

Financial Management and Use of Development Funds in 103 communes of Cao Bang and Hoa Binh Provinces

A Synthesis Report of 2 Years Experience



By the Public Service Provision Improvement Program for Agriculture & Rural Development –
PS-ARD

SUMMARY

With the support from the Swiss Agency for Development and Cooperation (SDC) and Helvetas' technical assistance the Department of Finance in the two Provinces Cao Bang and Hoa Binh supported 103 communes in 5 districts to implement the state budget law through development of appropriate guidelines and training; in addition – to allow for hands on practice - SDC provided more than 1 Mio USD as Commune Development Funds (CDF) for the implementation of some 1600 small projects that had been planned during the participatory development of local Socio-Economic Development Plans (SEDP) of the very 103 communes. Not only have the general planning and financial management skills of the commune leaders and civil servants been raised, through the decentralization of authority over CDF management conditions were created whereby local ownership was increased and even 30% additional resources in form of local contributions to infrastructure projects were mobilized. The projects involved nearly 80'000 households, reached on average 50% of the poor households and allowed participation of at least 30% women. It can be said that through this combined intervention good governance principles, such as participation, transparency, accountability and social inclusion were respected and translated into practice.

Fund allocation (USD)	2008		2009		Total	
<i>Total</i>	407,704		723,124		<i>1,130,829</i>	
Small Scale Infrastructure	130,407	32%	396,012	55%	526,419	47%
Improving Agricultural Production	243,413	60%	273,566	38%	516,979	46%
Management Fee	33,885	8%	53,546	7%	87,431	8%
Local Contribution to Infrastructure	estimated	40%	306,980	44%	306,980	42%
			2008	2009	Total	
Number of Communes			73	103		
			Number of activities			
Total number of activities			441	1,162	1,603	
Small Scale Infrastructure			222	552	774	
Improving Agricultural Production			219	610	829	
HH=Household			Number of Beneficiary Households			
Total number of Households in activities			39,276	38,117	77,393	
% based on number of HH in the district			67%	53%	59%	
Poor HH participating in activities			10,692	12,202	22,894	
% of poor HH based on number of poor HH in the district			57%	49%	53%	
% of poor HH based on participating HH			27%	32%	30%	
Women participating in Agricultural Production			7,426	8,069	15,495	
% of Women participating in Agricultural Production			39%	27%	34%	
			Costs per Household (USD)			
in Infrastructure projects (excluding own contribution)			7	15	11	
for Support to production conditions			13	20	16	



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ANNEX I: Assessment of implementing Commune Financial Management Guidelines

ANNEX II: Summary of the Assessment on the use of CDF in 2008 and 2009 (status January 2010)

1. Background

In 2008 the Department of Finance in the two Provinces of Hoa Binh and in Cao Bang had issued the general “*Guidelines for integrated and transparent management of finances at commune level*” based on the State Budget Law of 2002 and the “*Guidelines on the use of Commune Development Funds (CDF)*” provided by SDC. The guidelines comprise general procedures to be followed by the commune financial management board, the account holder and the commune accountant, and a set of forms to be applied in the process of planning, monitoring and reporting on public income and expenditures. PS-ARD supported not only the development of the guidelines, but also the introduction of staff at Province, and particularly at district and commune level into the new procedures. In addition PS-ARD provided all communes in the 5 focal districts with more than 18 Billion VND (on average nearly 10’000 USD per commune over two rounds of disbursement) to implement priority activities of their commune SEDPs. The CDF provided the means for commune staff to apply the issued financial guidelines in practice and gain experience on general management. In addition the activities implemented with the CDF contributed to the development of communities in the two mountainous Provinces of Hoa Binh and Cao Bang

2. Methodology of the assessment

In 2008 the assessment was conducted in 73 communes and only addressed issues regarding the Commune Development Fund. In 2009 the survey conducted in 103 communes in the two Provinces covered the use of the CDF, complemented by the assessment of the implementation process of the Commune Financial Management Guidelines in general. The survey on the implementation of the “*Guidelines for integrated and transparent financial management at commune level*” covered 6 key areas, with 25 specific questions.

The assessments were done by a mixed team of district and province level officials plus PS-ARD Program staff. In Hoa Binh the team consisted of government staff from different branches, agencies and the two Provincial schools, all who had received an introduction into the new guidelines. In Cao Bang the team consisted exclusively of staff from the district planning and finance section and the provincial Department of Finance assisted by Project staff.

The survey basically comprised interviews with commune finance staff, accountant and vice chairman or chairman, village leaders and if possible beneficiaries of the CDF, following a simple questionnaire format using mainly closed questions or tick boxes. In addition financial documentation was spot checked, and complemented by field visits to selected activities. The time spent in each commune was with on average ½ a day however not sufficient to investigate certain aspects in depth. Also the interviewing skills of some team members were insufficient which may have led to misinterpretation of some questions and answers.

3. Results of the Assessment

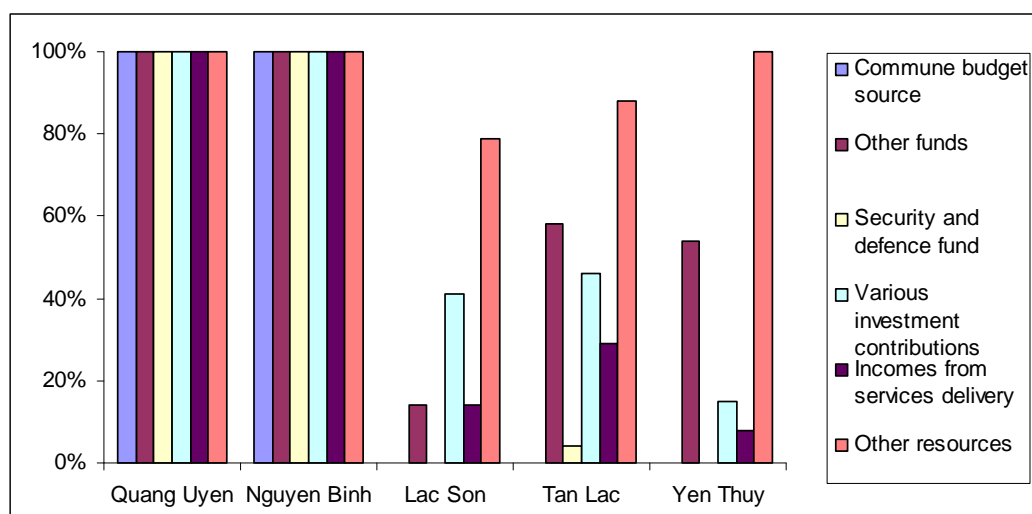
3.1. Commune Financial Management

- *Agreement by the Commune People's Committee to manage various funding sources*

The degree of implementation of most Commune Financial Management procedures was usually assessed separately for regular State Budget and for the remaining funding resources. In general there was sound implementation for state budget, but less coherent results regarding additional funding sources which are raised by the communes themselves. The details are displayed below.

Following the guidelines the Commune People's Committees in all surveyed communes in Cao Bang officially had agreed to the management of all six different funding sources. In Hoa Binh the degree to which CPCs agreed to the management of different funding sources varied strongly depending on the source (100% for state budget, 86% for project funds, mainly CDF, less for others). The 100% figure for all budget sources in Cao Bang is rather surprising and interpretation needs to be done very carefully. The considerably lower figures for non state budget sources in Hoa Binh could be explained that those financial resources are only available in all communes.

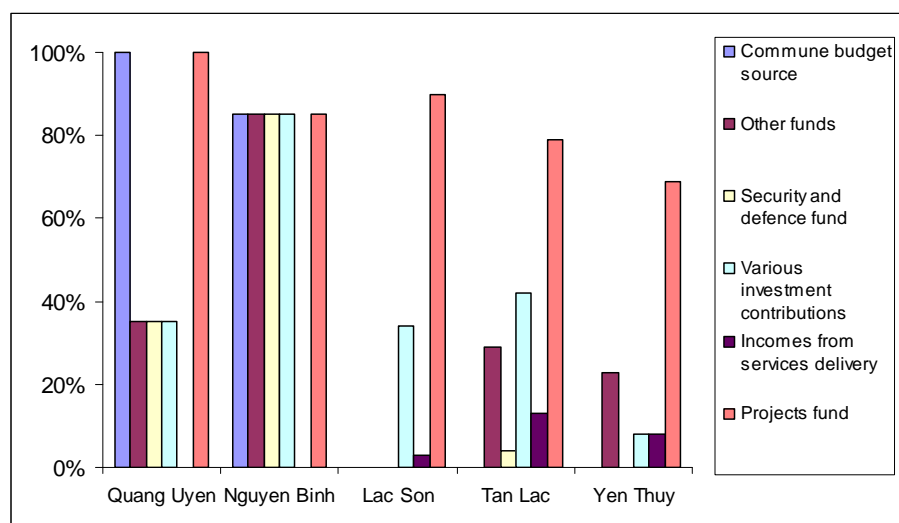
Figure 1: Different Financial Resources ratified by Commune People's Committee



- *Availability of Accounting Books for different Financial Sources*

To monitor income and expenditures the financial management guidelines stipulate to keep five different kind of accounting books. In Cao Bang 92% of the accountants in the surveyed communes followed this instruction for state budget and for CDF, and 62% of the accountants in the surveyed communes had opened accounting books for other funding sources.

Figure 2: Accounting Books for different Financial Sources



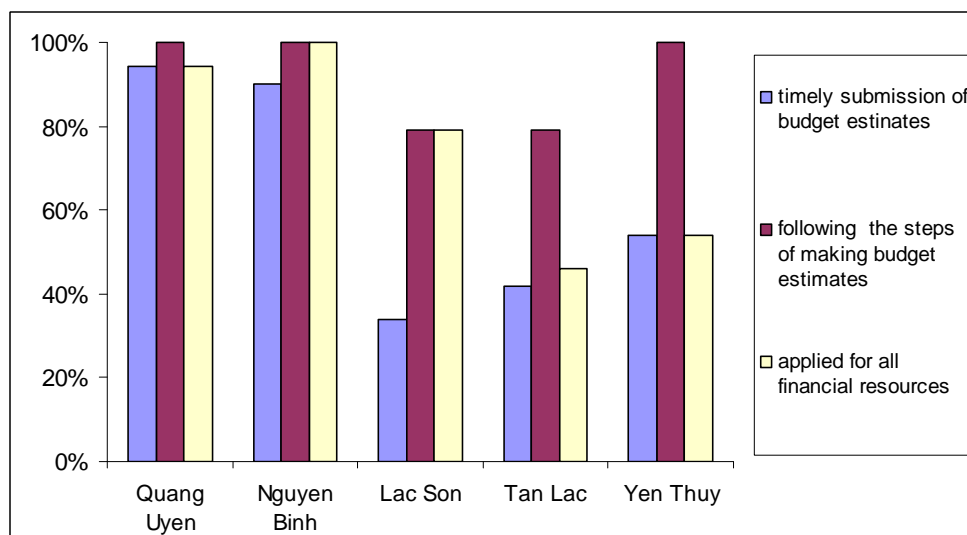
In Hoa Binh at least 83% of the commune accountants kept monitoring books for CDF, but only 2 to 32% for the other funding sources (also depending on the availability of those funds).

- **Execution of budget estimates**

Before expenditure from each fund the commune is required to prepare budget estimates on how to use the funds. Different aspects in the execution of budget estimates were investigated.

In Cao Bang 100% of the communes follow all steps for the preparation of the budget proposal and at least 95% do it within the required timeframe. This applies for state budget in all surveyed communes and in 97% of the communes for any other financial source. In Hoa Binh on average at least 83% of the communes follow the steps for budget proposal, but only 41% of the communes do it within the required time frame. It also is implemented for state budget in all communes in Hoa Binh, but only in 62% of the communes for the other funding sources.

Figure 3: Execution of Budget Estimates according to the Procedures

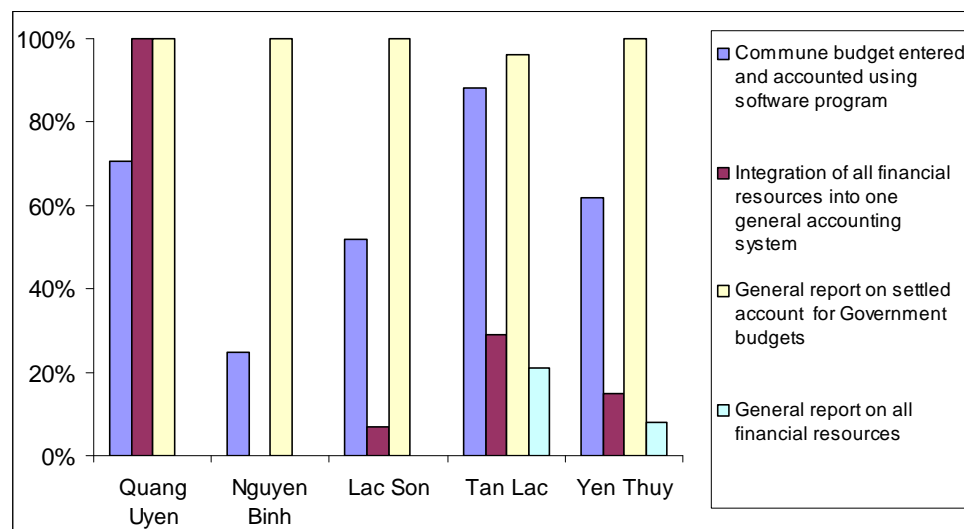


- ***Accounting procedures and settling of accounts of different financial resources***

Mainly due to lack of electricity supply and outdated IT equipment only 46% of the communes in Cao Bang were able to apply the new accounting software, while in Hoa Binh at least 67% of the communes used the new software for accounting procedures to enter commune budgets in the computerized system. At the time of the assessment (which was before the official closing of accounts) the accounting procedures and closing of accounts of different budget sources was done in a systematic manner by at least 46% of the communes in Cao Bang, but only 17% of the communes in Hoa Binh. So far a summary report on the settled accounts was generally only done for the State Budget (100% of the communes in Cao Bang, 98% of the communes in Hoa Binh), and for other budget sources by only 9% of the communes in Hoa Binh.

However it also needs to be considered that at the time of the assessment the accounts of the various budget resources were not yet closed and hence documentation was not available.

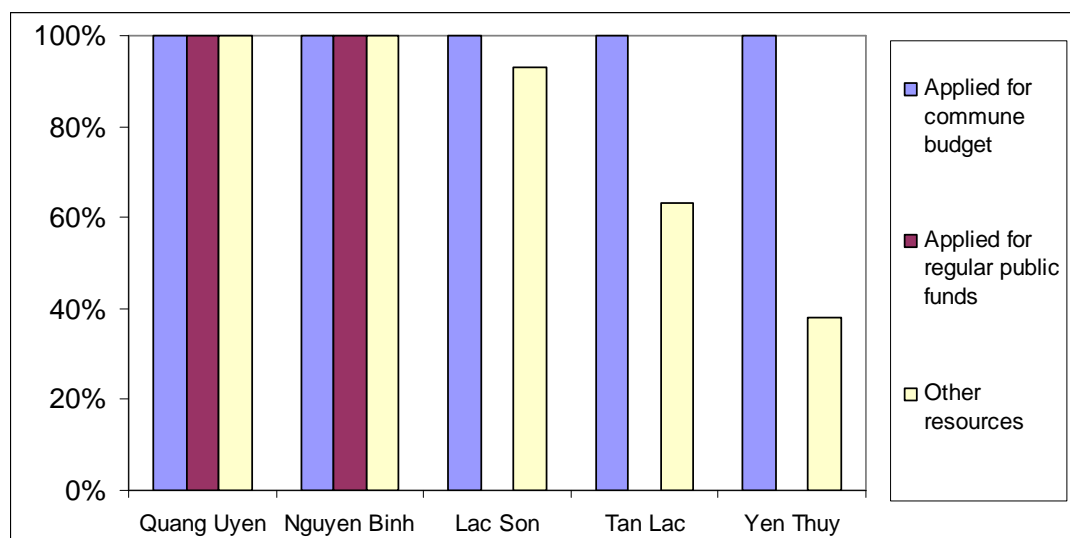
Figure 4: Accounting of Commune Budget and Financial Resources



- ***Monitoring and control of different financial resources***

The monitoring and controlling of different budget sources was followed by all communes regarding state budget, and by on average at least 71% of the communes in Hoa Binh for any other financial source.

Figure 5: Monitoring of the Budget and Financial Resources



- **Transparency and Publicizing of Commune Budgets**

The general guidelines on commune financial management stipulate that all financial resources need to be publicized to ensure transparency on budget and accounts. In both Provinces some 80% of the communes already publicize their budgets (accounts have not been done yet at the time of the assessment). This is mainly done through notice boards at the commune people's committee and through public announcement by the village leaders. In Cao Bang 62% of the surveyed communes display budgets also at the cultural houses in the villages.

3.2. Commune Development Fund

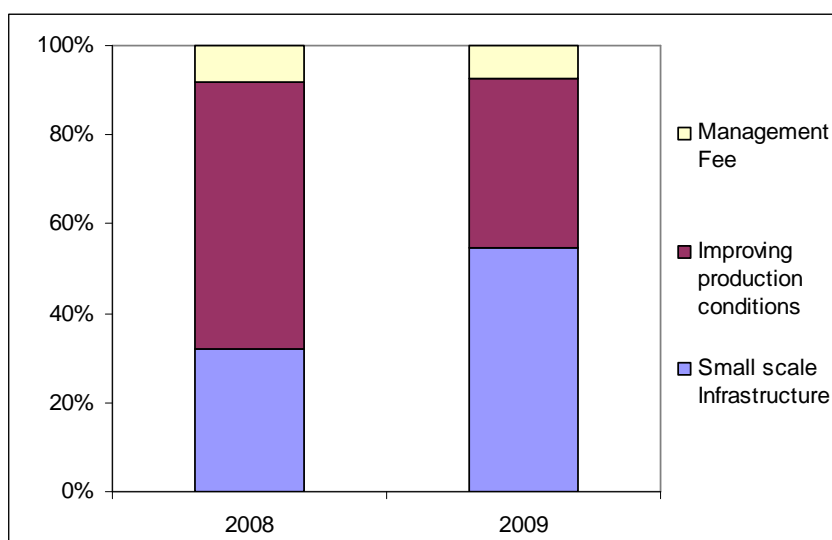
In 2008 PS-ARD provided 73 communes with a total of 6.7 Billion VND (about 400'000 USD) to implement priority activities of their commune SEDPs. Following the successful implementation of CDF in 2008 in 2009 PS-ARD extended CDF to 103 communes providing more than 12 Billion VND (more than 720'000 USD).

Table 1: Summary of Commune Development Fund use in 2008 and 2009

	2008		2009	
	Fund allocation (USD)			
Total	407,704		723,124	
Small Scale Infrastructure	130,407	32%	396,012	55%
Improving Agricultural Production	243,413	60%	273,566	38%
Management Fee	33,885	8%	53,546	7%
Local Contribution to Infrastructure	estimated	40%	306,980	44%
	Number of Beneficiary Households (HH)			
Total number of Households in activities	39,276		38,117	
% based on number of HH in the district	67%		53%	
Poor HH participating in activities	10,692		12,202	
% based on number of poor HH in the district	57%		49%	
% of poor HH based on participating HH	27%		32%	
Women in agricultural production activities	7,426		8,069	
% in agricultural production activities	39%		27%	

The main information regarding use of funds and beneficiaries is summarized in Table 1. In 2008 the communes used 32 % of the CDF for small scale infrastructure projects (less than the permitted 40 %) and 60 % for activities to improve production conditions. The communes used with 8 % less than the permitted amount as management fee.

Figure 6: Fund Allocation for CDF in 2008 & 2009



Following the request by many communes SDC agreed to revise the CDF guidelines for 2009 allowing the use of up to 60 % for small scale infrastructure projects. Hence the expenditure ratio changed with 55 % of CDF used for small scale infrastructure projects and 38 % used for agricultural production. Management fee was with 8% stable.

In 2008 the 73 communes implemented 441 individual small projects (on average 6 small projects per commune) with nearly 40'000 households participating in and benefiting from the activities. Some 20'000 households participated in 222 small scale infrastructure projects for which 74 %, was spent on improving the irrigation system (canals, including small dams and drainage systems), 19% was used for the upgrading of small roads and bridges and 6 % for rural water supply.

Some 20'000 more families were involved in 219 activities to improve conditions for agricultural production. Funds for those activities were used at 35% on fertilizer purchases for farmers, 17% on new maize and rice varieties for farmers, 20% on support for livestock development, such as breeding pigs, chicken, cattle, improvement of animal stables, 8% on demonstration sites and 10% on farmer training. In addition 10% of the funds were spent on supporting groups of households to purchase agricultural machines (ploughs, pesticide sprayers) or building maize/tobacco driers (to reduce post harvest losses) and other activities.

In 2009 the 103 communes implemented some 1'162 projects (on average 11 projects per commune) reaching more than 38'000 households. About 26'500 households participated in some 552 small scale infrastructure projects, for which an estimated 50 % of the infrastructure proportion were spent to upgrade irrigation schemes (including canals, small dams and drainage systems and pump stations), 45 % for improving small roads and bridges, 5 % for rural water supply and miscellaneous activities. Those figures are estimated on data from Cao Bang, since detailed information could not be obtained from Hoa Binh on the time of writing this report.

To improve conditions for agricultural production nearly 13'500 families participated in 610 activities. Funds for those activities were used at 29 % on demonstration sites and at 17 % for farmer training. Groups of households received 20 % of the funds to support purchase of agricultural machines (ploughs, pesticide sprayers, etc.) or construction of maize/tobacco driers.

An overview over the average costs per beneficiary household in the two sub-sectors – infrastructure and production support - can be seen in table 2. Average costs per household are higher in the districts of Cao Bang, particularly with regards to infrastructure due to the higher transaction costs and the fact that in the scarcely populated communes with one scheme less households can be reached compared to densely populated lowland areas.

Table 2: Average costs per Household in different years and sub-sectors

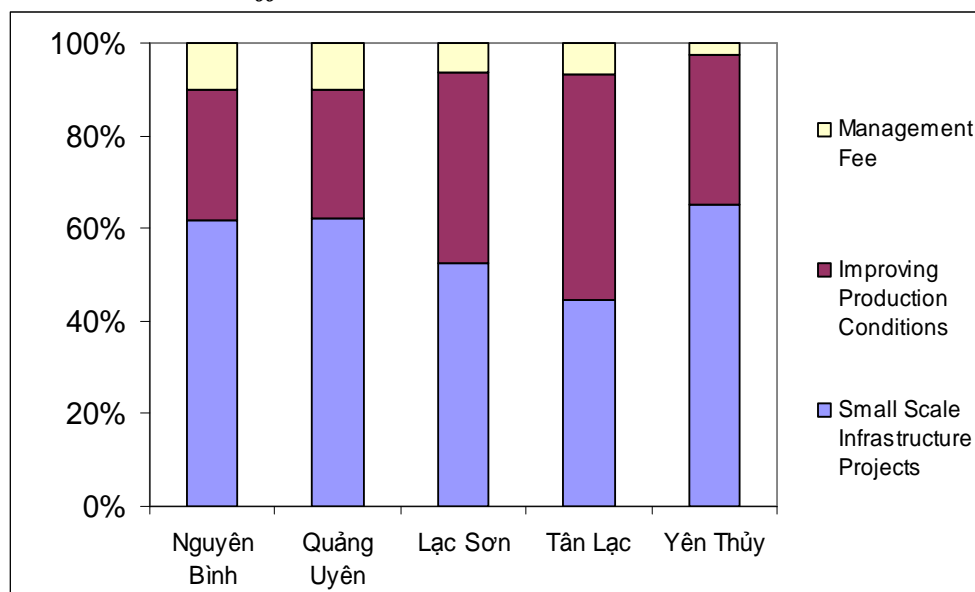
Costs - VND/HH	Average	Nguyên Bình	Quảng Uyên	Tân Lạc	Lạc Sơn	Yên Thủy
2008 - Infrastructure	107'585	432,224	306,580	77,790	62,107	No CDF
2009 - Infrastructure	254,161	1,371,028	371,173	159,824	175,965	323,555
2008 - Production support	208,358	264,668	258,033	159,383	235,107	No CDF
2009 - Production support	345,334	315,730	246,083	303,721	747,084	181,896

Surprising are the exceptionally high average costs per participating household for production support in Lac Son district in 2009. It is assumed that in the second year communes in Lac Son district used more than others the Farmers' Field School approach for the training activities, leading to higher costs per participant. Further analysis however would be necessary and needs to wait until final data on beneficiaries and participating households are confirmed.

3.2.1. Activity portfolio

The communes made considerable progress in the management of CDF. Compared to 2008 in 2009 the numbers of small projects per commune increased from around 6 to on average 11 and the portfolio of activities was more balanced.

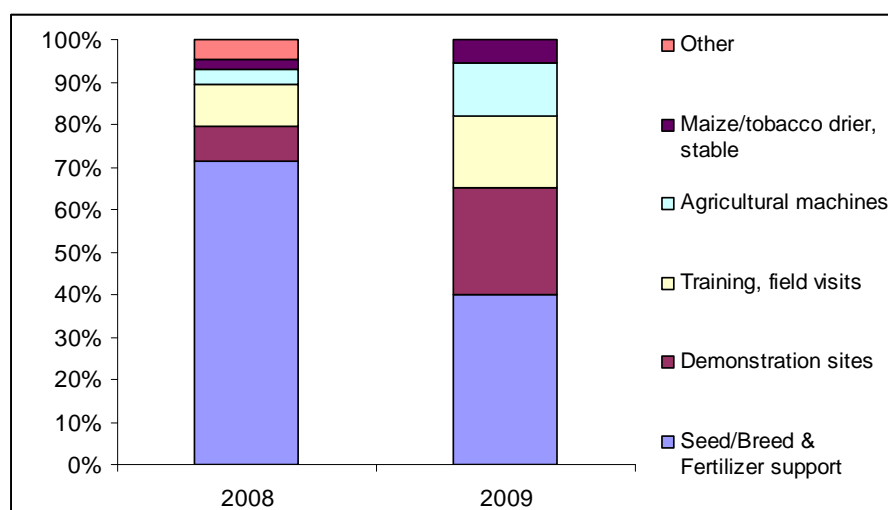
Figure 7: Fund Allocation in different Districts in 2009



Regarding the general fund allocation to sectors it could be observed that in Cao Bang communes fully exploited the permitted 60% for infrastructure projects. In Hoa Binh communes in Lac Son district used only 50% and in Tan Lac district only 45% for small scale infrastructure projects. A reason for this could either be that other funds are available for these activities, such as P135 or that the orientation given by the district goes more towards agricultural production.

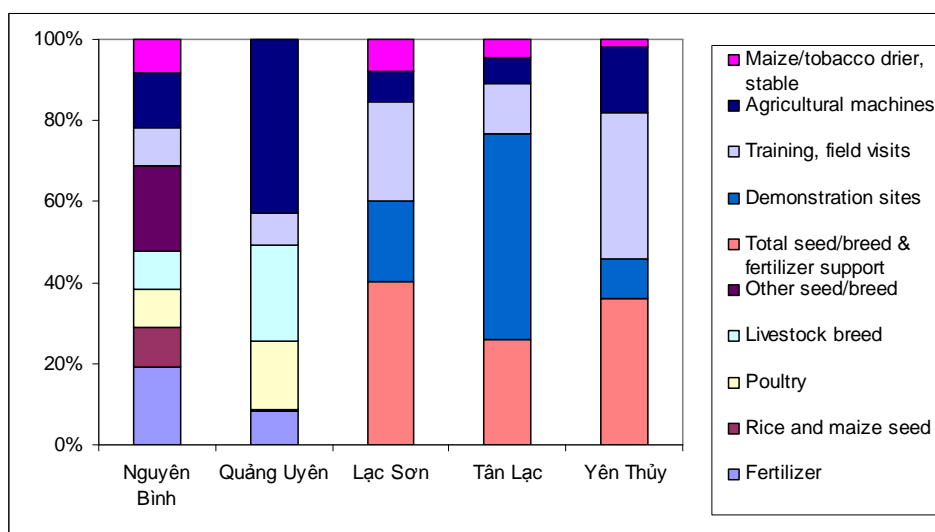
Regarding the improvement of agricultural production conditions the percentage spent for direct farm subsidies (purchase of inputs, such as fertilizer, seed, livestock breeds directly distributed to individual households) in 2008 was with more than 70 % very high. This was probably one reason why the numbers of beneficiary households in the 2 districts of Hoa Binh was even higher than in 3 districts in 2009 (in 2008 Lac Son spent more than 46% on fertilizer alone accessing some 4000 households!). Not always the beneficiaries were the poorest and sometimes the amount of inputs was so small that this hardly could make a sustainable difference for the income of farmers.

Figure 8: CDF use for Activities to Improve Production Conditions



In 2009 expenditures for direct support of individual households was reduced to less than 40 % of the funds for production activities, with still more than 50 % in Cao Bang (to a large extend small livestock) compared to less than 30 % in the three districts in Hoa Binh. Expenditures for training increased from 10 to 17% and the proportion spent for demonstration sites increased from only 8% to nearly 30 %.

Figure 9: Fund Allocation in Districts to Improve Production Conditions in 2009



Hoa Binh accounted for all of the demonstration sites in 2009; it has to be mentioned that demonstration sites combine provision of inputs (partly subsidized) for farming households with technical guidance and a final field day where the new technology is evaluated and compared to the traditional one. Communes in Tan Lac used nearly 50 % of their funds for demonstration sites compared to 31 % in Lac Son and 23% in Yen Thuy, respectively. A strong direction by the district staff to use CDF for demonstration sites is likely.

Also the support of farmer groups to purchase agricultural machines or construct maize/driers (to reduce post harvest losses) doubled from 2008 to 2009 accounting for 20 % of the funds used.

Obviously this was a learning process regarding the organizational requirements and the benefits can now be seen more clearly (these activities are among the ones with the lowest costs per beneficiary household).

While in 2008 Nguyen Binh accounted for most of the CDF funded training activities, in 2009 farmer training was more evenly spread among the five districts and reportedly better linked to direct input distribution. The Farmers Field School methodology approach was widely applied during training sessions.

3.2.2. Beneficiary Characteristics - Social Inclusion

The number of beneficiaries varied considerably between the two Provinces. Due to the higher population density, Hoa Binh accounted for more than 80% of all beneficiaries in 2008 and for estimated 77 % in 2009; the number of households participating in CDF activities was with on average 370 beneficiary households per commune considerably lower than in 2008 with around 540 households per commune; this indicates that selection of activities is done more considerate and support is better targeted.

Pro-poor orientation of CDF

In 2008 both Provinces met the requirement by the donor that at least 50% of the funds should serve poor households according to MOLISA criteria 2007¹. In 2008 poor households however were only counted for activities to support agricultural production, not for infrastructure activities; in this sub-sector the target of 50% was slightly exceeded on average, but was lower in Tan Lac district where only 40% of the beneficiary households in production support were registered as poor. Taking the total number of poor HH in a district as basis however, all districts could reach more than 50% of the poor households in their district (see table 3).

Table 3: Participation of poor Households (HH) in CDF activities for production support

	Average	Nguyễn Bình	Quảng Uyên	Lạc Sơn	Tân Lạc	Yên Thủy
Poor HH based on total no of beneficiary HH 2008	55%	51%	67%	70%	41%	No CDF
Poor HH based on total no of poor HH in districts 2008	57%	58%	81%	53%	56%	No CDF
Poor HH based on total no of beneficiary HH 2009	32%	58%	34%	32%	22%	34%
Poor HH based on total no of poor HH in districts 2009	49%	61%	69%	42%	56%	34%

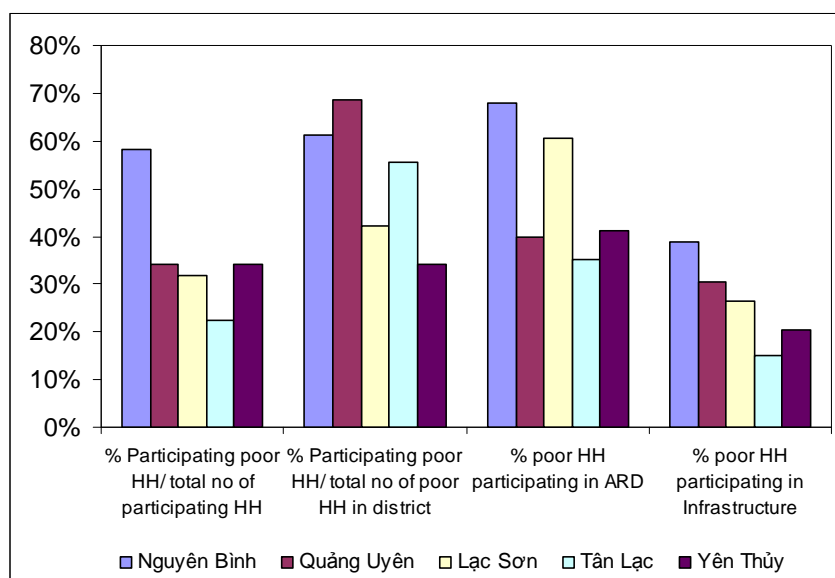
In 2009 across all 103 communes on average only 32 % of the households participating in or benefiting from CDF (infrastructure and production activities) were classified as poor². Only the communes in Nguyen Binh district fulfilled the target of 50% with on average 58 % of the beneficiary households classified as poor. Communes in both districts in Cao Bang, but only Tan Lac district in Hoa Binh could reach more than 50% of the poor households in their districts at least.

¹ Poor Households have less than 250'000 VND/per head and months

² Beneficiary recording in Hoa Binh was still incomplete at the time of writing this report;

In all districts poor households were to a lesser extent involved in infrastructure activities, compared to agricultural production support. One reason for the lower numbers of beneficiaries in infrastructure activities could be that poor households live in remoter areas and more scattered than better off households. Infrastructure schemes even implemented for the poorer villages of a commune are likely to reach less families than those implemented in more densely populated lowland areas. Hence costs per beneficiary household tend to be higher in the upland villages.

Figure 10: Targeting Beneficiaries in different Districts in 2009



As can be seen in the table 2, the infrastructure costs per household were highest in the two districts in Cao Bang Province, particularly in Nguyen Binh, where remotest villages were clearly prioritized during CDF allocation. Even though less poor households are benefiting from infrastructure activities, the percentage of CDF allocated to support these groups maybe as high as for the not poor households.

Generally it should also be born in mind that there is a large number of near poor households that deserve support and should not be excluded from CDF activities. Monitoring their inclusion however is a challenge.

Women participation

The CDF guidelines stipulate that at least 30% of the funds shall be used for activities that have been prioritized by women. So far SEDP procedures do not provide this option in a satisfying manner (in Cao Bang an attempt is made to engender prioritization of activities, but the method is not yet sound); it would be necessary to observe village meetings, and male and female interaction, to be able to decide whose priority was ultimately included in the proposal for CDF. So what has been assessed is the number of female in the lists registering the names of beneficiaries. Nevertheless the assessment of actual female participation is difficult, because usually the whole family benefits from projects and in many activities the farmers are used to register with the name of the household head, which commonly is the husband.

Table 4: Women participation in activities to improve production conditions in 2008 & 2009

Women participation	Total	Nguyễn Bình	Quảng Uyên	Tân Lạc	Lạc Sơn	Yên Thủy
In production support activities - 2008	39%	49%	57%	45%	11%	No CDF yet
In production support activities - 2009	27%	75%	58%	No data	24%	17%

Taking this into consideration in 2008 39 % of beneficiaries in production activities were recorded to be women, which was very mainly low due to only 4% in Lac Son district. In 2009 female participation in production support activities across all districts was even lower with only 27%. In Cao Bang female participation was with on average 66 % considerably high in contrast to Hoa Binh with seemingly only 20%. However in Tan Lac women participation was not reported at all..

It is assumed that women benefit at least equally if not more from improvement in infrastructure projects, i.e. women benefit from upgrading of roads, since they are often going to the market and have to carry heavy loads, and they are also fulfilling core functions with respect to irrigation – women are in charge with organization of irrigation and maintenance of schemes³.

3.2.3. Participation, Transparency and Accountability

Activities were based on the participatory developed SEDP of each commune, and priorities for CDF proposals and selection of beneficiaries was decided during consecutive village meetings. Generally beneficiaries were satisfied with the selection of the activities and also with the quality the project had been implemented. Local contributions reached often more than 50% in form of labor days and materials increasing efficiency and local ownership with a view to locally agreed maintenance. The individual contributions were jointly agreed in village meetings and under consideration of the households' capacity and degree of benefit (i.e. increasing contributions with larger area of irrigated land) and based on local norms. While transparency regarding CDF use has increased through improving public announcements on CDF budget proposals (notice boards at PC and village cultural houses), the value of these publicizing still needs to be assessed. It is not known how well the villagers use the provided information, for example if they would use this information to file complaints in case of suspected misuse etc.

4. Conclusions and recommendations

Beyond this learning by doing approach the communes not only improved their financial management but also their general governance skills. The Commune Development Fund provided the means for the commune leadership to implement small projects in a participatory and efficient manner; with the CDF they had the resources not only to address directly the needs of their citizens, prioritizing women and the poor, but also ask for citizens' contributions and increase local ownership resulting in increased efficiency; they learnt to exercise transparency and increased the public accountability with a view to investment funds.

Regarding the Implementation of the Financial Management Guidelines at Commune level following the State Budget law of 2002 it is obvious that the procedures are generally strictly followed by all communes regarding the regular state budget source. The picture is a bit more ambivalent regarding

³ Gender Report of the EU-financed Cao Bang - Bac Kan Rural Development Project, 2000

revenues raised by the communes. However it is not entirely clear if the lower percentage of accomplishment means that fewer communes actually manage this kind of funds or if the procedures are applied to a lower degree. What also can be clearly seen is that, after not even two years of implementation the general financial management guidelines are being followed by 60 to often more than 80% of the communes when managing project funds, notably the CDF allocated by PS-ARD. Generally according to the assessment about 50% of the communes fulfill some 80% of the criteria of the financial management procedures in Cao Bang and nearly 60% of the criteria in Hoa Binh.

It is surprising that the surveyed communes in Cao Bang rate so much better compared to communes in Hoa Binh, while generally Cao Bang has considerably lower capacities and more difficult conditions, particularly at commune level. The question is if the interviewer mainly relied on the responses of the interviewed persons or investigated deeper, by spot checking the actual documents and verifying the information provided.

This learning-by-doing approach proves that with only little training combined with direct coaching commune financial staff and commune leaders are capable to manage funds in a transparent and accountable manner, applying the general guidelines and are following the state budget law.

General recommendations to improve commune financial management:

More and better capacity building is however needed in the following fields:

- Preparation of budget proposals
- Application of accounting software
- Settling of accounts strictly according to the procedures
- Preparation of a joint accounting report on the total commune budget.

The current information is still not used to rank communes according to their financial management capacity and to develop minimum criteria for the decentralization of funds. To promote decentralized financial management further clear commitment of the Provincial authorities is crucial. This would be demonstrated in the first place through officially acknowledged minimum criteria (objectively assessed) to be fulfilled by communes before investment funds are decentralized. On the other hand fulfillment of these minimum criteria could be compulsory for investment programs to decentralize the financial management to the commune level. Therefore the next steps for the Department of Finance would be to finalize the objectively verifiable criteria to assess communes' financial management capacity and to apply those criteria for the ranking of communes. These ranking lists of communes would allow investment projects to decide to which communes could manage funds themselves in an efficient and transparent manner. Resources for the assessment need to be made available and responsibilities regarding the assessment and verification of the information need to be clarified.

Regarding the use of Commune Development Funds it can be said that the CDF are managed effectively and efficient and benefit a large number of people in different ways. The allocation of funds is done participatory and in a transparent manner. The implementation of activities indicates a high level of ownership and local contributions, particularly to small scale infrastructure projects is with on average 30%, sometimes up to 50% high.

To further improve the use of funds the following recommendations are made:

- The impact of activities on household incomes and the general livelihood situation still needs to be assessed in the forthcoming year; the use of CDF for direct input supplies to households should be further reviewed;

- Output Based Payment Systems should be applied for the coaching by district staff to improve general management and data recording; particularly in Hoa Binh the collection of information on beneficiary numbers, poverty status of households and women participation needs to be improved;
- Feed-back Workshops should be organized with the representatives of commune management boards in each district to present the findings and discuss on the effectiveness of CDF management and possible improvements.

With the current allocation of CDF for only one year, the commune management is not sure about future funding and the habit prevails to distribute funds more or less evenly in the constituency. This behaviour is fostering distribution of subsidized inputs rather than encouraging initiative. Hence it should be considered to commit CDF to communes for consecutive three to five years to promote more strategic planning and support of sustainable livelihood solutions.

Also so far funding volume is fairly low and most infrastructure projects are very small scale and self-implemented structures by villagers. This is not a bad thing as such, since usually small repairs and upgrades to village irrigation schemes or roads do not receive sufficient attention by investment programs, but are equally important and a priority of villagers. A valid criticism however is that the PS-ARD guidelines for CDF are too simplistic and are not applicable to larger projects, i.e. when external contractors get involved. Hence more funds should be provided and a simple approach to participatory planning, monitoring and evaluation as already developed by Helvetas, should be further tested. This would include public hearings, public review and public audit as tools to ensure transparency and accountability.

ANNEX I: Assessment of implementing Commune Financial Management Guidelines

Financial resources ratified by Commune PC		
	Cao Bang	Hoa Binh
Commune budget source	100%	100%
Other funds	100%	38%
Security and defence fund	100%	2%
Various investment contributions	100%	38%
Incomes from services delivery	100%	18%
Other resources	100%	86%
Accountant books opened for different funds		
	Cao Bang	Hoa Binh
Commune budget source	92%	100%
Other funds	62%	15%
Security and defence fund	62%	2%
Various investment contributions	62%	32%
Incomes from services delivery	0%	8%
Other resources	92%	82%
Budget estimates	Cao Bang	Hoa Binh
timely submission of budget estimates	92%	41%
following the steps of making budget estimates	100%	83%
applied for all financial resources	97%	62%
Execute the estimation which applied following to the procedures	Cao Bang	Hoa Binh
For commune budget	100%	100%
Public fund - using regularly	100%	76%
Aid sources	100%	
Other sources		76%
Accounting of commune budget and financial resources	Cao Bang	Hoa Binh
Commune budget entered and accounted using software program	46%	67%
Integration of all financial resources into one general accounting system	46%	17%
General report on settled account for Government budgets	100%	98%
General report on all financial resources	0%	9%
Monitoring of the budget and financial resources	Cao Bang	Hoa Binh
Applied for commune budget	100%	100%
Applied for regular public funds	100%	
Other resources	100%	71%
Budget and financial resources publication	Cao Bang	Hoa Binh
Average Cao Bang	81%	80%
Display at the CPC office	81%	
Display at the village culture house	62%	
Inform in the commune/village meetings	100%	
Number of Questions/Indicators	26	25
Number of Indicators with more than 50% of the communes comply	22	13
More than 50% of the communes fulfill criteria	85%	52%

ANNEX II: Summary of the Assessment on the use of CDF in 2008 and 2009 (status January 2010)

Fund allocation (VND)	Total 2008	Nguyên Bình '08	Quảng Uyên '08	Lạc Sơn '08	Tân Lạc '08	Total 2009	Nguyên Bình '09	Quảng Uyên '09	Lạc Sơn '09	Tân Lạc '09	Yên Thủy '09
Total Budget	8,189,970,300	1,049,970,300	1,060,000,000	3,520,000,000	2,560,000,000	13,291,286,000	2,370,000,000	1,928,030,000	4,053,206,000	3,595,650,000	1,344,400,000
Total expenditure	6,727,123,998	1,029,913,700	1,060,000,000	2,659,852,797	1,977,357,501	12,293,110,600	2,368,370,600	1,928,030,000	3,621,044,000	3,337,483,000	1,038,183,000
Small Scale Infrastructure	2,151,708,801	451,673,800	424,000,000	748,756,000	527,279,001	6,732,212,000	1,467,000,000	1,202,118,000	1,901,129,000	1,485,087,000	676,878,000
Improving Production	4,016,310,597	485,401,400	530,000,000	1,706,879,997	1,294,029,200	4,650,617,000	665,875,000	534,000,000	1,489,686,000	1,626,731,000	334,325,000
Management Fee	559,104,600	92,838,500	106,000,000	204,216,800	156,049,300	910,281,600	235,495,600	191,912,000	230,229,000	225,665,000	26,980,000
Farmer Contribution to Infrastructure						5,218,658,269	1,405,926,300	1,586,330,169	1,095,070,800	932,567,000	198,764,000
% Farmer Contribution						44%	49%	57%	37%	39%	23%
Disbursement Rate	82%	98%	100%	76%	77%	92%	100%	100%	89%	93%	77%

Total number of activities	Total 2008	Nguyên Bình '08	Quảng Uyên '08	Lạc Sơn '08	Tân Lạc '08	Total 2009	Nguyên Bình '09	Quảng Uyên '09	Lạc Sơn '09	Tân Lạc '09	Yên Thủy '09
Infrastructure -planned				91	57	552	47	86	205	123	91
Infrastructure - implemented	222	46	41	78	57	133	47	86	not yet confirmed		
Improving Production - planned				78	103	611	124	102	132	153	100
Improving Production - implemented	219	56	29	57	77	225	124	101	not yet confirmed		
Total	441	102	70	135	134	1,162	171	187	337	276	191

Population data in district (Statistical Office 2007)	Total 2008	Nguyên Bình '08	Quảng Uyên '08	Lạc Sơn '08	Tân Lạc '08	Total 2009	Nguyên Bình '09	Quảng Uyên '09	Lạc Sơn '09	Tân Lạc '09	Yên Thủy '09
Number of HH* in districts	58,765	7,711	9,185	25,902	15,967	71,888	7,967	9,290	25,902	15,967	12,762
Number of poor HH in districts	18,812	1,605	1,704	9,617	5,886	24,655	3,016	2,679	9,617	5,886	3,457

Number of Beneficiary Households	Total 2008	Nguyên Bình '08	Quảng Uyên '08	Lạc Sơn '08	Tân Lạc '08	Total 2009	Nguyên Bình '09	Quảng Uyên '09	Lạc Sơn '09	Tân Lạc '09	Yên Thủy '09
Total number of HH in activities	39,276	2,888	3,437	18,849	14,102	38,117	3,179	5,400	12,798	14,648	2,092
Total No of poor HH	10,692	933	1380	5,083	3,296	12,202	1,850	1,842	4,054	3,277	1,179
Women participation	7,426	904	2054	803	3,665	8,069	2,134	2,510	1,809	1,243	373
% Participating HH / Total no of HH in district	67%	37%	37%	73%	88%	53%	40%	58%	49%	92%	16%
% Participating poor HH/ total no of participating HH	27%	32%	40%	27%	23%	32%	58%	34%	32%	22%	34%
% Participating poor HH/ total no of poor HH in district	57%	58%	81%	53%	56%	49%	61%	69%	42%	56%	34%

Expenditure per Beneficiary HH (VND)	Average 2008	Nguyên Bình	Quảng Uyên	Lạc Sơn	Tân Lạc	Average 2009	Nguyên Bình	Quảng Uyên	Lạc Sơn	Tân Lạc	Yên Thủy
VND /HH in Infrastructure projects (only CDF)	107,585	432,224	306,580	64,609	88,130	254,161	1,371,028	372,173	175,965	159,824	323,555
VND / HH for Support to production conditions	208,358	263,376	258,033	235,107	159,383	345,334	315,730	246,083	747,084	303,721	181,896

Fund allocation for small scale infrastructure (VND)	Total 2008	Nguyên Bình '08	Quảng Uyên '08	Lạc Sơn '08	Tân Lạc '08	Total 2009	Nguyên Bình '09	Quảng Uyên '09	Lạc Sơn '09	Tân Lạc '09	Yên Thủy '09
Rural Road (upgrade)	371,045,000	140,000,000	81,500,000	59,990,000	89,555,000	1,498,556,000	813,000,000	685,556,000	no detailed information		
Irrigation system, canal	1,048,175,000	135,901,000	297,000,000	409,700,000	205,574,000	733,742,000	358,610,000	375,132,000			
Small dam	215,880,000	40,000,000	20,000,000	81,500,000	74,380,000	88,390,000	88,390,000	0			
Pumping station	27,600,000	0	5,000,000	7,520,000	15,080,000	0	0	0			
Small bridge	41,070,001	0	0	18,800,000	22,270,001	117,930,000	0	117,930,000			
Toilet (composting)	19,981,400	19,981,400	0		0	12,000,000	12,000,000	0			
Rural water supply	123,291,400	102,791,400	20,500,000		0	218,500,000	195,000,000	23,500,000			
Other	304,666,000	13,000,000	0	171,246,000	120,420,000	0	0	0			

Number of small scale infrastructure projects	Total 2008	Nguyên Bình '08	Quảng Uyên '08	Lạc Sơn '08	Tân Lạc '08	Total 2009	Nguyên Bình '09	Quảng Uyên '09	Lạc Sơn '09	Tân Lạc '09	Yên Thủy '09
Rural Road (upgrade)	31	7	7	4	13	121	20	45	13	18	25
Irrigation system, canal	79	10	25	29	15	159	11	28	64	43	13
Small dam	24	0	0	14	10	112	3	0	70	29	10
Pumping station	5	0	1	3	1	8	0	1	5	0	2
Small bridge	36	0	0	22	14	119	0	10	51	25	33
Toilet (composting)	19	19	0	0	0	2	2	0	0	0	0
Rural water supply	17	9	8	0	0	31	11	2	2	8	8
Other	11	1	0	6	4	0	0	0	0	0	0

Number of HH in small infrastructure projects	Total 2008	Nguyên Bình '08	Quảng Uyên '08	Lạc Sơn '08	Tân Lạc '08	Total 2009	Nguyên Bình '09	Quảng Uyên '09	Lạc Sơn '09	Tân Lạc '09	Yên Thủy '09
Rural Road (upgrade)		441	203	no detailed information		2,215	466	1,749	no detailed information		
Irrigation system, canal		248	1,067			1,321	266	1,055			
Small dam		100	29			78	78	0			
Pumping station		0	15			14	0	14			
Small bridge		0	0			383	0	383			
Toilet (composting)		27	0			12	12	0			
Rural water supply		200	69			277	248	29			
Other		29	0			0	0	0			

	Total 2008	Nguyên Bình '08	Quảng Uyên '08	Lạc Sơn '08	Tân Lạc '08	Total 2009	Nguyên Bình '09	Quảng Uyên '09	Lạc Sơn '09	Tân Lạc '09	Yên Thủy '09
Total number of HH in small infrastructure projects	20,000	1,045	1,383	11,589	5,983	26,488	1,070	3,230	10,804	9,292	2,092
Total number of poor HH						6,058	415	980	2,848	1,390	425
Women participation						4,466	570	1,257	1,332	1,243	64
% poor HH participating						23%	39%	30%	26%	15%	20%

Fund allocation to support production activities (VND)	Total 2008	Nguyễn Bình '08	Quảng Uyên '08	Lạc Sơn '08	Tân Lạc '08	Total 2009	Nguyễn Bình '09	Quảng Uyên '09	Lạc Sơn '09	Tân Lạc '09	Yên Thủy '09
Fertilizer	1,417,750,297	15,185,400	107,993,000	1,115,095,997	179,475,900		127,482,500	44,115,000			
Rice and maize seed	695,309,850	10,370,000	37,900,000	344,439,000	302,600,850		64,537,500	1,800,000			
Poultry	77,361,000	12,000,000	14,861,000	0	50,500,000		62,410,000	90,827,000			
Livestock breed	669,715,000	147,000,000	241,865,000	91,850,000	189,000,000		63,150,000	126,074,000			
Other seed/breed	10,000,000	10,000,000	0	0	0		140,070,000	0			
Seed/Breed & Fertilizer support (all above)	2,870,136,147	194,555,400	402,619,000	1,551,384,997	721,576,750	1,864,677,000	457,650,000	262,816,000	599,233,000	424,640,000	120,338,000
Demonstration sites	333,771,450	0	0	0	333,771,450	1,157,329,000	0	0	298,778,000	825,812,000	32,739,000
Training, field visits	383,647,000	241,271,000	36,381,000	105,995,000	0	785,192,000	64,165,000	42,884,000	361,280,000	195,946,000	120,917,000
Agricultural machines	151,000,000		91,000,000	0	60,000,000	588,739,000	89,000,000	228,300,000	112,568,000	104,440,000	54,431,000
Maize/tobacco drier, stable	91,051,000	49,575,000	0	17,000,000	24,476,000	254,680,000	55,060,000	0	117,827,000	75,893,000	5,900,000
Other	186,705,000	0	0	32,500,000	154,205,000						

Number of activities to support production	Total 2008	Nguyễn Bình	Quảng Uyên	Lạc Sơn	Tân Lạc	Total 2009	Nguyễn Bình	Quảng Uyên	Lạc Sơn	Tân Lạc	Yên Thủy
Fertilizer		2	6	<i>no detailed information</i>		84	28	5	12	6	33
Rice and maize seed		2	3			61	19	1	8	16	17
Poultry		1	1			38	13	19	0	3	3
Livestock breed		6	6			53	10	24	6	11	2
Other seed/breed		1	0			33	20	0	1	12	0
Demonstration sites		0	0			110	0	0	40	61	9
Training, field visits		42	11			129	10	15	47	30	27
Agricultural machines		0	2			75	16	37	11	9	2
Maize/tobacco drier, stable		2	0			27	8	0	7	5	7

Number of HH participating in production activities	Total 2008	Nguyễn Bình '08	Quảng Uyên '08	Lạc Sơn '08	Tân Lạc '08	Total 2009	Nguyễn Bình '09	Quảng Uyên '09	Lạc Sơn '09	Tân Lạc '09	Yên Thủy '09
Fertilizer		33	563	no detailed information			511	115	no detailed information		
Rice and maize seed		113	206				214	28			
Poultry		15	39				222	190			
Livestock breed		91	123				46	200			
Other seed/breed		10	0				406	0			
Seed/Breed & Fertilizer support (all above)		262	931			3,444	1,399	533	380	342	790
Demonstration sites		0	0			3,301	0	0	1	3,230	70
Training, field visits		1533	496			4,043	320	452	864	1,659	748
Agricultural machines		0	627			2,277	295	1,185	651	0	146
Maize/tobacco drier, stable		48	0			402	95	0	98	125	84

	Total 2008	Nguyễn Bình '08	Quảng Uyên '08	Lạc Sơn '08	Tân Lạc '08	Total 2009	Nguyễn Bình '09	Quảng Uyên '09	Lạc Sơn '09	Tân Lạc '09	Yên Thủy '09
Total number of HH in production activities	19,276	1,843	2,054	7,260	8,119	13,467	2,109	2,170	1,994	5,356	1,838
Total number of poor HH	10,692	933	1,380	5,083	3,296	6,144	1,435	862	1,206	1,887	754
Women beneficiaries**)	7,426	904	2,054	803	3,665	3,603	1,564	1,253	477	no data	309
% poor HH participating	55%	51%	67%	70%	41%	46%	68%	40%	60%	35%	41%
% women participation	39%	49%	100%	11%	45%	27%	74%	58%	24%	no data	17%

*) HH = Household

**) In 2009 original data from CB for women participation gives number of individuals; figures were divided by 4, which is average household size