

Community Funding and Private Sector Participation

Vietnam is currently placing a major emphasis on developing its rural roads as part of its overall development strategy. Provincial governments each determine local contributions to rural transport infrastructure in the form of labour, cash and materials. The country is also encouraging greater involvement of the private sector in the delivery of rural road projects and to ensure that they can compete favourably with state owned enterprises. This section summarises the findings of two studies, one on community funding/labour and one on private sector involvement, funded by the South East Asia Community Access Programme (SEACAP).



There is an overall effort to involve citizens in development projects, but each province in Vietnam determines the community participation requirements. In one province studied, the fee allocation was based on the size of paddy field or garden. Families without land are exempt. The problem with this calculation is that it doesn't take into account droughts and crop failures. People with road fee arrears are unable to borrow for agricultural inputs and other needs. Both compulsory labour allocations and voluntary labour are used for road construction and maintenance.



The second province studied has a higher poverty incidence. It is more dependent on national government contribution and donor assistance. Local people in the mountainous regions are not required to make contributions of labour, cost or materials. Instead, they can obtain some income by working on road construction. In the low land, villagers do contribute labour, cost and materials for rural road construction. The cost is calculated on a per person basis regardless of age. Therefore larger households pay more. Poor people are not exempted. Since transport fees are often lumped with irrigation fees, school fees, etc, they can constitute a sizable burden.

Local communities interviewed agreed with government that development of rural roads is a prerequisite to many other rural development activities. Benefits include access to schools and clinics and transport of goods to market. Residents expressed concern over the number of community assessments and the lack of input requested from local communities in project design. When land or houses are expropriated for road construction, compensation is often not given. Loss of land, coupled with illness in the household, can put a vulnerable family below the poverty level. In some cases, poor households are encouraged to provide voluntary labour instead of fees, but again the policy did not seem to be uniform. Local people were not



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necessarily unwilling to pay, but wanted to be better informed on the use of the fees. It was felt that local governments need better training and support in fee assessment/management and stakeholder consultation.

The second study determined that Vietnamese private enterprises have the capacity and the legal environment adequate for increased involvement in rural road construction and maintenance. Nevertheless, the number of contracts tendered in each province is relatively small and a limited tendering process is often used which tends to favour state owned enterprises (SOEs) or former SOEs. One of the problems is that government acts as both regulator and enterprise owner. SOEs have better access to information, land, capital and equipment and fewer problems with job management and variations in contracts. Allocating a portion of contracts to new competitors and supervision to non-local consultants would help to open the market. Upcoming projects should allocate budget to training

of administrators and benchmarking specific tasks and competencies related to services, consulting, construction and maintenance works. The increased number of private sector contractors reflects the rapid Vietnamese economic growth and investment, focused donor programmes and changes in regulations. Access to capital is the most serious constraint for contracting firms to grow.

Key Documents:

- Mekong Economics Ltd., ["Research into the Role of the Private Sector in Rural Transport"](#), Hanoi, Vietnam, May 2005.
- Mekong Economics Ltd., ["Community Participation in Rural Transport"](#), SEACAP 15, Hanoi, Vietnam, May 2005.

Recommended Links:

- [South East Asia Community Access Programme](#), SEACAP

For further information

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