (including public, private and loan funding), NTP3 will go one important step further in role division, dividing the programme into smaller projects and sub-projects, with each one assigned a responsible implementing agency (see Table 2). Interviews with MoH staff suggest that this new organisational structure will be supported with revised budget-allocation procedures under which separate disbursements will be made to provinces for water supply and sanitation, effectively recentralising some degree of authority and ringfencing a portion of public NTP funds for sanitation (see Table 3).

**Table 2: Projects and sub-projects in NTP3**

<b>Projects and sub-projects</b>	<b>Responsible implementing agency</b>
<b>Project 1: rural water supply</b>	<b>MARD</b>
Sub-project 1: rural water supply for domestic consumption	MARD
Sub-project 2: water supply for coastal and island areas	MARD
Sub-project 3: water supply for the areas with an extreme shortage of water, i.e. high mountainous areas, salinity-intruded areas, areas affected with dioxin and other poisonous chemicals	MARD
Sub-project 4: control of water quality for domestic purposes	MoH
<b>Project 2: rural sanitation</b>	<b>MoH</b>
Sub-project 1: construction of HH hygienic latrines	MoH
Sub-project 2: construction of hygienic water supply facilities and hygienic latrines for health clinics	MoH
Sub-project 3: construction of hygienic water supply facilities and hygienic latrines for schools, kindergartens and nurseries	MOET
Sub-project 4: construction of hygienic water supply facilities and hygienic latrines for communes' offices and markets	MARD
<b>Project 3: improvement of rural environment including 3 sub-projects</b>	<b>MARD</b>
Sub-project 1: construction of hygienic livestock pens	MARD
Sub-project 2: collection and treatment of domestic waste	MARD
Sub-project 3: treatment of waste from trade villages	MARD
<b>Project 4: awareness raising, capacity building and institutional strengthening; development of technologies in RWSS</b>	<b>MARD</b>
Sub-project 1: promotion of IEC for people's awareness raising	MOH
Sub-project 2: training, capacity building	MARD
Sub-project 3: completion of state management and institutional system in RWSS	MARD
Sub-project 4: development and transfer of water supply and sanitation technology	MARD

Source: GoV (2011) The National Target Programme on Rural Water Supply and Sanitation- Period 2011-2015 (Final draft)

**Table 3: Projects and funding of NTP3**

Project	Budget (billion VND)	Percent
Project 1: rural water supply	23,054	50.5%
Project 2: rural sanitation	7,786	17.1%
Project 3: improvement of rural environment	12,548	27.5%
Project 4: awareness raising, capacity building and institutional strengthening, development of technologies in RWSS	2,260	5.0%
Total	45,648	100.0%

Source: GoV (2011) The National Target Programme on Rural Water Supply and Sanitation- Period 2011-2015 (Final draft)

## 4.2 Bringing in informality: understanding intra-sectoral allocation in WSS

To better understand the pattern of expenditure under NTP1 and NTP2 and specifically the emergent gap between recommendations for expenditure on rural sanitation and the disappointing reality, we must turn our attention to a range of informal factors.

### Rent management, political protection and network maintenance

In Harris et al. (2011), and consistent with the distinctions drawn in the discussion of NTP budgets above, we note the importance of differentiating between water supply and sanitation, in order to understand the relative prioritisation given to certain sub-sectors (water supply).<sup>18</sup> In the case of Vietnam, this differentiation is linked closely with our understanding of how the opportunities for the distribution of rents and management of personal networks differ across WSS sub-sectors.

Though significantly modified in the light of changes during the reform era, patronage and political protection remain fundamental components of the Vietnamese political economy. Outcomes (economic and otherwise) are thus determined not only by particular changes in policy, but also by informal practices that determine who can benefit from what, when and how. Approaches to reform should therefore be understood with respect to the monetary and political incentives generated by such dynamics, the latter generally being seen by actors as key to achieving the former at some point in the future.

Policy-makers, like other members of the Vietnamese population, are members of dense networks of social contacts. These networks, which include family links, shared geographical links and a range of other factors, are defined by the careful cultivation and maintenance of relationships. While much of this takes the form of entirely legal social and cultural exchange, in the case of relationships within the public sector and between public sector and private sector actors there is the very real potential for these networks to take the form of patronage relationships. In such cases, the state (or, more accurately, actors within the state) can play the role of gatekeeper, managing the creation, control and distribution of rents within a given sector (Gainsborough, 2010).

In addition to the distribution of rents, management of personal networks includes associations of political protection. This dynamic (prevalent in, but not limited to, relationships between public sector actors) has been historically significant, though Gainsborough's (2010) description of umbrellas of protection suggests that while it is still a critically important variable, protection tends to be more variable (as particular elites come to or lose power, and as those seeking protection adjust their strategies and cultivate new relationships).

When faced with the choice then between investments in rural water supply and investments in rural sanitation, financial gatekeepers under the NTP program (initially in the Ministry of Agriculture and

18. Harris et al. (2011) also suggest a distinction between rural and urban provision. However, because the NTP provides an institutional framework that isolates and, to some extent, insulates decision-making processes concerned with rural water supply and sanitation, we do not address this distinction in detail.

Rural Development at the national level, but in fact more importantly, at the provincial level in the Provincial People's Committees, DARD and the provincial arm of the Centre for Rural Water Supply and Environmental Sanitation (pCERWASS) have tended to direct funding towards the former. The key distinction for gatekeepers is in the extent to which there is potential for rents to be generated and, more generally, the extent to which profits are available in the sub-sector. In this respect there appear to be a significant number of clear differences between the rural water supply and rural sanitation sub-sectors. In the former, investment expenditure is channelled largely to the procurement and contracting necessary in the construction of a relatively small number of large scale infrastructure projects (e.g. dams, reservoirs, pumping stations, piped networks).<sup>19</sup> The quantity of funds, their concentration, and, in the context of a blurring of the dividing line between public and private spheres, the potential to engage in activities on the fringes of legality provide incentives for those making allocative decisions. More specifically, such spending patterns would seem to offer significant opportunities for personal gain in the form of kickbacks, skimming on contracts or through ownership stakes in equitised enterprises operating in the sector<sup>20</sup> and the maintenance of social networks through the distribution of such benefits.

Additional benefits can accrue to decision-makers after initial capital investments have been made and infrastructure is in place. When delivered to the household, water can be characterised as a private good with relatively clear and direct links to household wellbeing and economic performance, resulting in effective demand for improved water supply and therefore the scope for private sector involvement. Given such willingness to pay on the part of service users, there are significant opportunities for additional rent generation within the sub-sector arising through the imposition of particular regulatory and pricing regimes.

In contrast, the rural sanitation sub-sector is typified by spending patterns in which small investments at the household level are directed to a large number of small-scale suppliers.<sup>21</sup> This dynamic, in which suppliers consist largely of local artisans, would seem to reduce the benefits associated with the distribution of funding by gatekeepers. Such a wide distribution would also dramatically increase the complexity and thus the transaction costs associated with any extra-legal activities. Moreover, similar levels of pre-existing effective demand to those for improved water sources are largely absent as is private-sector interest in the sub-sector (as evidenced by the proposed focus on demand generation at the heart of 'innovative approaches' to sanitation). For the majority of the population, the links between access to improved sanitation and improved wellbeing (physical and economic) tend to be less clear than those noted above, with sanitation largely considered a public good in the absence of effective IEC work.

### **Lack of incentives for ministerial involvement in rural sanitation**

In practice, the issue of intra-sectoral allocation could potentially be addressed to some degree by strong guidance on spending within the WSS sector. However, in the Vietnamese context, this function seems to have been undermined by a lack of ownership within the public sphere. The division of responsibility outlined in Section 3.1 is critical here and, in particular, the institutional fragmentation between MoH and MARD. Within government, the (rural) sanitation brief, handed in bits and pieces back and forth between the two ministries over the course of the last two decades, has not historically brought with it much in the way of the bureaucratic clout associated with increased budgets or staffing, reducing the incentive for ministries to compete for or embrace responsibility for the sub-sector. When each ministry has had the brief, rural sanitation has been only a small part of the ministerial portfolio, with other, perhaps more profitable (either monetarily or politically), sets of responsibilities receiving priority. In the case of MoH this has included more highly-visible health-sector interventions and, in the

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19. Reiss and Mollinga (2009) highlight the role of pCERWASS in channelling NTP funds to large scale water supply infrastructure, to the neglect of locations where such large scale construction was not feasible and better suited to small scale technology for rural water supply development.

20. Ownership in such enterprises is notoriously unclear.

21. Note that this is particularly true where the focus is on household sanitation. Management of waste in public areas (e.g. schools, markets, etc) and agricultural waste may entail more significant investments in large-scale sanitation infrastructure.

case of MARD, investments in achieving better outcomes with respect to access to an improved water supply.

Alongside the rent-management issues raised above, these types of incentives suggest that the problem lying behind the persistence of poor outcomes in rural sanitation may be that it has historically hardly been worth the trouble to engage with the issue much at all.

### **A momentary deviation: the moral economy**

While the role played by rent generation and management, patronage relationships and the types of political and monetary incentives discussed above are clearly influential in determining sector outcomes, an emphasis on these factors should not obscure the presence of other incentives that would be more acceptable to prevailing normative frameworks. This is not traditional ground for much of political economy analysis; however, there is no reason that even those approaches that are based primarily, if not entirely, in rational choice theory should be unwilling to adopt a definition of utility that goes beyond a simple monetary metric or an assessment of power gained or lost. One might also include the utility derived from acting in accordance with one's professional, personal or social ethics. We can expect people get some satisfaction from performing their job well or from making a contribution to society, to the nation, and improving the well-being of others (whether they be within an individual's social network or outside it).<sup>22</sup>

One should be careful to avoid gross generalisations regarding values at the societal level in Vietnam as the value attached to these factors will clearly be stronger in some actors than in others (and sometimes they will be insufficient to overcome the constraints of other elements of political economy); however, an awareness of the presence of such motivations should inform interactions between actors. In the context of this analysis, the research team did note the presence of such dynamics at work in WSS sector decision-making that appear salient to the problem identified. As discussed in the following section, informal rules oriented towards equity in decision-making processes and outcomes provide multiple examples of deviations from pure rational choice. Additionally, the professional ethic of actors within the sector appeared to influence a number of actors, including but not limited to leadership figures in VIHEMA and in one of the better-performing communes outside Hanoi. The impact of such commitment, however, is difficult to quantify.

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22. There is a robust and growing body of literature on subjective measures in well-being (see, among others, the work of Daniel Kahneman) and the personal satisfaction or happiness derived from certain actions or experiences. However, the critique here is merely to say that while research in this area is producing interesting findings, we are not yet good enough at measuring and communicating things like personal satisfaction in ways that provide meaningful statistics; therefore, they are often neglected in public policy.

## 5 Political-economy drivers influencing uptake of innovative approaches

Drawing first on the financing issues identified in the previous section and then moving on to consider a range of complementary dynamics, we investigate in this section the challenges of scaling up innovative approaches to rural sanitation. Specifically, we are concerned with uncovering the extent to which such approaches work with the complex set of incentives that emerges and shapes the behaviour and decisions of relevant actors in the Vietnamese context.

### 5.1 Scarce financing, ‘no-lose’ outcomes and innovative approaches

Interviews suggest that decision-makers often demonstrate an inclination towards what might be termed ‘no-lose’ outcomes and strategies where possible. This appears to be the case particularly in relation to allocative decisions that have significant distributional consequences. In such situations, decision-makers may display a preference for widely distributing resources. As in other east and South-East Asian contexts, there may be an element of the preservation of ‘face’ involved, recognising the importance of protecting reputation and public persona. However, together with consensus building, ‘no-lose’ outcomes can be seen as a socio-cultural mechanism for avoiding damage to the networks of personal relations that underpin Vietnamese society. The former with respect to maintaining networks among decision-makers through the process of decision-making; the latter with respect to the outcome of decisions.

A preference for ‘no-lose’ outcomes has significant implications for attempts to identify and scale-up particular pilots. As noted above, there were a range of so-called ‘innovative’ approaches, each associated with its own constituency of support including not only implementing actors (i.e. INGOs), but also – and this is particularly true given the value of the inputs of those implementing actors – donors. There were reports in multiple interviews that recommendations were made to the Ministry of Health to not only improve evaluation of pilots for their individual effectiveness, but also to engage in more comparative evaluation. However, this is likely to raise some interesting questions.

The most easily apparent is the question of whether, in a resource-constrained environment – and regardless of the fiscal state of Vietnam as a whole, the sub-sector must certainly be called resource constrained given the dynamics described in Section 3 – it is feasible to choose a particular approach to sanitation (however innovative) and to tell other organisations that their programming is no longer desired? While the question of ‘face’ seems less relevant given the foreign identity of many of the organisations offering their services, this is a straightforward question about aid effectiveness: what incentives are there for a country to say no? It seems entirely plausible that MoH is hesitant to do a comparative evaluation because they want ‘a thousand flowers to blossom’ and fear that if they expressed an authoritative opinion in favour of some models at the expense of others, the sector will lose some financial support from the organisations with those models that perform marginally worse.

### 5.2 Beyond intra-sectoral allocation

While the question of incentives driving intra-sectoral allocation has been key in understanding the origins of the lack of resources devoted to rural sanitation (and therefore to demand generation activities), to explain the historical preference for investments in water supply relative to sanitation is insufficient for our purposes here. At least two key changes in the institutional structure governing the sector appear, potentially, to have rendered these debates somewhat moot. Under NTP3, strong(er) ownership of the sub-sector by the Ministry of Health, in conjunction with the ringfencing of a budget for sanitation within the allocations disbursed to provinces, suggests that some of the institutional barriers to improvements in rural sanitation may be overcome. However, the potential for scaling up innovative approaches to rural sanitation depends not only on funds becoming available for sanitation,

but also on the commitment of the government to the innovative approaches themselves. Therefore we must still question whether or not ‘innovative approaches’ work within the prevailing political economy of the sub sector. It is to this question that we now turn in the following section.

### **Subsidies, visibility and incentives for the status quo**

In addressing the question of ‘innovative approaches’, it is worth returning to the characteristics of such approaches outlined in Section 2 and considering how those characteristics contrast with current (or more ‘traditional’) approaches in Vietnam. We distinguish here primarily between the traditional supply-side emphasis and provision of subsidies for the construction of improved sanitation facilities and the subsidy-free (at least on the supply side) demand-generation characteristic of ‘innovative approaches’.

As has been described, the success of supply-side subsidies at generating improved sub-sector outcomes can be described as limited at best. However, it may be useful to consider not only the historical effectiveness of the subsidies themselves, but also the role played by such subsidies in the Vietnamese context. In this interpretation, the use of subsidies for toilets is ‘spreading the MSG’ – a euphemism often used in Vietnam to describe the objectives of ‘patrons’ to achieve the maximum distribution of benefits by a minimum amount of resources – tapping into the rent-management and network-cultivation dynamics described in Section 3, while allowing the government to maintain a visible presence in the sector. Traditional approaches seem to demonstrate consonance with service-delivery norms in Vietnam and help to maintain the ‘government-/Party-as-provider’ logic embodied in the familiar phrase ‘it is thanks to the Party that I have ...’

In contrast, one can imagine that the idea of adopting a (supply-side) subsidy-free approach to rural sanitation may not hold much appeal for government and Party leadership in a context historically defined in part by expectations of government provision of public services. What political benefit might there be to engaging in a sub-sector in which non-governmental organisations create additional demands among the population that the government then has no role in fulfilling due to a private-sector-focused approach to the supply side? Using the Community Led Total Sanitation (CLTS) or Total Sanitation and Sanitation Marketing (TSSM) approaches, households may not associate the government with the support provided, but rather will credit themselves for making the investment under a ‘zero-subsidy’ programme. A WSP evaluation, on the sustainability of no-subsidy approaches promoted in the SM approach, suggested similar resistance by local government (Sijbesma et al., 2010).

### **Differentiating development and recurrent expenditure**

This dynamic is compounded by a historical legacy inherited from earlier iterations of sector arrangements. The complication arises from the fact that funding under National Target Programs (including NTP-RWSS) is subject to *Articles* 31 and 33 of the law on the state budget, which draw a distinction between, and define, development expenditure and recurrent expenditure.<sup>23</sup> Most relevant here is the inclusion of spending on ‘construction of socio-economic infrastructure projects managed by the central level without possibility of capital recovery’ and ‘the construction of locally managed socio-economic infrastructure projects’ (i.e. expenditure on sanitation hardware) in the definition of development expenditure and the inclusion of a range of expenditure types covering software activities under recurrent expenditure.

In the process of budget allocation, the MPI is responsible for the allocation of the development budget and MoF for the recurrent budget. This duality, an inheritance from the time of central planning, often means that development-investment decisions are made separately from decisions on recurrent expenditures, with financing requests from provinces and line ministries submitted to both ministries and limited coordination between the two ministries (World Bank, 2005). The lack of integration of budgeting and planning for development and recurrent expenditure tends to be reflected in the

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<sup>23</sup> See Annex 6 for the text of the articles.

adoption of a given split between the two types of expenditures. 'At present, the aggregate share of capital spending is set at 28 percent of the total. A constant ratio of this sort is associated with considerable inertia in budget allocations, with capital expenditures being too high in some sectors and too low in others' (ibid: 9).

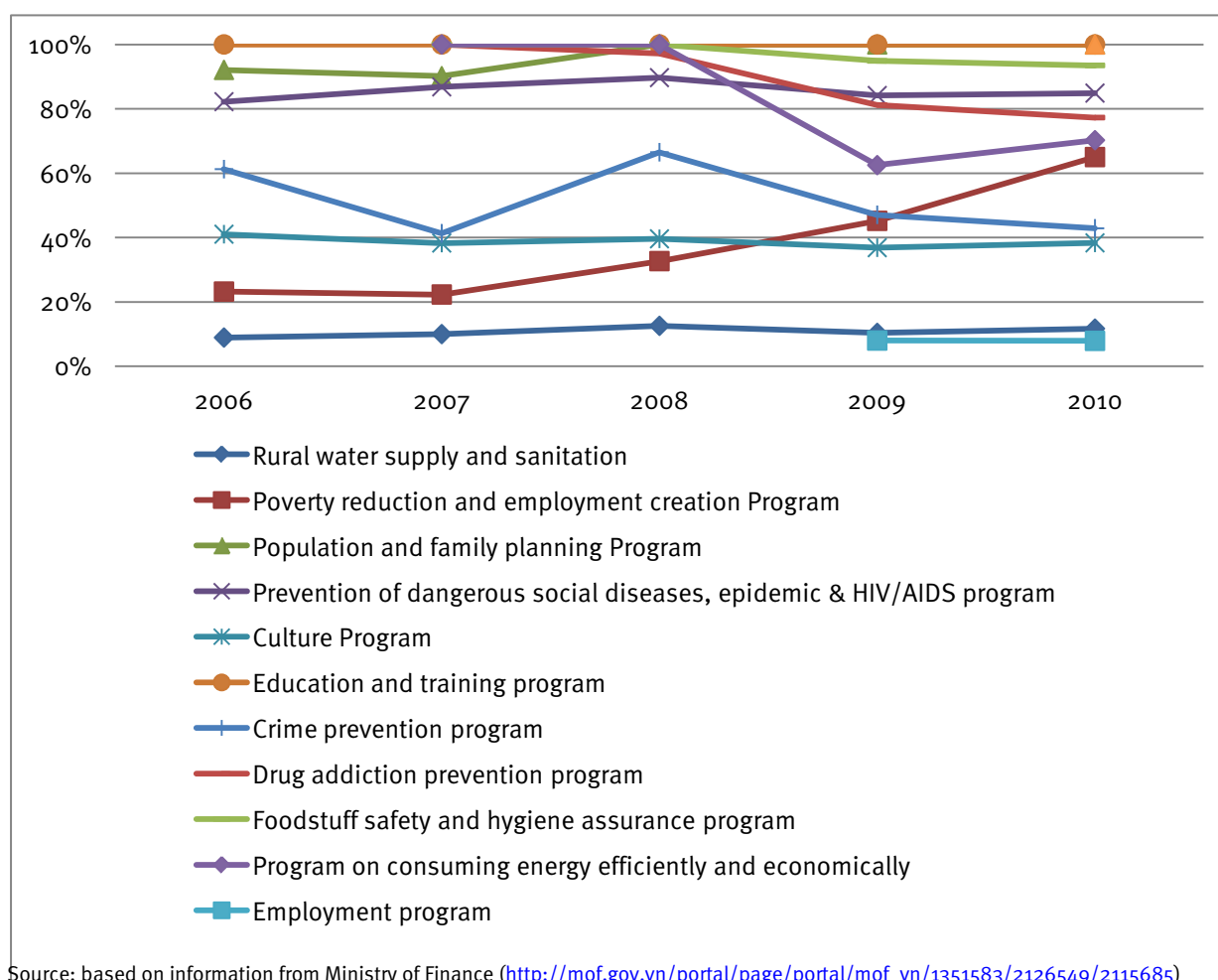
**Table 4: Investment and recurrent expenditure in the national budget**

Budget category	2008 (Final account)	2009 (Estimates)	2010 (Estimates)	2011 (Budget)
Investment expenditures	119,462	179,961	172,710	152,000
Recurrent expenditures (including national defence and public security)	252,375	320,501	385,082	442,100
Recurrent expenditures (excluding national defence and public security)	No data	258,837	309,768	357,460

(Source: MoF website. Amount in billions VND)

Budgets of national target programmes are also divided into development and recurrent budgets. There is no fixed formula for setting the percentage of the recurrent budget relative to the total and in practice this percentage ranges from 8% in the case of the employment programme to 100% in the education and training programme (see Figure 3), depending on the nature of programme expenditures. Taking all NTPs together, the division between the development and recurrent budgets is about the same as the overall state budget, with the latter one accounting for 70% of the total.

**Figure 3: Recurrent expenditure in National Target Programs, 2006-10**

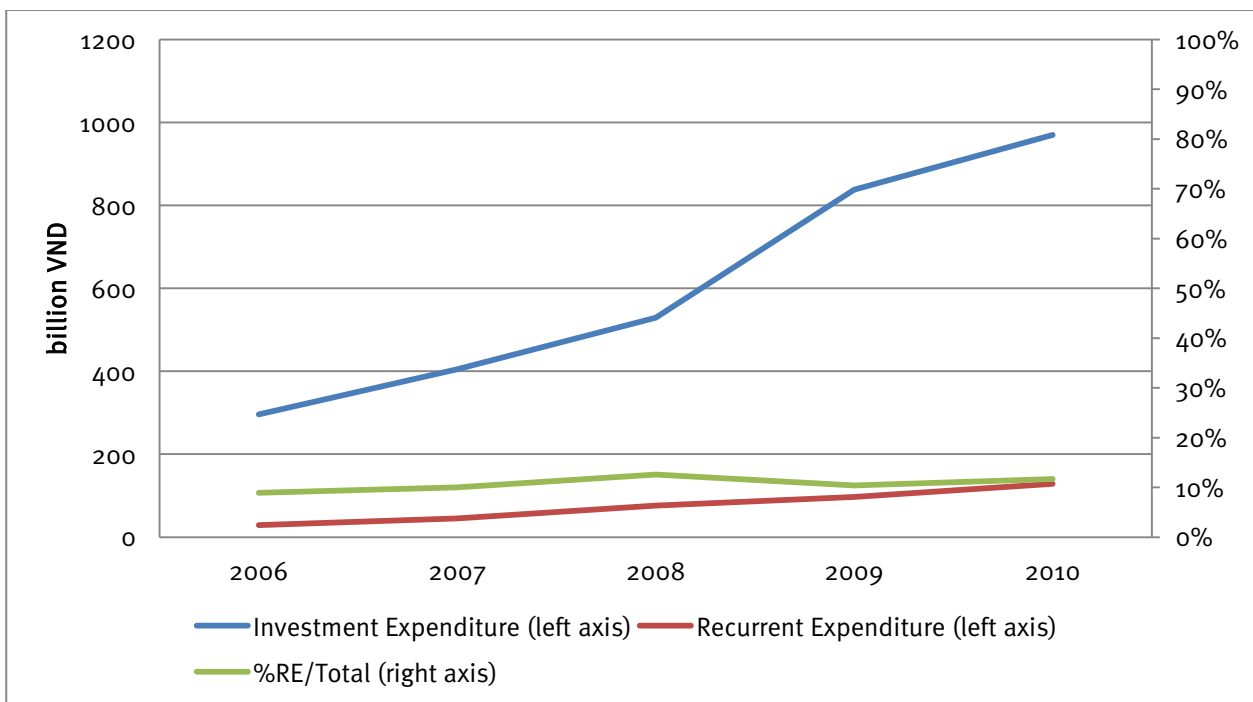


Source: based on information from Ministry of Finance ([http://mof.gov.vn/portal/page/portal/mof\\_vn/1351583/2126549/2115685](http://mof.gov.vn/portal/page/portal/mof_vn/1351583/2126549/2115685))



In this sense, the division between these two types of expenditure under the NTP-RWSS is a significant departure from the mean. The recurrent budget under NTP2 has constituted only about 10% of the total NTP budget (see Figure 4), making this programme highly oriented towards infrastructure investment. All other programmes but one have at least three times more of the recurrent budget (for a complete breakdown, see Annex 4). Based on the assertions regarding high inertia of the investment/recurrent budget split, we could reasonably argue that the strong preference for investments in water-supply infrastructure during NTP1 created a pattern of allocating exceptionally little funding to recurrent expenditures. Note that this pattern not only constrains options for sanitation policy and programming, for which the recurrent budget is spent, but is also potentially detrimental to long-run outcomes in water supply if water-supply systems and treatment plants are subject to insufficient recurrent budgets for operation and maintenance, as has been noted in *Joint Annual Reviews* of the TPBS (JAR, 2010).<sup>24</sup> Given the high inertia demonstrated to date, there is a real concern that a similar split may drag on to NTP3, unless strong consensus among NTP ministries, backed by support from a higher level (the Prime Minister), can persuade MoF and MPI to rebalance expenditure types to allocate more for recurrent expenditures.<sup>25</sup>

**Figure 4: Expenditure breakdown of NTP-RWSS, 2006-10**



Source: based on information from Ministry of Finance, at: [http://mof.gov.vn/portal/page/portal/mof\\_vn/1351583/2126549/2115685](http://mof.gov.vn/portal/page/portal/mof_vn/1351583/2126549/2115685)

### Demonstration effects, ‘fence-breaking’ and risk aversion in WSS policy

There are some precedents for working in ways that contravene established rules and norms in Vietnam. The available literature on the political economy of policy reforms in Vietnam is largely concerned with the questions of economic management. One of the key dynamics noted by specialists in this area is the practice of ‘fence-breaking’ as described by Martin Rama (2008). Rama describes how leadership on crucial areas of reform (e.g. allocation of land and contracting practices in

24. This point is made in the 2005 Vietnam Development Report (World Bank, 2005) with respect to insufficient recurrent expenditure in the transport sector.

25. Three programmes demonstrate significant variation in the ratio of recurrent expenditure to total expenditure. Of these, two programmes (the crime prevention programme and the programme on consuming energy efficiently and economically) are relatively small, helping to account for the variability. The third (the poverty reduction and employment creation programme), however, is one of the largest programmes reviewed and shows a noteworthy increase in the RE/total expenditure ratio each year from 2007 to 2010. Further research explaining the changes in expenditure patterns in this programme may shed valuable light on the mechanisms necessary to achieve such increases.

agriculture) came not from party leadership in Hanoi, but from a select group of local-level leaders who adopted a range of innovative practices:

What all those initiatives had in common was their reliance on market mechanisms. The local leaders behind them were desperately seeking approaches that would work, and to understand why they worked. The process required experimentation beyond what was allowed by the rules. Sometimes, dangerously so ... (Rama, 2008:16)

These experiments with the application of market principles were, in the end, remarkably successful and, after a period of consensus building and demonstration of the potential benefits that might accrue to key actors, were taken up widely across the country. While this was hardly a story of the application of pure free-market principles, liberalisation and marketisation at the margin in a historically tightly-controlled command economy produced significant economic growth (Vandemoortele, 2011). The benefits of such approaches, however, extended to the political realm and helped innovators avoid potentially negative consequences of policy experimentation (Rama, 2008).

Examination of NTP3 project documents and sector strategy papers produced by the Ministry of Health reveals discourses of responsive governance and avoidance of overly prescriptive top-down central mandates, ‘encouraging local innovation’. Taken at face value, much of this language suggests that Rama’s (2008) work on ‘fence-breaking’ may be relevant here. Yet, we must also ask whether the conditions that led to the success of fence-breaking strategies also exist in the rural sanitation sub-sector. In other words, is ‘fence-breaking’ an appropriate model for policy change in all areas in Vietnam or is something different in rural sanitation?

We suggest that something, indeed multiple things are indeed different in rural sanitation. First, as Rama himself notes the leaders associated with ‘fence-breaking’ strategies all shared the characteristic that they were ‘bulletproof’ as a result of their personal experience during the war and liberation struggle (Rama, 2008:16). In practice, this reduced, though did not eliminate entirely, the risks faced if innovative strategies failed or (as in the case of one initial experiment with land allocation reform, which did not fail in economic terms) attracted sufficient attention and identified as working against the communist ideology. There is little reason to think this is generally the case with local leaders today. As we note above, Gainsborough’s (2010) description of umbrellas of protection suggests that while political protection is still a critically important variable to consider, protection tends to be more variable (as elites cycle through and people are thrown under the proverbial corruption bus) than the credentials for life that Rama associates with fence-breakers.

Second, while fence-breakers did not have support from above, they generally secured widespread support for their policies from below, not through coercion, but as a result of the appreciation of the benefits of the strategies adopted. However, as noted previously, rural sanitation is characterised by a lack of effective demand arising from a generalised lack of public awareness, which prevents this type of dynamic from emerging.

Third, decision-makers must be in positions of authority at the provincial levels. In the case of early ‘fence-breaking’ in economic development policy, decision-makers involved were at the very heights of provincial authority. However, while provincial-level (political) leadership, including Provincial Party Secretaries and Chairmen of Provincial People’s Committee’s tend to view themselves on a par with ministerial and vice-ministerial levels of authority, sanitation planners and health workers are generally not at a high enough level of power to push provincial policy in a direction that deviates from official policy.

Taken as a whole, the fence-breaking dynamic described by Rama seems to demonstrate that such strategies are possible and effective if, and only if, the incentives line up in such a way that there is sufficient payoff if the strategies succeed. While adopting innovative approaches in sanitation does not

seem to carry as strong a ‘taboo’ as existed around marketising reforms,<sup>26</sup> and therefore one might expect the risks of adopting innovative approaches to be lower, a number of interviewees noted the presence of a strong risk aversion among decision-makers. In cases of uncertainty, lower government levels tend to wait for explicit instructions from above (often in the form of a relevant inter-ministerial circular, as described above). When a regulation is lacking, for example permitting the adoption of innovative approach X, officials in lower levels of government tend to do nothing (or, rather, continue to abide by the status quo) rather than use this freedom to experiment with new approaches. Even after promulgation, some laws can take years to be implemented, because localities are often waiting for a decree to guide the implementation, and when the decree is ready, they are still waiting for a ministerial circular to provide even more detailed guidance.

As a result of these departures from the preconditions for innovative policy-making, fence-breaking appears not to be a reasonable model for doing government business in the WSS sector in contemporary Vietnam.

### **Consensus building and collaborative decision-making**

The presence of a deeply ingrained socio-cultural preference for collective leadership and consensus-based decision-making is an additional dynamic that might present challenges to the implementation of innovative approaches at scale. The relevance of this point was suggested in multiple interviews and the literature on Vietnam is also particularly insistent on this point. Rama (2008) notes that such collaborative practices have strong historical roots, dating back as far as the kings of the 13<sup>th</sup> century. Shanks et al. suggest that this tendency towards consensus building even extends beyond intra-group decision-making to interaction along vertical lines of authority (see below) and horizontal interactions ‘between the Party, the legislature (National Assembly and Peoples Councils), the state management bodies (Government and People’s Committees) and the executive (Ministries and Departments) at all levels’ (2004:31).

This is not to suggest that disagreement and adversarial politics do not occur, or that all parties engage in these processes on an equal footing. At the national level, for example, the inter-ministerial balance of power (e.g. the relatively weaker MoH compared to MARD as far as RWSS is concerned), which is reflective of both standard measures of bureaucratic clout (e.g. budget, number of staff, etc.) as well as more subtle and personalised features (e.g. capacity and personal network of ministers, vice-ministers and other key actors), remains highly relevant in determining policy directions. In another example, this time drawn from the local level, Shanks et al. (2004) note that while the People’s Committee (the local-level executive body) is technically under the jurisdiction of the elected People’s Council, in practice, ‘observers both inside and outside the Party-state system have expressed concerns with the weakness of the People’s Councils (which have formal responsibility for formulating strategic plans, approving budgets and expenditures, and monitoring subordinate levels, but have until recently had no budget of their own) vis-à-vis the People’s Committees’ (ibid.:18).

Whilst recognising the existence of such power imbalances and some of the other costs of consensus-based approaches (e.g. the slow speed of reform processes, see Box 6), it is nevertheless important to note that even where achieving consensus requires actors to make significant compromises, even the most powerful actors seem to recognize the value in a process that generates some degree of support from all parties. In addition to whatever socio-cultural legitimacy is gained with respect to the decision made, there is a recognised practical benefit to individual actors adopting consensus-based decision-making practices, namely that it allows for the sharing of benefits when decisions produce beneficial outcomes as well as the sharing of blame when things go poorly.<sup>27</sup> This process of spreading risk and reward continues to be useful in managing the contemporary political game in Vietnam (Vu, 2009).

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26. As noted above, service delivery norms may play a similar role, albeit in a less explicit manner.

27. Gainsborough (2010:145) goes one step further in his assessment, arguing that risk-minimisation strategies adopted by politicians and other actors in Vietnam extend beyond protecting oneself through consensus building to an actual unwillingness to adopt a particular policy position.

**Box 6: The speed of reform**

One implication of the preference for collective leadership and consensus-based decision-making is the fact that design and implementation of policies tend to be significantly time consuming, particularly where ideological or factional differences exist among the parties involved (Vu, 2009). In practice, ‘nearly all issues require coordination between Party and state agencies, and in some cases additional coordination with “elected” organs and mass organisations before a designated authority takes action ... Once these differences have been bridged, or once shared material benefits can be identified, policy often moves forward swiftly’ (Vu, 2009:8-9).

However, delays are not necessarily a sign of coordination problems, as ‘incompetent officials can use the need for consensus as a pretext to avoid taking responsibility for controversial decisions’ (ibid.) Whether triggered by coordination issues or incompetence, such delays can result in frustration, particularly among, though not limited to, external actors including donors and INGOs. As Rama notes, such actors ‘have complained repeatedly about the slow pace of reform in Vietnam, despite the fact that progress on development outcomes (from output to exports to poverty) was among the fastest in the world’ (ibid.:29). Deciphering which delays can be traced to coordination issues and which to either incompetence or political risk aversion can be key to determining the potential for intervention.

As in other contested areas, processes of collaborative decision-making and consensus building are likely to be incredibly complex with respect to questions of scaling up innovative approaches to rural sanitation. The generalised implication of consensus-based decision-making, namely delays to reform processes, certainly appears to have potential relevance. This dynamic seems to have contributed to delays in decision-making at the central level with regard to the selection of household sanitation and hygiene pilot initiatives deserving of additional support in scaling up. However, it seems unwise to assume that we are merely witnessing a slow moving but inevitable process. Therefore, we may wish nevertheless to consider what specifically might be slowing down the process and whether there might be anything to be done to speed it up.

This suggests that it is likely that we do need to unpack the potential asymmetries involved in consensus-seeking on innovative approaches. In fact, both of the asymmetries noted above (MoH vs. MARD and Provincial Peoples’ Committee vs. Provincial People’s Council) appear relevant. First, changes under NTP<sub>3</sub> to recognise formally MoH responsibility for household sanitation may herald the arrival of a period of increased competition between household sanitation and initiatives to address other areas of rural sanitation.<sup>28</sup> This change in management structures could contribute to the types of outcomes seen recently in negotiations between donors and GoV actors over sanitation funding decisions. In one case, a rural sanitation project dealing with agricultural waste management did not fit with original intentions of a donor programme to which it applied for funding,<sup>29</sup> but was nevertheless included in the proposed funding arrangements, leading to some disagreement between some donor and GoV actors. Thus while giving MoH increased and explicit authority in areas related to household sanitation does seem to hold some clear advantages (for example the presence of administrative and executive infrastructure down to the lowest levels of government (commune), it may create additional tensions and perhaps inter-ministerial competition over budgets within the NTP. Careful management of funds (for example donor funds, which can potentially be seen as economic rents, that is, value above and beyond the market value), may then be subject to the same sorts of distributional norms that guide the maintenance of personal and professional networks elsewhere in Vietnam. Second, informants repeatedly referred to the importance of the Provincial People’s Committees in determining policy directions and the budget allocations necessary to support policies related to the sub-sector (i.e. allocation of NTP funds), while the Provincial People’s Council was considered largely a marginal player.

28. Other areas of rural sanitation prioritised by GoV include animal and farm waste, household and industrial wastes, and environmental health.

29. The programme in question was intended to improve household sanitation.

### **Hierarchies: democratic centralism and decentralisation**

The emphasis on collaborative decision-making models and no-lose outcomes suggested thus far may be at odds with common perceptions of Vietnam (and other nominally top-down autocracies). Yet it is worth stressing here that these characteristics of policy-making in Vietnam exist in the context of strong, though complex and potentially flexible, hierarchies. Specifically, there is a tension between two phenomena: democratic centralism and decentralisation.

The former describes the dynamic in which significant debates (and often delays) take place, and are even encouraged prior to a decision being taken (particularly where there is no exogenously imposed deadline). However, once a decision is made, all actors involved are then expected to be bound by it and not to challenge or act in any way contrary to the decision. This is a widely recognised key dynamic of decision-making within the VCP (Vu, 2009; Gainsborough, 2010). In his discussion of the extent to which Ho Chi Minh City (HCMC) leaders had the freedom to innovate (or, in alternative terminology, engage in ‘fence-breaking’) with respect to policies of economic governance, Martin Gainsborough explicitly reminds the reader that those figures ‘are also members of a hierarchical Communist movement in which democratic centralism (i.e. the formal requirement that Party bodies defer to the organization above them in the hierarchy) still counts for something, notwithstanding increased decentralization under reform’ (2010:47-48). Even now, Vu argues ‘policies, especially important ones, are rarely debated in public and those officials who violate this principle are subject to dismissal or other disciplinary actions. The Party’s grip has weakened in recent years but Party members are held accountable first to Party rules and second to state laws’ (Vu, 2009:7).

Yet, as noted by a number of interviewees with respect both to the WSS sector and more widely, the common occurrence of implementation gaps between those laws in place and reality suggests the presence of a policy at the national level is not necessarily representative of an effective ‘decision’. In order to explain this we must acknowledge the role of the second phenomenon: decentralisation.

Alongside the continued relevance of democratic centralism, Vietnam is notable for the extent to which vertical relationships between the centre and local actors are generally far from one sided. This balance has arguably tipped further in favour of local actors since the inception of the decentralisation initiatives of the reform period. Indeed, despite the presence of a fiscal federal system in which few provinces are financially independent from the centre, local-level leadership (particularly at the province level) often demonstrates a remarkable level of independence with respect to policies pursued. This distribution of power, rooted in formal processes like that of budget allocation noted above and voting practices in the Central Committee of the Communist Party, and informal practices such as the presence of dense patronage networks and ‘umbrellas of protection’ (Gainsborough, 2010), helps to explain why ‘it is not uncommon that local governments interpret central policies any way they like, ignore central policy with impunity, or comply only when subsidies are provided’ (Vu, 2009:8). As Shanks et al. note: ‘[t]he potential for discretion in policy interpretation is particularly pronounced for some sectors (depending on how strong the central Ministry is: MoH, for example, exerts relatively weak influence over the delivery of Provincial or sub-Provincial health services); and for the larger and wealthier provinces’ (2004:19).

Examples of this phenomenon abound, including in ways that might be interpreted more positively. For example, the fence-breaking strategies as described by Rama (2008) are demonstrative of the capacity of local officials to lead policy, even in politically sensitive areas, and their willingness to do so in the correct context. Shanks et al. (2004) also point out that this generative role for more successful/powerful local governments extends beyond policy innovation in economic management, as was the case with the development of a cross-sectoral approach to poverty alleviation by Ho Chi Minh City authorities in the mid-1990s. It is this approach that was later adopted as the basis for NTP HEPR-JC.

The complexity of these political, administrative and bureaucratic hierarchies suggests the need to think about how best to take advantage of hierarchical mechanisms like democratic centralism, but also to recognise the limitations of those mechanisms. With respect to questions of scaling up, the

tension between democratic centralism and decentralisation appears to have contradictory implications: first, that one should aim to achieve support at the highest level of decision-making within the Party–state and, second, that one should focus on local leaders empowered to make key decisions under decentralisation. However, we may suggest that these recommendations are not, in fact, contradictory, but rather complementary, describing two components without which efforts in the sector are unlikely to succeed.

Given the way in which the ‘innovative approaches’ to rural sanitation have been developed as local-level pilots and are now to be scaled up (i.e. working from the local outward), processes of collaborative decision-making must therefore take place anew in each project location, spreading outward from commune to commune and perhaps eventually upward to spread district to district. While there may be reasons to doubt the effectiveness of interventions that take place only at the highest levels and then rely purely on top-down accountability mechanisms, a purely bottom-up (or, local-outward) approach seems to entail significantly more consensus building than an approach that takes advantage of whatever strength there is in systems of democratic centralism.

## 6 Implications for programming

Our analysis suggests that it is feasible to pursue strategies for the rural sanitation sub-sector that build on much of what appears to be effective in the so-called ‘innovative approaches’. However, this will require follow through on a number of institutional reforms already underway at the central level to create the necessary enabling environment, as well as an adaptation of some elements of the existing innovative approaches to the Vietnamese context. In addition, there are also a number of number of potential entry points, specific to the political economy of Vietnam, that, historically, have not been associated with innovative approaches, but may prove helpful in improving sub-sector outcomes. These three areas are discussed below.

### 6.1 Creating an enabling environment for scaling up

With the majority of budget-allocation decisions decentralised to provincial authorities, efforts at the central level should focus on creating an effective enabling environment for provincial authorities to adopt innovative approaches at scale. The key here is to establish policy space through the provision of sufficient resources and to minimise political risk.

#### **Establishing policy space for budget allocation to critical elements of ‘innovative approaches’**

Securing sufficient resources is a precondition for any attempt to address the problem of poor sub-sector outcomes. In the absence of an unforeseen significant increase in the overall budget to the sector, securing sufficient resources for the types of software activities that have been associated with improvements in sector outcomes will require a shift in the balance between investment expenditure and recurrent expenditure. As described in previous sections, while the NTP<sub>3</sub> budget circular is expected to protect sanitation budgets by providing sub-sector-specific allocations to provinces rather than the lump sum transfer for WSS that has been the norm under NTP<sub>1</sub> and NTP<sub>2</sub>, provinces are still restricted in the use of GoV funds for ‘innovative approaches’ according to the division of funds between investment expenditure and recurrent expenditure. Inertia in this division of funds is indeed a concern, however, the Law on the Promulgation of Legal Documents requires MARD and MOF to analyse the implementation of the existing circular (*Circular 80* of 2007: Guidelines on the management and use of state budget expenditure for RWSS NTP 2006-10) prior to developing a new circular to guide spending under NTP<sub>3</sub>.

Donors may be able to support the MARD and MoF (and possibly MoH) in conducting a rigorous analysis of the implementation of *Circular 80* to point out clearly its shortcomings related to sanitation promotion (for example, too little recurrent budget). Interviewees agreed that the likelihood of including innovative approaches under investment expenditure was extremely unlikely due to requirements for project submission and tendering processes. Similarly, a 50/50 split between the two types of expenditure was deemed unlikely as software in the Vietnamese context is nearly universally conceptualised as supporting hardware. However, there did seem to be some room for expanding the recurrent budget at the margin from its value of 12% in 2010 (potentially reaching 30%).

There is some precedent for donor attention to this issue. The section of the programme memorandum outlining the conditionality of DFID’s programme of support to the National Target Program for Rural Water Supply and Sanitation (NTP-RWSS) does in fact note the distinction between recurrent and investment budget allocations (DFID, 2009). The memorandum suggests that for budget allocation to follow policy directions and mandates implies ‘a higher ratio of funds allocated to recurrent financing to enable greater attention to hygiene and IEC’ (ibid.). However, this line of thinking appears to have been marginalised in current DFID programming.

**Table 5: Budget allocation conditionality for DFID support**

Issue	Institution	Requirement	Means of Verification
Investment and recurrent budget allocation	MoF/DoF/DPI/PPC	Budget allocation follows policy directions and mandates. This implies: (i) a higher ratio of funds allocated to recurrent financing to enable greater attention to hygiene and IEC; (ii) DoH and DOET should be assigned as investment owners for their mandate areas; (iii) where capacity exists or can be built investment ownership is delegated to district level and communes and villages play an active role in the definition and supervision of investments. The split of investment owners can be derived from information in the standard NTP planning and expenditure reporting. <b>Benchmark value:</b> qualitative assessment, externally verified by the TPBS donors once a year prior to finalisation of the budget, that budget allocation follows policy.	TPBS donor representative inspects provincial budget allocation in August prior to finalisation.

Source: DFID (2009) *Programme Memorandum*

### Minimisation of political risk

Minimisation of political risk for sanitation planners and those approving sanitation expenditure will require establishing a firm legal basis for specific ‘innovative approaches’ given that risk–reward calculations are unlikely to lead to fence breaking activities. Ensuring that a ‘menu of options’ is included in official sector documentation (a ministerial decision, the Sanitation Action Plan and/or NTP3 documentation) to establish the legality of specific activities critical to ‘innovative approaches’ would be a helpful step in this direction. The Ministry of Health has previously provided guidance on sanitary latrine hardware in a similar manner. Without such a menu, local-level decision-makers are extraordinarily unlikely to innovate. This menu could be open-ended in the sense that provinces will need to be given leeway to adopt effective innovative strategies other than those identified to date, but should also include the placement of key terms indicating approval of those elements of approaches identified to date in which GoV centrally has some confidence. Merely espousing the guiding principles of demand-led, market-based approaches under NTP2 has not led to adoption of these approaches. Interviews suggest that this is in part because documentation has been insufficiently specific to provide provincial-level decision-makers with confidence that they are pursuing approved strategies and thus will not be subject to punishment for going beyond what is allowable by law.

Fulfilling these requirements is primarily the responsibility of GoV; however, donors should be aware of opportunities to engage in policy debates where possible and to support the emergence of consensus around established options within MoH.

## 6.2 Adapting innovation to scale in Vietnam

While the types of reforms described in Section 5.1 would help enable the uptake at scale of certain components of ‘innovative approaches’ (e.g. increased emphasis on software specifically oriented towards demand generation), there appears to be less scope for other elements of such approaches to be implemented at scale, given the specificities of the Vietnamese context.

### Operating at scale

One question that must be asked with respect to scaling up is whether some of the barriers to the implementation of these strategies can be overcome in the case of pilots in ways that are not/have not been possible when thinking about implementation at scale. Of particular concern is the tendency to rely on a particular form of non-governmental actor that does not appear to be present at scale: namely,



the familiar form of community based or international NGO. Specifically, the pilot models have tended to rely on the provision of focused support, including resources (human, financial, etc), and capacity to utilise those resources by a variety of CSOs and INGOs.

This forces us to ask at least two questions. First, is that support adequately valued and captured in assessment processes? This question is largely a technical one that would need to be resolved through analysis of the effectiveness of planning, monitoring and evaluation of pilot initiatives. That exercise is beyond the scope of this paper, though we note that a number of interviewees suggested that the practical value of inputs of this sort may not be captured in project budgets, thus raising questions about the true cost of scaling up apparently successful pilots.

Second, we need to ask whether these types and level of inputs and this mechanism for delivery are available not only to organisations engaged in piloting approaches, but also to the organisations and actors that exist at scale in Vietnam. Even where the quantity of financial resources required by a particular approach is limited, the (at times more or less) skilled and perseverant attention to reform (and in no small part the technical expertise (not just engineering, but also facilitation, education and communication) on which external INGO and CBO staff are able to draw) represent significant inputs by driven individuals. Yet these organisations, which tend to form an integral part of initiatives to scale up sanitation do not, in the Vietnamese context, exist at scale.<sup>30</sup>

This feature of the Vietnamese context is not unknown elsewhere. In a broader review, Rosenweig and Kopitopoulos (2010) highlight the insufficiency of CLTS models based solely on CSO/NGO/INGO implementation and the need to work with (not just with the permission of) government. This is not to doubt the commitment of INGO staff or their motives and personal/professional incentives. However, from a practical perspective we may benefit from asking which organisations do exist at scale? The government of Vietnam, the VCP and a variety of mass organisations, including the Farmers' Union, Women's Union and others.

### **New actors, new challenges**

As a result of this issue of available actors, much of this paper has focused on the need to work within GoV systems (including budgets); however, there is also potential for thinking more about how donors might work with those actors like the VCP and mass organisations. Their nationwide coverage, penetration into rural areas, good relationships with local government (often through VCP connections) and knowledge of local context are valuable assets in efforts to deliver services at scale and in the locally grounded manner envisioned in innovative approaches. In some cases, these organisations also have a history of activity in service-delivery sectors. For example, the Women's Union have already been involved in the WSS sector, though largely limited to providing a framework for the distribution of subsidies within NTP2 and cooperating with international projects of INGOs and donors in piloting new approaches. If such organisations and the networks they possess could be leveraged within NTP on the demand side, there may be significant potential for improved outcomes at scale.

Donors appear less comfortable engaging with such actors than with traditional partners like the INGOs that have been supported in pilot initiatives carried out to date and engaging further takes unfamiliar partners onto tricky ground. Interviews suggest that VCP actors and mass organisations would require specific capacity building within the organisations to help them develop the requisite sector-specific skills and knowledge to implement components of 'innovative approaches' (perhaps through a training-the-trainer scheme on demand generation) and clear guidance from central, sectoral and Party leadership. Donors could potentially help with the former, but would need to do so in a way that does not compromise the unique features of the organisation. In other words, it is unlikely they could be treated in the same way as current INGO and CSO partners with regard to funding and accountability relationships.

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30. For background on the role of civil society in Vietnam see Thayer, 2009; Kerkvliet, 2008; and Norlund, 2007.

### **Good practice in support to pilot initiatives**

NGOs have strong incentives to invest significant resources (financial and otherwise) in order to make pilot programmes successful. Two specific distinctions were raised by interviewees. First, the cost norms used in a significant number of pilot projects in the sub-sector are viewed as differing sufficiently from government cost norms to render the approaches unrealistic for government to scale up. In the short run, it seems unlikely that both the government cost norms will rise to the necessary levels and the budget allocation for ‘innovative approaches’ will increase to a level necessary to accommodate such expenditure. Second, pilot projects were perceived to under report the cost of the time and effort of highly skilled staff that is often a crucial factor in the success of pilot projects (particularly given their reliance on software-based approaches). This practice results in a significant gap between the actual cost of the inputs in the project and the reported costs, with the former exceeded the latter by an amount significant enough for government to dismiss pilot projects as prohibitively expensive, regardless of the effectiveness of their outcomes achieved.

Given these challenges, it is important that donor behaviour in terms of providing funding for pilot projects does not merely encourage the proliferation of small-scale pilot programmes. One encouraging model is that adopted by DANIDA in their funding of IDE’s Sanitation Marketing approach. This innovative approach was initially piloted using direct donor funding of IDE and therefore used donor cost norms. The purpose of this was to demonstrate the viability of the technical approach. This was the pilot programme evaluated favourably by WSP (Sijbesma et al., 2010). DANIDA subsequently developed a similar project in which donor funding was channelled through the Ministry of Health who then in turn contracted IDE for technical assistance. The local government was asked to provide a portion of the funds in order to demonstrate commitment. While this pilot still falls one step short of asking government to fund innovative approaches entirely out of its own budget, it does provide a more realistic test of the potential to institutionalise the use of such an approach at scale, using government cost norms and with all human resource costs accounted for. Upon completion of evaluation of this second pilot, a comparison of these two approaches would be well worth undertaking in order to develop a more realistic picture of the feasibility of implementing at scale the various innovative approaches promoted by INGOs.

Such a phased approach could then be expanded to other innovative approaches (e.g. CLTS, Community Health Clubs), with initial direct support to pilots followed by support to MoH to implement similar strategies. This type of approach may help not only by demonstrating the potential of innovative approaches to those with the reach to implement at scale, but also by providing increasingly realistic information to important financial gatekeepers in government (MoF and MPI) regarding the costs approaches (e.g. accurate unit costs) and compatibility with government cost norms, thus easing some resistance to the adoption of ‘recurrent expenditure’ reliant approaches.

## **6.3 Complementary strategies**

While the Vietnamese context likely requires some adaptation of existing ‘innovative approaches’ in order to implement at scale, the context also offers a number of potential entry points that, historically, have not necessarily been associated with ‘innovative approaches’, but may prove helpful in improving sub-sector outcomes.

### **Leveraging strong traditions of democratic centralism**

Our findings regarding the continued centrality of democratic centralism suggests that progress in developing and implementing strategies for rural sanitation will require consensus building within Government of Vietnam leadership. At the moment, a limited number of interviewees expressed the belief that there is insufficient direction being provided from the centre. NTP3 documentation highlights the fact that, despite increasing attention to the sub-sector in WSS documentation, sanitation has never been mentioned in any key national development documents, such as the five year socio-economic development plans that provide significant policy direction.

To some degree, this appears to be changing. Though the limitations imposed by decentralisation and limited capacity in key central organisations (e.g. MoH) have not been entirely overcome, with the recentralisation of intra-sectoral allocations and the division of responsibilities and activities under NTP3, achieving national level consensus, first in the Ministry of Health and then more broadly, will be critical. Continued DFID support of MoH, namely VIHEMA, not least in the form of technical assistance and capacity building, would seem to be a significant priority. This seems particularly important given the assessment, of both interviewees and in the literature, that MoH can struggle to develop and implement policies due to its influence relative to both other ministries and more powerful local governments.

For donors, there may be the potential to adopt a role that prioritises coordination and consensus building to strengthen the leadership of MoH as a progressive element within the national policy debate. Limited technical assistance and capacity building could target key areas of weakness in engagement with other GoV stakeholders. Specifically, support to MoH could include technical support on establishing unit costs and other financial information on innovative approaches that is outside the established government cost norms for standard budgeting. This would enable improved engagement with MoF and a stronger negotiating position during the drafting of the budget circular for NTP3 (a process that will begin following approval of NTP3 by the Prime Minister and is expected by VIHEMA to finish by mid-2012) relative to MoF, MARD (as the lead agency on the NTP) and possibly MPI. It would also provide a much needed foundation on which provincial-level authorities might base the development of budgets for innovative sanitation initiatives.

Another of the key barriers to greater uptake of innovative approaches is the lack of effective monitoring and evaluation indicators that can be used to advocate for the efficacy of such approaches. Given that easily measured and verified output metrics used for current investment-based approaches (e.g. materials purchased, latrines constructed, etc.) are not used as outputs for 'innovative approaches', there may need to be a shift towards outcomes, either final outcomes (change in coverage rates) or intermediate outcomes (measures of behaviour and attitudinal change). Such evaluation may not be particularly easy to implement at the required scale in Vietnam, but innovations in this area, to match technical innovation, would be welcome.

Other forms of technical assistance may be possible, but the priority should be on those activities that contribute to the goal of facilitating consensus building necessary to establish clear policy directives and implementation guidelines for lower-level government leaders and sector staff.

### **Renewed focus on local leadership and incentives for innovation**

In conjunction with support to progressive elements at the centre, as described above, a second option for support to the sector would be to increase engagement with local authorities, primarily at the provincial level. Little attention, it seems, has been paid to date to the role of local leaders (including, but not limited to Provincial People's Councils and Committees). Yet, while changes to budgeting regulations from NTP2 to NTP3 seem likely to provide protection for funding for sanitation, decisions about allocation within the sub-sector (e.g. hardware subsidies vs. investments in innovative approaches) are still made at the provincial level, with significant influence from the PPC and its chairman. Interviews with AusAID suggest that some engagement on sharing examples of good practice and the achievement of successful experiences in the sector has been attempted. However, as Rosser et al. (2011) have done in their study of local leadership in Indonesia, the best programming here may be that which refocuses debate and discussion away from traditional metrics (i.e. successful achievements regarding coverage rates) and towards incentives for local leaders.

As indicated in Section 4, while 'fence-breaking' may not be the correct model, there are perhaps some lessons to be learned here regarding the question of scaling up. These lessons are principally regarding the need to focus on space for local leaders to adopt innovative approaches to reduce the risk of such approaches (see below, on an enabling environment) and the incentives for them to do so. Incentives

at the moment are for local leadership largely to attract whatever support to the sector is on offer, and particularly given the fact that such support will enable them to divert own resources to profitable endeavours. This, at the moment, consists of donor projects, largely implemented through INGOs (particularly in the case of 'innovative approaches'). Initiatives around incentives might include the inclusion of sanitation metrics in key evaluations of local government performance (e.g. PAPI).

There is also a need to develop a better model of what benefits might accrue to local leaders if successful approaches are adopted. In general, the use of performance criteria that might incentivise progressive reforms in rural sanitation is limited, particularly in comparison with the national (and international) preoccupation with economic performance. However, one of the more encouraging initiatives in this area, cited both in interviews and in the literature (Sijbesma et al., 2010) is the creation and recognition of 'cultural villages'. Qualification for this title includes a number of criteria, including requirements for the percentage of households using sanitary toilets, and seemed to be an effective incentive for commune-level leadership (ibid.). Interestingly, the initiative seems to be effective in incentivising local leadership, not through monetary incentives, but rather by leveraging the types of nationalist and patriotic values noted earlier in this paper. This suggests it is critical to keep an open mind with respect to non-monetary incentives that carry significant social or cultural value, which may be just as valuable in providing the sort of visible political recognition whose absence can lead to local government resistance to subsidy-free demand-led approaches. If, and only if, these or other positive incentives can be identified operating at a sufficient level, and are subsequently documented and demonstrated to other local-level leaders or to central level officials who might then be able create similar mechanisms at scale, then there may be some 'fence-breaking' within the sector.

## 7 Conclusion

The country case study on rural sanitation in Vietnam set out to answer the question, ‘if outcomes in the sanitation sub-sector in Vietnam have been disappointing, and a number of seemingly effective ‘innovative approaches’ have been piloted, why has there been so little progress to date in promoting the uptake of these piloted approaches at scale?’.

We began with the assertion that it is helpful to distinguish between two separate (albeit closely related) problems. With respect to the underlying problem of persistently poor performance the rural sanitation sub-sector, we have suggested that poor sector performance is the result, at least in significant part, of a set of incentive problems that have resulted in the general neglect of the sub-sector relative to other WSS priorities, namely water supply, within the programmatic framework provided by the first two iterations of the NTP-RWSS. Yet in a context in which action at scale is limited to a small subset of actors, that are either government actors or closely tied thereto, this understanding of the roots of the general public-sector neglect of the sub-sector is also clearly relevant in understanding the presence, to date, of a second, more narrowly defined problem: the failure of a broad range of actors to scale up ‘innovative approaches’ aimed at redressing these disappointing outcomes in Vietnam.

While actions will need to match the wording of policy documentation, the binding constraint presented by the financing arrangements in the sector seems to have been addressed through the ringfencing of funding for sanitation under NTP3. However, we are still faced with the question of the extent to which implementation of a set of innovative approaches at scale is likely to work with, or against the elements of the prevailing political economy in the Vietnamese context. Here the evidence appears mixed. Adopting innovative approaches in their entirety does not appear to be appropriate to the Vietnamese context. We have suggested that approaches to sanitation that cut out the state, focusing on generating demand among citizens and on developing the capacity of the private sector on the supply side could encounter strong resistance in a context in which service delivery is largely seen as a government responsibility. Additionally, the requisite non-governmental infrastructure does not appear to exist in the form familiar from successful experiences with innovative approaches, for example as in South Asia.

However, this does not mean that it is not possible to adopt and promote strategies that incorporate some of the key features of such approaches and that have proven critical in producing better sanitation outcomes. Greater emphasis on demand generation, sequencing of software and hardware components, a broader conceptualisation of software activities and the involvement of (though perhaps not total reliance on) private-sector suppliers are all potentially consistent with the political-economy constraints. Looking forward, an approach is needed that combines the elements of ‘innovative approaches’ necessary to achieve better outcomes in rural sanitation with the types of delivery mechanisms and actors available in the Vietnamese context.

## Annex 1: List of interviews and consultations

1. DFID Vietnam, Sanitation Advisor
2. DFID Vietnam, Governance Advisor
3. DFID Vietnam, Social Development Sector Manager
4. DFID Vietnam, Development Effectiveness & Infrastructure Sector Manager
5. AusAID – WATSAN and Health Division, Executive Manager
6. DANIDA – Senior Programme Manager
7. UNICEF – Senior WASH Advisor
8. UNICEF Vietnam, Child Survival and Development Program
9. Asian Development Bank (ADB), Rural Water Supply and Sanitation Consultant
10. WSP Vietnam – Senior Water and Sanitation Specialist
11. WSP Vietnam – Unified Sanitation Sector Strategy and Action Plan (U3SAP) in Vietnam – Technical Support team
12. Rural Water Supply and Sanitation Partnership (RWSSP) – Partnership Coordinator, Ministry of Agriculture and Rural Development (MARD)
13. Centre for Rural Water Supply and Environmental Sanitation (CERWASS) – Director, Ministry of Agriculture and Rural Development (MARD)
14. Centre for Rural Water Supply and Environmental Sanitation (CERWASS), Ministry of Agriculture and Rural Development (MARD) – former Chief of Planning and International Cooperation Department
15. Rural Water Supply and Sanitation – National Target Program (RWSS-NTP), Standing Office, Ministry of Agriculture and Rural Development (MARD)
16. Ministry of Agriculture and Rural Development, RWSS-NTP3 Drafting team
17. Vietnam Health Environment Management Agency (VIHEMA), Deputy Director General – Ministry of Health
18. Ministry of Planning and Investment (MPI), GoV
19. Ministry of Finance, GoV
20. Committee for Ethnic Minority Affairs (CEMA), National Target Program 135, Vice Director
21. Vietnam Bank for Social Policies (VBSP), International Cooperation Unit
22. Women’s Union – Nam Dinh Province, Deputy Director
23. Women’s Union – Unit for Family and Social Affairs, Deputy Head
24. World Bank, Red River Delta Provincial Project Management Unit
25. Nam Dinh Province, Commune Leader
26. SNV, Netherlands Development Organisation – WASH Senior Advisor
27. Centre for Rural Community Development – Director
28. East meets West – Country Director
29. Research Centre for Rural Population and Health – Director
30. International Development Enterprise (IDE) – Director
31. Institute for Environmental Science & Engineering (IESE), Hanoi University of Civil Engineering
32. ADCOM – Sanitation Marketing Research Consultant

## Annex 2: ‘Innovative approaches’ to sanitation in Vietnam

### 1. Community Led Total Sanitation (CLTS)

**Summary of approach.** As described by Peal et al. (2010) in the Water Supply & Sanitation Council (WSSCC) compendium on sanitation software, CLTS challenges donor and government mindsets about the need for cash disbursements and top-down development processes in increasing access to sanitation. In contrast to sanitation approaches reliant on disbursement of subsidised materials or cash incentives, or through legislation or enforcement, in CLTS the desire for achieving good sanitation is driven by the grassroots. CLTS programmes are ‘community led’ in that they are led by households and villages. The software technique recognises and uses social relations and social pressure as a means to achieve better hygiene. In terms of latrine technology, CLTS applies realistic treatment standards and uses the model of a ‘sanitation ladder’ of incremental improvements vs. western models of sewerage or latrines. Hardware construction makes use of local materials and labour vs. outside contractors, but the approach starts with the software and social changes that then lead to physical improvements, as opposed to the construction of latrine followed by behaviour change programming, or even other approaches that conduct in parallel (software and hardware). Peal et al. (2010) note that countries with entrenched bureaucracies and subsidy regimes often resist the principles of CLTS, and although the success of the approach is based on being grassroots, a persistent challenge of taking CLTS to scale is that it requires institutionalisation processes and high-level support from government and key champions. CLTS is described as best received where there has been no previous hygiene or sanitation promotion intervention.

**CLTS in Vietnam.** From 2008-2010 this approach was piloted by SNV in 43 villages in 3 provinces. Donor support came from UNICEF and AusAID. From 2010/11 SNV scaled up CLTS and additional components in their ‘Sustainable Sanitation and Hygiene for All’ programme to an additional 149 villages (SNV, 2010).

### 2. Sanitation Marketing (SM)

**Peal et al., 2010.** Sanitation Marketing uses commercial marketing principles to increase demand and facilitate improved private-sector supply of improved sanitation thereby increasing uptake. SM endeavours to establish a sustainable supply mechanism to make it easier for users to gain access to improved sanitation products and services. Other benefits of SM include its ability to establish mechanisms to help to eliminate the barriers faced by households in acquiring improved sanitation and its use of user sanitation preferences as the basis for developing products and communication plans. The success of sanitation marketing lies in understanding the target market and getting the marketing mix (four Ps) right – product; price; place; and promotion. There are usually about five steps to sanitation marketing: formative research; intervention design (communication strategy and products attributes); pre-testing and refinement; promotion (product, price and place); and monitoring.

**SM in Vietnam.** International Development Enterprises (IDE), funded by DANIDA, piloted SM in Vietnam from 2003-6 in two provinces (six districts, 30 communes). 15,000 households gained access to a sanitary toilet in the pilot area out of 32,000 households targeted; 2.5 times the increase achieved under a conventional sanitation programme conducted in the three preceding years. Average access grew from 16% to 46% (Sijbesma et al., 2010).

### 3. Total Sanitation and Sanitation Marketing (TSSM)

**Rosenweig and Kopitopoulos, 2010.** TSSM combines Community Led Total Sanitation (CLTS) approaches to create community-wide demand for stopping open defecation and improving sanitation with sanitation-marketing techniques to further strengthen the demand for sanitation at the household level and improve the supply of affordable sanitation-related goods and services produced by the local private sector for the rural poor. One of the central premises of TSSM is that local governments can provide the vehicle to scale up rural sanitation. The model involves working through local governments

with the support of resource agencies — national or regional non-governmental organisations (NGOs) — to build the capacity of local government. TSSM recognises that the management model cannot be limited to looking just at what happens at the local government level. In order to determine the replicability and scalability of the management model, it is equally important to look at the roles played by regional or state entities and by national government as well as the entire way the TSSM project is structured in each country.

#### 4. Community Health Clubs (CHC)

**Peal et al., 2010.** Free voluntary, community based organisations are formed to provide a forum for information and good practice relating to improving family health. They vary in size and composition from 40 to 200 people – men, women and children of all levels of education – and are facilitated by a health extension worker trained in participatory health promotion activities.

**CHC in Vietnam** have been supported by UNICEF through the Ministry of Health.

#### 5. Participatory Hygiene and Sanitation Transformation (PHAST)

**Peal et al., 2010:** PHAST is primarily a decision-support tool that uses a ‘seven step’ participatory approach to facilitate community planning and action. Hygiene awareness by community makes them empowered to develop and carry out their own plans to improve this situation. The plans adopted may include both construction and management of new physical facilities as well as safer individual and collective behaviors. The PHAST approach is described in the following ways.

- As compatible with subsidies, since community plans can then be financed by direct toilet subsidy or access to credit.
- As requiring in-depth training of community workers in participatory techniques. On average two weeks are needed for this training to be completed, to be followed up by regular refresher courses.
- As requiring an intensive management structure. Feasible in smaller grassroots projects but problematic when going to scale.
- As time intensive in their use, requiring that the beneficiary communities are available to go through the participatory exercises; this may be seen as a burden if not properly discussed with the community beforehand.
- These weaknesses can lead to PHAST being used incorrectly and so being largely ineffective.

**PHAST in Vietnam:** In 1998, the Vietnam Women’s Union organised a Training of Trainers (ToT) to make this participatory hygiene promotion more effective (Bolt, 1998). In 2002, one of the developers of the PHAST methodology advised the MoH on using more participatory methods and visual stimuli to enhance sanitation and hygiene knowledge, practices and demand and organised community action. As a result, the MoH in cooperation with the Vietnam Partnership for Development decided to encourage the water and sanitation sector to introduce participatory hygiene promotion in their programmes (VDP, 2003). In 2003 Vietnam adopted new guidelines for IEC that included training at all levels, but especially for local civil servants, on diversification of messages and channels, the use of participatory methods, dissemination of good models and practices, and resource allocation. A pilot programme conducted in four provinces from 2001 to 2006 showed that the programme made most communes and leaders adopt participatory and demand-responsive projects. However, as of 2003, application at larger scale had not yet started.



## Annex 3: List of relevant legal documents

### Legal documents issued within the NTP.

- Inter-ministerial Circulars no. 93/2007/TTLT/BNN-BYT-BGDĐT of 22 November 2007 of three ministries including MARD, Ministry of Health (MoH) and Ministry of Education and Training (MOET) defining the roles, responsibilities of and instructing the coordination among these three agencies in the implementation of the NTP on RWSS, period 2006-2010.
- MARD's Decision no. 51/2008/QĐ-BNN of 14 April 2008 on promulgation of the indicators for monitoring and evaluation (M&E) of the NTP on RWSS.
- MARD's Decision no. 1797/ QĐ-BNN of 16 June 2008 on promulgation of the Manuals on Procurement of Construction of RWSS schemes.
- MARD's Decision no. 734/2009/QĐ-BNN-TL of 18 March 2009 on promulgation of a master plan on information, Education and communication (IEC) on RWSS.
- Government's Decision no. 131/2009/QĐ-TTg of 2 November 2009 on enabling mechanism/policies for increased investment, management and utilization of rural water supply facilities.
- Inter-ministerial Circular no. 80/2007/TTLT-BTC-BNN of 11 July 2007 and 48/2008/TTLT-BTC-BNN of 12/6/2008 on amendment of and supplement to Circular 80/2007/TTLT-BTC-BNN of 11 July 2007 of MARD and Ministry of Finance (MoF) instructing the management and use of funds allocated from the state budget for the program implementation, period 2006-2010.
- Inter-ministerial Circular no. 95/2009/TTLT-BTC-BXD-BNN of 19 May 2009 of MARD, MOF, Ministry of Construction (MoC) on principles, methods and authority to decide on the tariffs of hygienic water in urban, industrial and rural areas.
- MOF's Circular no. 100/2009/TT-BTC of 20 May 2009 on a tariff framework for water used for domestic consumption.
- MARD's Decision no. 3295/ QĐ-BNN-TL of 27 October 2008 instructing the review and adjustment of RWSS planning.
- MOET's Decision no. 1486/QĐ-BGDĐT of 31 March 2008 promulgating standard designs of hygienic latrines for schools.
- MOH's Circular no. 04/2009/TT-BYT of 17 June 2009 on National Standard for quality of drinking water (QCVN 01: 2009/BYT).
- MOH's Circular no. 05/2009/TT-BYT of 17 June 2009 on National Standard for quality of water for domestic consumption (QCVN 02: 2009/BYT).

### Legal documents above the NTP or affecting the NTP.

- Decision 104/2000/QĐ-TTg of the Prime Minister, dated 25 August 2000, approving the national strategy for water supply and rural sanitation until 2020.
- Decision 277/2006/QĐ-TTg of the Prime Minister, dated 11 December 2006, approving the national targeted program for water supply and rural sanitation in the period 2006-10
- Decision 135/2009/QĐ-TTg of the Prime Minister, dated 4 November 2009 issuing the regulation for management and steering national targeted programs
- Law No. 01/2002/QH11 on State Budget

## Annex 4: Investment expenditure and recurrent expenditure in selected NTPs, 2006-10

#	NTP	2006			2007			2008			2009			2010		
		IE	RE	%RE/ Total	IE	RE	%RE/ Total	IE	RE	%RE/ Total	IE	RE	%RE/ Total	IE	RE	%RE/ Total
1	Poverty reduction and employment creation program	708	214	23%	432	124	22%	441	214	33%	218	180	45%	273	507	65%
2	Rural safe water and sanitation in rural areas program	296	29	9%	405	45	10%	529	76	13%	838	97	10%	970	129	12%
3	Population and family planning program	42	489	92%	61	558	90%		594	100%		710	100%		770	100%
4	Prevention of dangerous social diseases, epidemic & HIV/AIDS program	116	536	82%	131	862	87%	121	1,052	90%	230	1,220	84%	260	1,460	85%
5	Culture program	171	119	41%	216	134	38%	241	158	40%	360	210	37%	386	240	38%
6	Education and training program		2,159	100%		3,618	100%		3,194	100%		4,000	100%		4,400	100%
7	Crime prevention program	31	49	61%	98	69	41%	70	139	67%	90	80	47%	120	90	43%
8	Drug-addiction prevention program					181	100%	4	138	97%	65	280	81%	100	340	77%
9	Foodstuff safety and hygiene assurance program					78	100%		87	100%	7	130	95%	15	215	93%
10	Program on consuming energy efficiently and economically					19	100%		18	100%	15	25	63%	18	42.5	70%
11	Employment program										380	33	8%	420	36	8%
12	Climate change program														67.5	100%
	<b>Total</b>	<b>1364</b>	<b>3595</b>	<b>72%</b>	<b>1343</b>	<b>5688</b>	<b>81%</b>	<b>1406</b>	<b>5670</b>	<b>80%</b>	<b>2203.4</b>	<b>6965</b>	<b>76%</b>	<b>2562</b>	<b>8296.5</b>	<b>76%</b>

All figures are in billion VND; IE: investment expenditures; RE: recurrent expenditures.

Source: MoF website: [http://mof.gov.vn/portal/page/portal/mof\\_vn/1351583/2126549/2115685](http://mof.gov.vn/portal/page/portal/mof_vn/1351583/2126549/2115685)

## Annex 5: The planning and budgeting process of RWSS-NTP for 2011

1. In June 2010, the Prime Minister issued Directive #854 to guide ministries and localities in planning and budgeting for 2011. This directive sets out major socio-economic development targets to be achieved, key principles and responsibilities for planning and budgeting, and the deadlines.
 

‘Ministries and lead agencies of NTPs that coordinate many ministries, organisations, agencies and localities are responsible for the following.

  - In coordination with MPI and MoF, providing guidance to related ministries, agencies, units and localities to evaluate the implementation of programmes and projects in the period of 2006-10 and in 2010, and making state budget for 2011.
  - In coordination with related agencies, setting out the main tasks and budget-allocation options (within the total budget communicated by MPI and MoF) to each ministry, agency, unit and locality, then send to MPI and MoF to check and summarise for the Government to present to the National Assembly for approval.’
2. Based on the directive of the Prime Minister, MPI issued an official dispatch to ministries that have the lead management role for NTPs. The dispatch gives predicted budget for each NTP, based on (1) evaluation of the results achieved in 2006-10; (2) NTP objectives for 2011; and (3) the ability of the state budget in 2011. The dispatch requests ministries that assume NTP lead management role to develop criteria for budget allocation (including budget for investment and for recurrent expenses) that adheres to the following principles.
  - ‘Criteria should be detailed and clear, and serve as a basis for budget allocation among ministries, agencies and localities.
  - Prioritise budget for investments or constructions that can be finished and put into use in 2011.
  - Allocate the amount that the state budget provides, and in the meantime summarise other sources such as loans, ODA and other sources for programme implementation to maximise the effectiveness of the programme funding mobilisation.
  - 2011 is the first year of implementation of the five year socio-economic development plan (SEDP). Therefore, when allocating budget, ministries need to pay attention to characteristics of each region, area or locality in order to create momentum for the achievement of the objectives of the SEDP.’
3. Based on the MPI dispatch, MARD developed the following criteria for budget allocation.
  - For the investment budget:
    - o population not having access to clean water, from 0.5 to 2.5 points:
      - < 100,000: 0.5;
      - 100,000-200,000: 1.0;
      - 200,000 – 300,000: 1.5;
      - 300,000 – 400,000: 2.0;
      - > 400,000: 2.5.
    - o population not having access to sanitation, from 0.5 to 1.0:
      - 50,000-100,000: 0.5;
      - >100,000: 1.0.
    - o for provinces with difficulties in different regions:
      - Mountainous, Central Highland: from 0.5 to 1.5;
      - provinces with droughts and limited water sources: from 0.5 to 3.0;
      - provinces with polluted water sources and floods: from 0.5 to 2.0;
      - provinces with high number of poor communes (belonging to Programme 135): from 1 to 1.5:
        - 50-150 poor communes: 1.0;
        - > 150 poor communes: 1.5.
    - o no investment budget allocation for provinces that are allowed to keep less than 52% of the revenue (rich provinces).

- For the recurrent budget:
  - o provinces without investment budget allocated: 600 million per province
  - o for the remaining provinces, based on the rural population with score from 1 to 3:
    - less than 500,000 people: 1.0;
    - from 500,000 to 1,000,000: 1.5;
    - from 1,000,000 to 1,500,000: 2.0;
    - from 1,500,000 to 2,000,000: 2.5;
    - more than 2,000,000: 3.0.

Provinces with more points get more budget out of the total.

- There are some additional factors to consider when adding or subtracting budget:
  - o implementation capacity and disbursement rate in 2009;
  - o adherence to the reporting regime and ministerial guidance;
  - o local budget structure in 2010 according the ministerial guidance;
  - o quality of 2011 plan according to the ministerial guidance.
- 4. MPI does not interfere into how much NTP budget is allocated to different ministries, organisations or localities. It pays attention only to the validity and objectiveness of budget-allocation criteria.
- 5. Applying the criteria, the NTP budget is allocated as presented in the table below.

#	Agency	Budget allocated in 2011 (million VND)
1	MARD	12,900
2	Youth Union	2,900
3	Farmer's Union	1,100
4	Women's Union	800
5	Science and Technology Institute of Vietnam	1,000
6	Ministry of Public Security	5,750
7	Ministry of Defense	17,000
8	MoH	7,000
9	MOET	2,050
10	Transfer to provinces (broken down by province)	1,062,500

- 6. The detailed budget allocation is the sent to MPI and MoF for consultation, and then summarised and present to the Prime Minister for approval.
- 7. Provinces, when they receive information about how much budget they get, will start their own budget-allocation process. At this point, the central level does not have any direct influence, as the final authority for budget approval lies in the Provincial People's Council, which will approve the budget presented by the Provincial People's Committee, according to the State Budget Law.<sup>31</sup> MARD often issues guidance on how to allocate budget, but this guidance is not binding for provinces.

Sources of information.

1. The Law on the State Budget.
2. Directive 854/2010 of the Prime Minister.
3. Dispatch 8241/2010 of MPI.
4. Interviews.

31. *Article 25* of the Law on the State Budget states: 'People's Councils of various levels shall have the following powers and duties.

1. To decide allocations of the draft budget: total expenditures and expenditures for individual fields; estimates of budget spending on individual fields by each of the agencies and units of the same level; supplementary revenue to the lower-level local budgets, including balancing and purposeful supplementary revenue.
2. To approve of final accounts of local budgets.
3. To decide policies and measures to implement the local budgets.
4. To decide adjustment of estimates of the local budgets, where necessary.
5. To supervise the implementation of budgets which have been approved by the People's Councils.'

## Annex 6: Defining investment and recurrent expenditure

The law on the state budget defines expenditures for development investment and recurrent expenditures as follows.

At the central level (Article 31).

1. Spending on development investment:
  - a. investment in construction of socio-economic infrastructure projects managed by the central level without possibility of capital recovery;
  - b. investment and capital support for state enterprises; state economic organisations, and state financial organisations; contribution of share capital and equity capital to joint ventures with enterprises in areas that require the participation of the state;
  - c. addition to the state reserve fund; and
  - d. other expenditures in accordance with provisions of laws.
2. Regular spending on:
  - a. non-productive activities in the fields of education, training, health-care, social affairs, culture, information, arts and literature, physical training and sports, science, technology and environment and other operations managed by the central agencies;
  - b. non-business and economic operations managed by the central agencies;
  - c. national defense, security and social order and safety, excluding the portion allocated to the locality;
  - d. operations of the central agencies of the state and the Communist Party of Vietnam and socio-political organisations;
  - e. price subsidies in accordance with the state policies;
  - f. national program implemented by the central government;
  - g. support for the social insurance fund as stipulated by the government;
  - h. subsidies to people eligible for the social policies managed by the central government;
  - i. support for political-social-professional organisations, social organisations and socio-professional organisations at the central level in accordance with provisions of law; and
  - j. other expenditures in accordance with provisions of laws.

At the local level (Article 33).

1. Spending on development investment:
  - a. investment in the construction of locally managed socio-economic infrastructure projects;
  - b. investment and capital support for State enterprises, State economic organisations, and State financial organisations in accordance with provisions of law;
  - c. other spending in accordance with provisions of laws.
2. Regular spending on:
  - a. locally-managed non-productive activities in the fields of economy, education and training, health-care, culture, information, arts and literature, physical training and sports, science, technology and environment, and other locally managed non-productive activities;
  - b. tasks of national defense, security and social order and safety, as assigned to the province;
  - c. activities of the agencies of the state, the Communist Party of Vietnam, and socio-political organisations in the locality;
  - d. support for local political-social-professional organisations, social organisations and socio-professional organisations in accordance with provisions of law;
  - e. implementation of social policies managed by the province;
  - f. locally-managed national programs as assigned by the government;
  - g. price subsidies in accordance with state policies; and
  - h. other spending in accordance with provisions of laws.

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