国総研セミナー・シリーズ
(95-13)

農村のサービス、インフラ整備のための行財政の分権化

――ヴィエトナムおよびその他諸国のケースから――

－Fiscal and Administrative Decentralization for Rural Services and Infrastructure: Vietnam and Other Cases－

平成8年3月

国際協力事業団
国際協力総合研修所

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国総研セミナー

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ーヴィエトナムおよびその他諸国のケースからー
Fiscal and Administrative Decentralization for Rural Services and Infrastructure: Vietnam and Other Cases

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場　　所：国際協力総合研修所　２階　２０１号室

講　　師：William Louis Ascher
Professor of Public Policy Studies and Political Science,
Duke University, 1984-
Director and Chair, Terry Sanford Institute of Public Policy,
Duke University, 1994-

講師略歴：1968　B.A., University of Michigan (Political Science)
1970　M. Phil., Yale University (Political Science)
1975　Ph. D., Yale University (Political Science)
1973-79　Assistant Professor,
Johns Hopkins University Department of Political Science
1980-81, 88, 90, 91
Consultant, World Bank
1990-92　Associate Director, Duke University
- University of North Carolina Program in Latin American Studies
1992-94　Director, Duke University
- University of North Carolina Program in Latin American Studies

主な著書：Scheming for the Poor: The Politics of Redistribution in Latin America
(Cambridge, Mass.: Harvard University Press, 1984)
Natural Resource Policymaking in Developing Countries (with Robert Healy)
(Durham, N.C.: Duke University Press, 1990)

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要　　約

分権化は以下の３つのコンセプトに分けて考えられる。

- Deconcentration：中央省庁から、州、県、コミューンレベルの出先機関にいくつかの業務が移管される型。地方の官僚は中央に報告する義務があるが、決定に際してある程度の自由裁量がある。
- Delegation：中央政府が他のレベルの政府に一定期間決定権をあたえ、個々の決定について中央政府の承認も必要としない型。一定の機能に対する公企業への権限の委譲等がこれにあたる。
- Devolution：中央政府が、他のレベルの政府に、課税の権限や資金の使途を決定する権限等のいくつかの実質的な権限を与える型。

分権化を推進する理由としては、効率の向上が挙げられる。分権化は、地方のニーズを把握し、ローカルの知識を使うことを容易にし、より迅速な対応を可能とする。また、地元で選出された代表は、住民に対してよりアカウンタブルである。加えて、住民が必要と感じる様々なサービスの組み合わせをローカルレベルで決定することができるため、住民の満足度を高め、住民の参加を促すことができる。必要なサービスの組み合わせ、あるいはあるセクター内で何を重視するかについて、ローカルレベルでの決定の柔軟性をもたせることが重要である。

分権化の議論では、貧困地域をどうするか(所得の地域的再配分の問題)および地方政府の能力の問題が重要な点となる。貧困地域への再配分という点では、地域の利害関係に左右されがちであり、かつターゲット化をする能力にも欠けるコミューン、県、州のレベルよりも、再配分へのイデオロギーが働く中央レベルの方が政治的なコミットメントが強い。地方政府の能力の問題については、コロンビア、タイ、メキシコ等では、中央官僚は分権化を理屈では信奉していても、地方の政治家、官僚の性質・能力に対して懐疑的であるのが実状である。

中央政府が貧困地域をターゲット化できる制度を考慮しつつ、下位のレベルの政府に柔軟性を与えることが必要である。貧困地域への所得の再配分と地方に柔軟性をもたせることはしばしば両立が困難だが、このトレードオフを解消するポイントは、低所得の地域をターゲットとして包括的補助金(Block Grant)を与え、その使い方についてローカルレベルで決定させ、その実施の方法について上位政府が技術協力を行うことである。

分権化においては、それに伴うリスクも考える必要がある。考慮する必要のあるイシューとしては：

- 地方政府のアカウンタビリティ(誰にたいしてどのようにアカウンタブルか)。
- 州、県、コミューンレベルと下位のレベルの政府におりるほど、貧困地域への再配分に関しては促進的ではない。
- トップダウンの単一制の国では柔軟性や自由裁量の余地はどこにあるか。例えば、ヴィエトナムでは、州政府の恣意的(arbitrary)な予算策定、裕福な地域からの「自主的貢献」(voluntary contribution)、コミューンレベルでの資金の流れを不透明にすること等を通じて地方は柔軟性を確保している。地方政府は、情報を上位の政府に上げず実態を不透明にすることで自由裁量を確保しているが、これは上位レベルによる計画の策定を実態と離れたものにしている。これはトップダウン方式のもたらす悪循環である。

ヴィエトナムでは新しい予算法(Budget Law)の成立により、地方政府の人民評議会(People's Council)が、予算や支出の決定について同レベルの政府の人民委員会(People's Committee)より優先されることとなったが、これは実際のヴィエトナムの集権的単一制の中では矛盾があり、機能するには困難がある。機能させるためには、中央政府がケースバイケースに権限を委譲してゆき、かつ県やコミューンに包括的補助金を与える必要がある。インドネシアで試みられている「ビレッジ・メニュー・システム」のように、村やコミューンが一定の資金とプロジェクトのリストを与えられ、そのリストの中から住民がプロジェクトを自由に選択するといった形のものをヴィエトナムでも採用するのが望ましい。この方式は、権限は上位政府にありながら、個々の事柄について中央の承認を得る必要なしにローカルレベルで決定を行うことができるものであり、権限の委任の問題であって、ヴィエトナムでも適用が可能である。

ヴィエトナムは、計画経済から市場経済への移行の過程にあるが、中国のようなデ・ファクトな分権化には危惧を抱いており、成長の地域差の拡大に配慮するとともに所得再分配と雇用確保も重視している。財政の面では脱税の増加を危惧しており、政府官僚の分権化支持は、それが税徴収の減少につながらないかぎりにおいてである。しかし、実際には、現在の財政制度のゆがみは地方におけるデ・ファクトの自治を作り出している。財政政策をめぐる混乱をもたらしている要因の一つは、これまで財政に関わる規則やフォーミュラがアド・ホックにつくられ、その先行きが不透明であったことにある。その点では、新しい予算法が3年間有効であることは重要であり、財政面での透明性は増すと考えられるが、一方で、そのことによって現状のシステムの下で地方政府がデ・ファクトにもっている柔軟性を損なってもいる。

FISCAL AND ADMINISTRATIVE DECENTRALIZATION FOR RURAL SERVICES AND INFRASTRUCTURE: VIETNAM AND OTHER CASES

Dr. William L. Ascher
Duke University

Moderator: Good afternoon. Today, we will focus on issues relating to decentralization of developing countries with the distinguished guest lecturer from the United States, Professor William L. Ascher, Director and Chair, Sanford Institute of Public Policy of Duke University. Of the decentralization, renewed attention have been paid from the viewpoint of economic liberalization, administrative reform and political democratization, for which developing countries and transition countries are now struggling to perform.

Today's title is, "Political Issues of Decentralization: Vietnam and Other Cases". Decentralization might be cornerstone to be considered in proceeding these civil reforms. Of course here in Japan too, there are great arguments about decentralization. We asked Professor Ascher to present us a lecture on this subject, especially Vietnamese and other cases; a kind of comparative perspective.

I am pleased to introduce Professor William L. Ascher for starting the presentation.

Dr. Ascher: Good afternoon. It's an honor to be here. Let me first apologize for not being able to speak to you in Japanese. I do speak Spanish, but that doesn't do much good here, and I've been trying to learn the Thai language, but that also doesn't do much good here. So I do apologize for not knowing your language. Let me also apologize for not being an expert on Vietnam. I was asked to be on a World Bank mission to look at decentralization in Vietnam, because I had studied decentralization issues in Columbia, Mexico, Thailand and a few other countries. But this was really my first trip to Vietnam. I spent only two weeks there, so I do not claim great expertise in what's going on in that country. Let me also say that I do not speak for the World Bank in talking about issues of decentralization in Vietnam. Our report will go into the World Bank's country economic report, which will be presented to the

consultative group on Vietnam. But the report that I am doing with my colleague, Dennis Rondinelli at the University of North Carolina is a background study. The World Bank is very careful only to make official announcements. I feel free here though to talk more about the politics. So please understand that this is not a discussion of the World Bank's position. This is a discussion of my own interpretations of the political, administrative, and economic constraints on decentralization.

The reason why the World Bank is interested in de- centralization is that decentralization, in theory, has some great advantages, but that depends on what aspects of decentralization you're really interested in talking about. Let me spend just a few minutes talking about different concepts of decentralization.

One of the big confusions in Vietnam and in other countries is that when people talk about decentralization, they are really talking about many different things under one label. But in fact, one concept is deconcentration, which simply means that officials who report to the central government are situated at the province, district, and commune level. They still report up to the central government, but they may be given more practical discretion in making decisions. Deconcentration is the mildest form of decentralization reform.

The second form is delegation, which means that the central government allows some other level of government to make decisions for the time being, without requiring approval from the highest levels. So for example, the Japanese government could delegate a state enterprise to deal with some issue without having to report on every one of its actions and getting approval for it. Delegation, therefore, is a more serious form of decentralization than simply deconcentrating, which only means moving the people out to the countryside.

Devolution means that you actually give other levels of government some real authority. In Columbia today, the mayors of the cities are elected, and those mayors have the authority to impose city taxes and to decide how to spend those city taxes without seeking approval from higher levels of government. So that's true devolution. In the United States, all fifty states have their own powers which cannot be abridged by the federal government.

Parallel to devolution is privatization, that is, a function that formerly was

part of government becomes privatized. This also is a form of decentralization in that the central government no longer performs that function.

Now, what I'm going to argue is that in Vietnam as well as in a number of other countries, there is great confusion, because these countries are really unitary systems where there is really only one government. In Vietnam, they talk about there being provincial governments, district governments, and commune governments. But in fact there is one government in Vietnam from a legal and constitutional perspective, and that's the central government. Everything else is administration in a formal sense, that is, in a de jure sense. What that means is that if you want to actually get some flexibility or discretion at the lower levels, either the central government has to approve of that by delegation, or the lower levels have to do it de facto. In theory, every decision made at every level in Vietnam requires the approval of higher levels going all the way back up into Hanoi. So what we are really going to be discussing is the politics of where true flexibility comes in. Why is it that at the district level, and even at the commune level, some leaders are able to do things which are not fully approved by the center? Where does this flexibility come from, and what does it mean in terms of the effective provision of social services and infrastructure?

The reason why the World Bank is interested in decentralization is not for the sake of decentralizing. It's not out of any motive to have popular participation. As you know, the World Bank is prohibited from taking political considerations into account. The World Bank is interested in decentralization out of the belief that it leads to more efficient social services and infrastructure to the rural areas in Vietnam. For Vietnam to be a successful country in the future economically, it needs to provide better education services, health services, better roads, and better water supply. So the theory behind decentralization is that if these decisions can be made at a more local level, you'll get better decisions.

Let's talk about this. Let's talk about, why decentralization. The first argument is that it leads to greater efficiency. Why greater efficiency? Because you can take advantage of local knowledge. Do people in Hanoi know whether the Khe Minh commune in Lang Son province should put more money into

schools or more money into the water supply? No. Do they know how many teachers are really needed for effective education on the commune or district level? No, they don't. There is no way for a thousand communes to funnel information up to the ministries, and expect the ministries to understand what's going on in every location. So local knowledge can be gained if you reduce the level of decision making into the district and commune level.

Local accountability is another tremendous advantage for efficiency. If the Chair of the People's Committee which is the executive in Lang Son province is really held accountable by the people from his province, then he is more likely to do the things that are actually needed. If the district committee chair can be dismissed by the district people's council, then he has an incentive to do the right things because he's being held accountable. So this is a concept of accountability as it contributes to the efficiency of the system.

Third, rapid response. How long does it take to fix the roof of a school? Well, if you need to get the approval of the Minister of Education in Hanoi to buy a piece of plastic to put over a leaky roof, it might take you months to get it done. If on the other hand, you could just say we have our budget, we have flexibility in this budget, we'll go out and buy the piece of plastic and hire a man for half a day to put it up there, then it could be done overnight.

So these are fairly obvious points. I would add that there is greater satisfaction on the local level, and greater participation, and that this is an objective in and of itself. Now why is this an objective? Because at the local level, you get greater value if the local people can decide on the mix of services across sectors. Let's say for the sake of argument, that a particular commune has a budget of 10,000 dollars, not counting the salaries for teachers. How should that commune spend the 10,000 dollars? Should it go to hire an additional health worker? Should it go to get better desks for the schools? Should it go to improve the irrigation system? The obvious argument in favor of decentralization is that if this decision is made at the local level, the local people can decide on the best mix of services across these sectors.

But keep in mind that most governments operate on a completely different structure. It's the Ministry of Health that decides all health expenditures. It's

the Ministry of Education that decides on all education expenditures. The Ministry of Transportation decides what roads will be built. So the top-down approach is very different from letting local people decide on how much of each one of these services they wish to purchase. That's why decentralization of this sort, letting local levels really decide on the mix, is a very revolutionary idea.

And of course having the flexibility to decide the specifics within that sector. Should we have another health worker, or should we get another piece of medical equipment? As it is now in Vietnam, these decisions formally need to be made at the level of Hanoi. So the Vietnamese government, even the central government, is very excited about the idea of decentralization, in theory.

I was in Thailand three times last year. All the Thai officials are very committed to decentralization, in theory. The Mexican government, the Brazilian government, the Columbian government; everybody is convinced that decentralization is a good idea, in theory. So where is the problem?

Let's look at the other objectives. There are two other objectives that are also crucial. One is targeting benefits to the areas that the central government really believes are important to target. And this is a matter of income redistribution. One quarter of the total central budget of Vietnam comes from Ho Chi Minh City. It's the booming area. It's where the commercial interests are. It's where the industrialization is. Now, surely the Vietnamese central government has a right to redistribute this to a certain degree. The central government of Vietnam is more committed to equalizing the inputs that go to different communes and districts than the provinces are. The provinces are more interested than the districts and the communes; that is to transfer resources from one district to another district, or from one commune to another commune. And this I think is an important political lesson that I've seen in many countries. The lower down you go in the administration, the more participation you have from all of the local people of that level, the less redistributive the policies will be.

I was asking all of the embarrassing questions on this mission as a political scientist to try to understand how decisions were really made on this very sensitive issue of redistribution. So the one question I asked all the people on

the provincial, district and commune levels was, if you wanted one unit to get more resources than another, would this be possible? And the lower you go, the less possible it becomes.

Why is that the case? Well, in a typical district in Vietnam, and a district might have 15 to 20 communes in it, each commune might have five to ten villages in it, the way the members of the district council are chosen by the Fatherland Front Organization, which is an organ of the communist party, is that each commune gets one or two representatives depending on their size. So if you have 15 communes, you might get 20 members, but every commune is represented. The communes with the larger populations usually have two representatives instead of just one.

Now it's not very plausible to believe that in that kind of circumstance, that the decisions of the district people's council will say, let's take money away from these communes and give it to another a set of communes. Usually when everybody gets more or less equal representation, all of the decisions are to treat the units pretty much alike. So there is very little practical commitment to redistribution at the district level, a little bit more at the province level, but then again the provincial people's councils are also chosen representing all of the different districts, and representing all of the different sectors. But at the national level, there is a stronger ideological and political commitment to redistribution. So this is very ironic for somebody like myself, because I have a commitment to decentralization, but I also have a commitment to poverty alleviation. And you have to balance those two things. You have to come up with a structure that allows the central government to target the poorer provinces, the poorer districts, and the poorer communes, while at the same time giving more flexibility on all those levels. And that's difficult to do.

The second crucial objective is to have competence in how these things get administered as you go down the line. And what you hear in Columbia, Thailand, Mexico, and all the other countries that our research center has studied is that central officials say, on the one hand we believe strongly in decentralization, but when you go down to these local levels, the governments are captured by the Mafia or by fools, or by crooks. So whereas in theory

we're in favor of this, in practice we can't trust those people. Now, I'll have more to say about this in a couple of minutes.

So the issue is more complicated than just thinking that decentralization can be done without any costs. Let's look at the specific issues.

Accountability is a wonderful thing. Everybody is in favor of accountability. How many of you like accountability, please raise your hand. Anyone in favor of accountability, that is, making sure that everybody has to report on what they are doing, so that their performance can be judged, and they could be rewarded or punished according to how well they are doing. How many of you are in favor of that? I am sure I could eventually get all of your hand up. In America, the style of seminars is to force people to speak, but I'll respect your local customs.

But the question is, how are you accountable and to whom? And this is much more complicated. In Vietnam, there's profound ambivalence and ambiguity about accountability. You see, Vietnam believes in democratic centralism. But Vietnam has only one government; the central government. So consider the district committee chair. That district committee chair has to get approval in whatever he does from the provincial government, which needs approval from the national government. But he also needs approval from the People's Council on the district level. This is called by one professor in Vietnam, double subordination.

Now, there is a very interesting political analysis done by a colleague of mine named Yaira Haroni, an Israeli, who wrote a very famous article which has as part of its title, "if you have more than one master, you have no masters." So one political logic is that if you have two bosses or four bosses, then your life is miserable because you cannot do anything. This man is telling me what to do, this man is telling me what to do. If they don't fit, then I just don't sleep at night.

But there is another theory of accountability, that says that when he asks me to do something, I say, oh, I would love to do that, but I can't because he tells me to do something else, and when he tells me to do something, I say I can't do that either because he is telling me something else, and I do whatever

I want. Well, that's not the situation in Vietnam now, but it could well be, because there is a real ambiguity in terms of accountability. And this is true in any system that believes in democratic socialism, or rather democratic centralism.

Now, there are debates as to how democratic it is or how centralized it is. But essentially, we found that there are many provinces, districts, and communes that have a lot of flexibility, but it does not come through formal rights to flexibility. And we will discuss in a little while what it comes from.

Now, does local decision making add or detract from the targeting to the poor? Here our finding is that, as I mentioned, before, there is very little capability to target when you get to the district and commune level, and in fact, very little on the province level either. So this is the argument for the center, because it has higher ideological commitment to redistribution.

The question is, how does flexibility or discretion come about in a top-down, unitary system? This was our empirical question of our mission. Given that, in theory, everything has to be reported up and approved down, where does flexibility come from? And here are the answers which are rather sad.

First, flexibility comes through rather arbitrary budget outcomes. One of the most important provisions in Vietnamese fiscal policy is that a province has discretion over its excess revenues. Now what is an excess revenue? Every year, the provincial governments send to the central government an estimate of how much taxes they can collect. The central government then decides to accept or modify that estimate, and the central government's projection of revenues for each province becomes part of the formal budget process. I think it's quite similar here in Japan. But in Vietnam, in order to provide greater incentives for the provinces to raise money through taxes, every province is permitted to make its own decisions on how to spend the greater taxes it raises above that projection.

This is a complicated thing, so I want to make sure everybody understands. Is this clear to everyone? O.K. If for example, Lang Son Province is given a revenue forecast of 100 million dong, and if Lang Son Province in fact raises 120 million dong of revenues, then they decide how to spend that 20 million

dong. Now this is good. It's flexibility. If you believe that the provincial level does a better job than the central level at deciding how much should be spent on education or health or roads, then you would be in favor of that. But note how arbitrary this is; that one province should be able to take one sixth of its budget, 20 million out of 120 million, and have flexibility to allocate that budget, whereas another province may have zero.

Now you might say that's O.K. You want to reward provinces that collect more taxes. But many provinces deliberately underestimate their revenue capabilities so they can get this big amount. And the point is that provinces deserve some flexibility, but for flexibility to come simply because somebody misestimates what your revenues would be, is very arbitrary.

Second, in Vietnam like many other developing countries, a distinction is made between taxes and fees. And local governments from the commune level and the district level, can charge fees which they can develop themselves. They only need approval from the higher levels. So the norms that come down from the center do not tell each district or commune in a uniform way what fees to charge, which means that the districts and the communes in the wealthier areas can charge higher fees. Moreover, every commune and district can also demand voluntary contributions.

When I first heard this, I thought I was misunderstanding the translation. These are called voluntary contributions, but you cannot refuse to give one. It used to be that you had to work one month for the commune government, helping to fix the roads and the schools. Now they just demand it in cash. And it's true that in many communes, the poorer families are exempt from paying these contributions. But everybody else has to pay them.

Well again, this gives the local levels of government some flexibility. If they feel that they really need another teacher, they do not have to go and petition Hanoi to get another teacher. They could a charge higher voluntary contribution and hire a teacher off budget. The problem here is that the communes that could do this are already in the wealthier areas, whereas a poor commune that needs more flexibility cannot demand these contributions to the same degree. So again, there is a mechanism for flexibility, but it's not a

mechanism that is determined by the need or the competence of the local government to provide it.

Finally, on all levels, lower officials get flexibility by deliberately reducing the transparency of what they are doing. We had an interesting meeting with some people from Oxfam International who have been spending a lot of time working in one of the poorest provinces in Vietnam, where the per capita income is 60 dollars a year. Think about that; 60 dollars a year per person. I think you can take a taxi ride in Tokyo and pay more than that.

Well, one of the people from Oxfam said, they were doing this local fiscal survey, and they noticed that in some of the communes, the reports going up to the district level, instead of reporting how much was going for health and education, and roads, and general administration and water supply, were simply reporting, this is how much we spent this month. And when the district officials became concerned about this, they went down to that commune and said, where are your records? And they said, we lost them.

Well, no wonder central officials think that local administrators are stupid people. But in fact, it's not at all stupid to lose those records, or to deliberately report it in a way that cannot be processed by higher levels of government. As the director of an institute, I sometimes report information up to my dean in ways that I don't think he could understand. It gives me more flexibility. But again, it's sad, that then the communes and districts that have this flexibility have it not because they are doing the right thing, but because they are doing the wrong thing. And a system like this reduces the incentives for people to be accountable.

So when we study natural resources on other projects, we often ask, how much information is really going to the top about what's going on? And the answer usually is, that if people have an incentive to suppress information lower down, then the people at the top have no idea how many trees are being chopped down, or what the budget is being used for. So one of the real problems in a centralized system, that depends on information flowing up is that if at the local level, people get more flexibility by suppressing information, then they'll do that. And then the planning becomes very, very poor.

This leads to another problem here. I mentioned before that if you talk to

officials in all these governments contemplating decentralization, they always say, it's too bad that the local officials are incompetent. But if you explore this issue a little further, you discover that some people are competent at certain things and very poor at other things.

If you take a commune person who has had maybe six or seven years of school, and you send him a budget form with all the complexities of that budget form, and tell him that the norms are 3.5 teachers per 100 students unless there are some students who go from primary to secondary during the year, in which case you have to apply a 1.2 multiplier, he's going to do very badly with that. Whether he has an incentive to fudge it or not, he is going to do badly at it. If you ask him to write a long proposal explaining why they need a road, he is going to do badly at that.

But that same person is probably a very good local politician, who could find what the people in the commune want, and can mobilize people to build a new school, or to put some labor into the road if the provincial government provided the materials for the road. It's just a question of mobilizing that committee chairman's skills instead of expecting him to do something that goes beyond his educational level.

So our diagnosis is that there is a vicious circle in a top- down system. If you ask somebody to report up the chain, he is always going to look like he is not very competent. On the other hand, if you have a bottom-up system, where the demand on the local official is to find out what the people in your commune or district want, and then come up with a strategy for mobilizing social pressure so that people will cooperate together, then I think these people can do very well. So that requires a change in how you arrange the system.

Let me go through my last issue and then I'll talk about what the remedies might be. Will legal changes make a difference in a unitary, deconcentrated system? All of the discussion in Vietnam now has been over this new budget law. Here is the Vietnam News. This is really the official paper for English-speaking people. This is the most important piece of legislation passed in the last three years, and they label it having to do with clarifying oil profits, which is a very minor issue. But if you read through this, you see a complete

misunderstanding of what you can do legally in a unitary system. They talk about People's Councils will impose their will over the committees at the same level on revenue and spending. People's Councils, that is, the elected officials, will impose their will over the People's Committees at the same level, in other words, at the commune level, district level, provincial level, on revenue and spending. Well, that's impossible, because the chairs of the People's Committees are obligated to follow the directives of the People's Committees on the next higher level. And the People's Committees at the next higher level have an obligation to veto anything passed at the lower level if they believe it is inappropriate.

So even the Vietnamese government has just passed a law which ignores the contradictions in trying to have formal authority at lower levels of a centralized unitary system. That's not the way it can work. The way it has to work is that the central government on a case by case basis has to delegate authority to lower levels. And the central government needs to provide block grants to the district level or the commune level in such a way that there's still accountability. And one recommendation that we are going to make is that Vietnam adopt a scheme that is now being tested as a prototype in Indonesia, which is called the "Village Menu System".

Have any of you worked in Indonesia? O.K. You know, Indonesia is very centralized. But they are now experimenting with an interesting program in which the village or commune is given a certain amount of money and a list or menu of the kinds of projects that can be financed there. So the list might be...these are for capital projects...a school, a road, a water pump, a health clinic, an irrigation system. It's up to that village or commune to decide on which of these projects it will pick.

Now the reason why the list is not, spend the money on anything you want, is that it might get spent on buying a new car for the committee chair. So it has to be from the approved list. But it does not take much work to come up with a flexible enough list of worthy projects that would then require the People's Council in the Vietnamese case to choose the projects that will make the most sense for that community.

Now, this would have the authority of the higher levels, but it would not need the approval of the higher levels. In other words, it would be a matter of delegation of the authority to make the decision at the lower level. And that will be quite workable in Vietnam.

Now let's talk a little bit about the purely political aspects of this. Vietnam, of course, is in a very interesting situation. All the people there are fully aware of the fact that it is making the transition from a centrally planned economy to a market economy. But what kind of market economy? Well, they're talking about a socialist market economy. What does that mean? If it means anything, it means a concern for the distribution of income, and trying to make sure that everybody gets employed.

The system is also claiming to be in a transition from very heavy-handed democratic centralism to some other form of democratic centralism with more emphasis on the democratic than on the centralism. But this has not been sorted out either.

The main concern of the central government seems to be, how to maintain some equity in income distribution as the country moves in the same direction that China has been moving, with deregulation, and *de facto* decentralization. The Vietnamese government is very frightened about the Chinese model, because from their viewpoint, the central government of China, in giving up taxing authority, has really allowed the wealthier parts of China, especially Guangdong in the southern region, to take their own financial resources and control them without contributing to the center. So the central government in China gets weaker and weaker while the provinces and the districts and the equivalent of the communes become stronger and stronger in the wealthy areas.

Now as you probably know, in Vietnam, the growth is occurring in the South. And the Southerners, as you know very well, have never been as committed to the whole structure that was reunified in the mid-1970s as the North is. So the reason why the government of Vietnam is so committed to redistribution is because the redistribution would go to the North.

But this is not a criticism because in fact, the north and the central part of the countries are very poor, and for Vietnam to be a true success in the

long term will require much more investment in human capital and infrastructure in the North and the central regions of the country. If the South is the only region to grow, then the kind of urban migration would create the kind of nightmare that you see in Bangkok or in Jakarta. And the Vietnamese government is also very, very concerned about that.

In fiscal and administrative terms, these worries translate into a worry about tax evasion. So our mission was to look at fiscal policy. After almost every statement that a government official would make about the virtues of decentralizing, he would say, but of course not if it means reducing the overall revenue collection from the area. So this also explains the ambivalence of the Vietnamese government. What now goes under the label of decentralization reform has as many elements of centralization as it does decentralization. In the same breath, a government official will say, we need to have more responsibility on the local level, but this responsibility means collecting the taxes that we set from the top. And that's fair. It's a two-way street. If a government asks local people to collect more taxes, it should also be willing to give those local people greater discretion. But currently, the formulas are very perverse. They're leading to very perverse and strange outcomes.

Right now, Vietnamese officials at the provincial district and commune level face the following dilemma. We can keep more money if we increase the taxes on our people, if we collect more taxes. But our people are happier if we do not collect that money, and then we can go to them and demand a voluntary contribution. So what would you do if you were a commune level official, and the central government says, you need to collect 25% more taxes? If you comply with that and collect 25% more taxes, you've then made enemies of the people in the commune, and you do not have any discretion over how that money gets spent. If on the other hand, you do not collect the higher taxes, and just explain to the provincial level; we're sorry, we had bad harvests, and some people simply cannot pay, then you could always go back to your local people and say, I saved you from the 25% tax increase, now you have to give a voluntary contribution of 15%. But then the commune level decides on how that money goes. So that's the kind of perverse outcome that having a

centralized system with some local de facto autonomy is creating in Vietnam.

Let me say one last thing. Part of the confusion over fiscal policy in Vietnam has been caused by the fact that all of these formulas and rules have been made in an ad hoc, improvisational manner. Every one of them was negotiated. No one knows how long any arrangement would last. The significance of this budget law is that it will hold for three years. It'll make everything much more transparent. So that's a tremendous advantage. But in locking it in for three years and making things more transparent, you actually have a reduction in the flexibility at various levels.

Let me stop here, and see if you have any questions or comments. Thank you very much.

[QUESTION AND ANSWER SESSION]

Moderator: Thank you very much. We would like to move to the question-and-answer session.

Question 1: Thank you very much for your interesting presentation, Dr. Ascher.

Vietnam is probably one of those countries who are in transitional process, as you said, from one type of system to another. I think your presentation pointed out some very key dilemmas or trade offs. For example, one may say that one motive behind decentralization is, as you said, to address the poverty questions. One of the dilemmas that you indicated is the requirements for addressing poverty issues on the one hand, and creating more flexibility on the other, for example. Probably that's one of the dilemmas posed in this whole process.

It is certainly not an easy question to devise a formula to satisfy both, for example, poverty issues on the one hand and questions of more efficient economic development on the other hand. But I want you to ask, or I would appreciate it if you can talk a bit more about the prescription, or how you can overcome what you called, the vicious circle. How can one system get out of that vicious circle? I know it is not easy, and it may differ from country to country, and it depends on a economic level of development or a political system. But if there are some commonalities among those countries where you worked, and if you can sort of generalize some of the lessons that you think would be crucial for future planning to think about decentralization, I think that'll be very useful. Thank you.

Dr. Ascher: That's a very good question. Thank you for asking it. I think the key to overcoming the trade-off between poverty alleviation and flexibility is to target those districts and communes that are of lowest income, give them block grants, and allow the local people to decide on how they should be used. Now when I say decide how they should be used, that could be interpreted two ways. I mean in terms of the overall mix. I am not talking about in technical terms. So the reason why I'm so attracted to the Indonesian village

menu strategy is that I want the local community to be able to say, we really don't need another road, we are much more interested in the fact that our children are suffering terribly from diarrhea, and so we want the health clinic and another health worker. And then it's perfectly appropriate to get technical assistance from other levels to show them how to do it.

I would not want a commune level person with six years of education to know what kind of medical equipment purchase. That would put him in a position to always fail. But I would want that commune leader to say, we've decided that we want more attention to health than to another road coming in here. And then, you bring in the district officials and the provincial officials to help them work on that. So to me the flexibility really has to do with choosing what kinds of services are needed rather than dealing with the technical side.

Now it's interesting that donor agencies, whether it's Japanese foreign assistance, or USAID, or the World Bank, or the Asian Development Bank, are used to working at the highest level in determining what the overall portfolio of projects will be, and then somehow it's supposed to be trickle down. In the unitary system, formally it has to work that way, that is, the Indonesian government or the Vietnamese government insist that it's the only borrower from the World Bank, whether it's World Bank funds or IDA funds. But, you can get the central government to delegate the interface between local government and the international organization or the Japanese cooperation agency to work on that basis. So I know that many of you are concerned with how foreign assistance can be adapted to a decentralized system. In a unitary system like the Vietnamese system or the Indonesian system, you still need formal approval from the top. But they can delegate responsibility down to any level they wish. Then the question is what do you expect of that local level? How do you avoid that vicious circle? And again, I think the way you avoid it is by having them do what they can do successfully, which is match their efforts with your efforts, and have them decide on what sectors are going to be important.

Are their any Japanese efforts to do it in this fashion? Do any of your agencies work with local governments directly? Or do you have to work with

national governments?

Other questions or comments please.

Question 2: I'm really puzzled. Still I'm not clear when it comes to the aimed or planned system, the final systems in Vietnam in the form of decentralized government. You have mentioned, for instance, the application of village menu systems, or the existence of de facto authority, for instance. OK. One could make some minor adjustments, but under the so-called unitary systems, to what extent can they actually achieve the decentralization? I have been listening to your speech, but still it's not clear [what] your conclusion is on this.

And the second question is in relation to the process; how to achieve, how to arrive at the aimed systems in the planned decentralized systems. And of course, one has to concern himself or herself with the social, political and administrative, certain stability. Nobody wants to have sudden changes and disorder in the country. Now politics come the first, of course. So one cannot ignore the political reality. Then, one could have an image or planned system, but again the question is how to arrive at the system, and this is extremely difficult.

So I am puzzled. I am looking for the solutions [or] answers to these questions, but I haven't found any answers. Sorry, but maybe I have misunderstood your presentation, but it's very difficult for me to conceive any solutions or something over these issues. Thanks.

Dr. Ascher: Those are also excellent questions. In fact, they're about six hours worth of discussion, but let me try to be much briefer than that.

You are asking the key question; to what extent can they really achieve true decentralization, that is, beyond de- concentration and beyond some token things. But then, you actually answered your own question when you said that so much of this depends on politics.. Like any other government, the government of Vietnam, not only wants rapid economic growth but also has to be concerned about its own legitimacy, that is, whether the people of the country look at it as the appropriate form of government and whether they respect and support the people who are in power. And as we know, no matter how authoritarian a government might seem to be, every government depends on

the will of the people indirectly. We saw the Shah of Iran who tried to defy that principle and he failed. So I'm sure that the government of Vietnam is very concerned about maintaining its own legitimacy. That allows us to rephrase the question. Under what circumstances does decentralization contribute to the legitimacy and political stability of the system?

This allows us to look at some other cases and my favorite case is Columbia. Have any of you worked on Columbia? Good, I can say anything I want about it then. (laughter) But seriously, Columbia has had a crisis of legitimacy. There have been guerrilla groups. There's been a certain amount of violence there. The Columbian government has done more than any other government in Latin America, except for Chile under the Pinochet government, to decentralize, because it finally occurred to them that unless they provided more power to the local levels, that the people would simply hate the government. And one of the major advances that was made in Columbia in recent years is that mayors are now elected. Before that, mayors were chosen by governors, who were chosen by the president.

Now that's significant. It's not just deconcentration; it's devolution. And it takes a certain pressure on any government to actually give up power. Delegation means, I'm giving up power temporarily. I'm allowing you to do something. You don't have to report to me, but if I hear that you are doing a bad job, I can always bring that back. Delegation is loaning power temporarily. But devolution is saying, here, you have the power; we write a new constitution. And that's a bigger risk. So the key thing is that in some countries, that becomes the lesser of the two evils.

Now let's look at the Thailand. All the Thais, as I mentioned before, are very excited in theory about decentralization, but nothing happens. Why? The country is growing at 9% or 10% a year. Everybody loves the king. The government in general has very high popularity even though they might not like any particular prime minister at the time. So there's no pressure on the Thai government to give up power. I think those are very opposite kinds of situations.

Now another point you made, which is, how do arrive there? Well, the initial learning process in decentralization has to take into account the fact that

it's risky and frightening. Think of how embarrassed a government would feel if it gave autonomy to some local officials, who in fact were part of the Mafia or totally incompetent, and the government would look bad. So you have to pick your cases in a way that you bet on the winners first. And this is also something being done in Columbia. Certain districts have qualified for more decentralization than others. And then as the government learns to get confidence that this is successful, as the people there learn what it takes to run a government locally, then decentralization could spread further and further.

Let me say one final thing about this. It's also possible to set up a system in which if decentralized decision making fails, it goes into receivership. Believe or not, this happened to New York City. In the United States, from a fiscal perspective, the cities are creatures of the states. So if a city goes bankrupt, the state takes over all of its fiscal functions. In the 1980s, the city of New York went bankrupt. The State of New York took it over. And in a exchange for allowing any decision making at the city level, every budget decision made by the city had to be approved by an outside commission of people who were overseeing its budget. So this is a case of delegation, which when it was shown that it failed, was just taken back in, despite the fact that New York City has an elected mayor and an elected council.

So I agree with you that decentralization has political difficulties, and therefore, it seems like such a daunting task. But if it's done in a gradual enough way, you could also have a confidence building that decentralization can be successful.

Are there any other brilliant questions?

Question 3: I am gradually understanding what you are explaining to us. I have a question about central government political function; how can it shift to provincial level? I had experience to work South Pacific for about four or five years. In Vanuatu Republic, under Minister of Interior, they have department of local government. I watched their political game during my assignment. The local government couldn't get ODA assistance easily because of the strong control of the central government. So my question is, under the central government administration, is it possible to create, to pick up local needs; some kind of

organization which can perform local needs. I believe the ODA money through the central government can distribute to local government. So maybe you could suggest to us a solution to do for ODA procedure; get money from the central to provincial, what kind of organization can be regards?

Dr. Ascher: Is the Vanuatu Republic a unitary system?

Question 3: Yes.

Dr. Ascher: O.K. Well first, ODA always involves a certain degree of bargaining between the donor and the recipient country. Formally, just about every country will insist that if it gets a loan, even if it's a concessional loan, that the money would have to be handled by the central government because only the central government will guarantee an official loan. So I don't think there is any way of formally avoiding having to work with the central government. But in the bargaining between Japanese aid agencies and the government of the country, you can certainly ask or demand that the authority over the project be delegated by presidential or prime ministerial decree to whatever level of government you believe is most appropriate. Now the politics of the country may make the prime minister willing to do that or unwilling to do that. The prime minister might say; this is fine, I don't mind if the provincial health authorities are directly involved. But the Minister of Health might object very strongly. On the other hand, the Minister of Health always has approval over what's going on at the department level. So this really does become a political issue for them to handle.

The World Bank is always trying to figure out some way of getting the payments to contractors to be more efficient. Well, if everything has to get approval at the district level and the provincial level, and then at the central level, it's going to take too long. So if you can get an agreement that payment approval will only occur at the district level or the provincial level, then you could cut down on the paper work.

Let's make a distinction. There's the formal need to get things approved, which require a signature, so that the documents have to go from one office to another office to another office. And then there is the theoretical level. Does every level really report to a higher level? And in all unitary systems, they

always report to the higher levels, in theory. But there's nothing to prevent a departmental level person in your scenario to have the delegated authority to sign the agreements, to sign the chits, to get people paid, to get the workers assigned to whatever project you're working on. But of course it takes the decree from the prime minister for this to work in that system. Then, if the higher officials in the ministries want to control or shape that program, they have to go to a lot of effort to do so. And in most cases, it's easier for them just to let it go.

So it often boils down to the question of what your bargaining position is with respect to that government. If that government can go to a dozen different aid agencies to get that project funded, then your effort to impose a conditionality won't work very effectively. But if they really need your money, then you are in a stronger bargaining position, and you could say, I think it would be more efficient for all the paper work to be handled at the departmental level, and that legally this requires a decree of delegation from the prime minister; let's do it that way. And then you see what they say.

Question 4: I think the more decentralization is progressed, the more important role that local area or local government should play. But in general, there is a lot of shortage of human resources in this area. This shortage of human resource in local areas of the most developing countries have become a kind of barrier to undertake decentralization. My question is, how can we overcome these barriers?

Dr. Ascher: Well I think there are three ways. One way, as I mentioned before, is to shape the tasks of local level administrators to fit in better with the skills they already have. Not everybody has to be an accountant to be an effective local administrator. Second, you need training, and more training, and more training. And I think that that pays off very nicely, because if you provide money, people can always divert the money into something else. But it's very hard to divert training. If you bring somebody in and give them a month-long workshop on water resources and water charges, it's very hard for them to sell their expertise on the blackmarket. The third thing is that you can rely on both other levels of government and on NGOs to provide tutelage and technical assistance. And in fact, I should have talked about the NGOs in answering the previous question, because there are some cases where NGOs

can get away with dealing with lower levels of government where official development assistance cannot.

Believe it or not, USAID is not dead; it's hiding. And one way it hides is by funding NGOs, which then go in and deal on the lower levels of government or administration. Oxfam, for example, can work directly with district officials, with the approval, of course, of the Vietnamese government, but they are working directly with district officials. Both the district officials and the NGOs are providing technical assistance to people on the commune level in determining how to write a budget, or how to balance costs and benefits, or deciding on what the school fees should be. This seems very mundane for people like yourselves who are very well educated, who have gone to university and have done graduate work. But some things that we take for granted, like how do you even think about a problem, are teachable skills. And it's also a good way for rewarding local officials, because it enhances their status. In countries like Vietnam and many other East Asian Confucianist societies, getting more education and more training is a wonderful thing. So somebody who could come back and say, I spent a month in a provincial capital learning how to do this, has received a real reward.

So I think the combination of technical assistance, training, and tailoring the tasks for what people's skills are is the long term solution. But there is no doubt that takes a long time.

Question 5: I stayed in Bangkok for quite a long time, and I had the opportunity to visit many Indochinese countries including Vietnam for last ten years or so, and I realized that the so-called decentralization issue is not so easy thing to practice. Because when we say decentralization that means always so-called responsibility has to be done by local people. And, by responsibility, in many cases, I may say Laos, Vietnam, Cambodia, also Nepal, the central government's contribution is usually less and less. That means to say that the local government has the authority or more power to do if they do have their own resources. But as you were mentioning, the rich district or rich province will be all right. But the poorer area; they have no much money to run the government services. So for example, I can see in these countries

so-called government extension services are generally speaking, deteriorating.

I am a livestock officer, and I can see, for example, vaccination practice. Usually the vaccination practice was done by the central government because they cannot charge any money from the poor family. Then once delegation went to local government, that means local government has no money, and then no extension services.

So my question is, decentralization is generally speaking a very good thing. But so-called transition period; how long the people, those poor people have to wait until they can get the visible impact, or visible benefit in those countries, including Vietnam? What is the best benefit for poor people to realize so-called decentralization is really the good thing for them? Thank you.

Dr. Ascher: I think you are talking about a very important scenario that sometimes arises, in which the central government because it has less funds, decides to cut back on its spending to various areas, and in order to put a good face on it, calls it decentralization. And you see this happen whenever there is a big downturn in a country. Vietnam's agriculture collapsed not very long ago. And with the fall of the Soviet Union, and the subsidies from the Soviet Union drying up, Vietnam was essentially bankrupt. At that time, Vietnam said, yes, we need more local responsibility. But in a way, that was just a mechanism for packaging the really bad news which was, there's no money. Well, I think you are absolutely right. In those circumstances, the poorer areas will suffer terribly. And the need for targeting those poorer areas is very important.

Again, how do you do that? You do that by transfers from the richer provinces to the poorer provinces, in such a way that you still allow the local areas to have some flexibility in how that money is going to be spent. So I have great sympathy for the situation you are talking about, but I would not diagnose that as a problem or failure of decentralization. I would diagnose that as the obvious consequences of running out of resources.

Now, it's ironic that, politically, sometimes that's the best circumstance to try to decentralize. In fact, this is what's happening in the United States right now. In the United States, there's tremendous pressure to reduce the federal

deficit. So suddenly our federal officials have discovered the virtues of states' rights, and allowing every state to take care of welfare payments and social services, and so on. If you are in favor of states' rights, you can look at this as a tremendous opportunity. You have to say, all right, great! Now make it serious and irreversible.

You see, one interpretation of what's going on now in Vietnam is that when the money ran out from the late 1980s until just about three years ago, there was tremendous decentralization, because the central government had no money to hand out. So every province, every district was on its own. Well, now that the money is rolling in again, especially from the South, the central government wants to recapture that surplus. Now it's worried about tax evasion. It was not worried about tax evasion when there was no economic activity to tax.

So I think you're getting to a very important aspect of the political economy of the situation. But of course, with a unitary system, unlike the U.S. system, there was no way for the provincial officials to say, ok, if you want us to pay our own way on these things, let's change the constitution so that we have the right, the legal authority to do this. To this day, the provinces, the districts and the communes do not have legal standing, which also gets back to your question about whether ODA can go through a district or a province or a department. Well you could imagine what the lawyers at the Asian Development Bank would think if you said, we want to make a loan to a district level where that district level has no legal standing in the system. You can't really execute the contract.

So that's why it's so reversible in a situation like Vietnam. I think it's like an accordion. Over time, it's going to become more and less and more and less decentralized, moving probably toward decentralization as confidence that local decision making can be competent, increases.

How about one more question or comment? We've heard from all the males here, but we haven't heard from any of the women in this group. Is that because Japanese women are not allowed to participate, or that the males are better educated and trained, or what? Yes? I knew this would work. (laughter)

Question 6: I want to continue Question 5's question. Generally speaking, I agree with decentralization to help the needs of local people. However, you talked a lot of example in the United States. But I think there are very big differences between the United States and some developing countries, because some developing countries organize different ethnic group, and one nation has a lot of different culture and different province, I think. So if decentralization occurred, who can get the authority in the local area? The question is, now who has the power in the local area? It's a very important point, I think.

For example, I am studying about Turkey. Turkey has big ethnic problem about the Kurdish and muslims, etc. If the localization happened, the local power may be gotten by the so conservative man, then maybe the gender problem will be not improved compared with now. But actually now is centralized political system. However, actually the central politicians allows the local power to be the same. So maybe we think about the point...

Dr. Ascher: I think that's an excellent point. Let me try to clarify that there are many circumstances where I would not be in favor of decentralization. You're always trying to compare the equity and efficiency of doing things on the local level, and asking, what would the local government do with the equity and efficiency of taking care of things on the higher levels? And in different contexts and different countries, even in different districts within the same country, you may come up with different decisions.

For example, one of the questions I was trying to answer in Vietnam was whether in a given commune, the dominance of the most important three or four families or clans would exclude the other people, the really marginal people in that commune. There are some places, this is particularly true in India, where they have a marvelous institution called the panchayat; local village council. In theory, it's the most democratic thing you could imagine. But when the panchayat gets captured by the wealthy land owners in that village, then they might completely exclude the other people. And in some previous research that we did in our center on forestry policies, we found that in some places if the whole village were running the wood lots, the poor people would be excluded from them, and the rich people would have access to them.

So I think that you first have to see what the micro level politics is like, and then decide whether you are in favor of putting the authority on that level. If that level is not good, then you go up to the next level. I was told by some of the NGO people in Vietnam that the district level is the appropriate level, because on the commune level there is usually a party boss who dominates, but on the district level, they are much more interested in helping the poorer families.

So your point is well taken. I agree with you a hundred percent that there are cases where the local politics is more unequal or more anti-feminist or more anti some ethnic group than another level. And this creates a tremendous challenge. How do you deal with this problem in a country where some districts would do very well with local governance, and other districts would do very badly? Can you do what the Columbians are trying to do, and make it on the basis where some qualify and some do not qualify? Or do you need to go in and change the local institutions so that they become more democratic? So these are very big questions that people are wrestling with. I don't have any simple answers to them.

But thank you for your question, and I thank all of you for your questions. I promise I'll include them in my report. Thank you again.

Moderator: Thank you very much, Professor Ascher and audience. I'd like to close this seminar. Thank you very much.

資　　料

FISCAL & ADMINISTRATIVE DECENTRALIZATION FOR RURAL SERVICES & INFRASTRUCTURE: VIET NAM & OTHER CASES

WILLIAM ASCHER
DUKE UNIVERSITY

DIFFERENT CONCEPTS OR DECENTRALIZATION:

DECONCENTRATION

DELEGATION

DEVOLUTION / PRIVATIZATION

WHY DECENTRALIZATION?

EFFICIENCY FROM:

- LOCAL KNOWLEDGE
- LOCAL ACCOUNTABILITY
- RAPID RESPONSE

GREATER SATISFACTION & POPULAR PARTICIPATION FROM:

--> FLEXIBILITY AT LOCAL LEVELS IN DECIDING:

1. MIX OF SERVICES ACROSS SECTORS

2. SPECIFICS WITHIN SECTORS

ALSO CRUCIAL:

TARGETING TO THE POOREST

COMPETENCE

ISSUES:

1. ACCOUNTABLE HOW & TO WHOM?

. ACCOUNTABILITY IN A DECONCENTRATED SYSTEM

. AMBIVALENCE OF "DEMOCRATIC CENTRALISM"

2. DOES LOCAL DECISION-MAKING ADD OR DETRACT FROM TARGETING TO THE POOR?

. PROVINCIAL & DISTRICT POLITICS ARE NON-REDISTRIBUTIVE

. CENTER HAS HIGHER IDEOLOGICAL COMMITMENT TO REDISTRIBUTION

3. HOW DOES FLEXIBILITY OR

. THROUGH RATHER ARBITRARY BUDGET OUTCOMES

. WEALTH OF THE LOCAL AREAS

. LACK OF TRANSPARENCY

4. VICIOUS CIRCLE OF LOW LOCAL ADMINISTRATIVE CAPABILITY IN A TOP-DOWN SYSTEM

5. WILL LEGAL CHANGES MAKE A DIFFERENCE IN A UNITARY, DECONCENTRATED SYSTEM?

JICA