

AusAID, Australian Agency for International Development, Australia
Danida, Ministry of Foreign Affairs, Denmark
DFID, Department for International Development, United Kingdom

**Programme Support Document
for
National Target Programme on Rural Water Supply
and Sanitation Phase III 2011-2015
Vietnam**

9 December 2011

Cover page

| | |
|----------------------------|--|
| Country | Vietnam |
| Title of programme support | Support to National Target Programme for Rural Water Supply and Sanitation Phase III |
| Partners | Ministry of Agriculture and Rural Development Ministry of Health Ministry of Natural Resources and Environment Ministry of Education and Training Vietnam Bank for Social Policies |
| Starting date and duration | 1 January 2012 – 31 December 2015 (earlier support programme provides assistance in 2011 for the national programme which runs from 2011 to 2015) |

| Summary of supports to NTP III 2011-2015 | | Netherlands | AusAID | Danida | DFID | Total | |
|---|-------------------------------|-------------|-------------|-------------|------------|--------------|-------------|
| | | €(m) | A\$(m) | DKK(m) | GBP (m) | USD (m) | VND (B) |
| Already committed | Target program budget support | 6.1 | 7.3 | 70.0 | 5.0 | 35.9 | 717 |
| | Technical assistance | | 2.1 | 3.0 | 1.0 | 4.1 | 82 |
| | Programme costs | | | | | | |
| | Total | 6.1 | 9.4 | 73.0 | 6.0 | 40.0 | 799 |
| New commitments | Target program budget support | | 57 | 90 | | 66.4 | 1327 |
| | Technical assistance | | 6.0 | 7.0 | | 7.0 | 141 |
| | Programme costs | | 2.0 | 3.0 | | 2.5 | 49 |
| | Total | 0.0 | 65 | 100 | 0.0 | 80.7 | 1614 |
| Total | Target program budget support | | 64.3 | 160 | 5.0 | 102.2 | 2044 |
| | Technical assistance | | 8.1 | 10 | 1.0 | 11.1 | 223 |
| | Programme costs | | 2.0 | 3.0 | 0.0 | 2.5 | 49 |
| | Total | 6.1 | 74.4 | 173 | 6.0 | | |
| Total USD (m) | | 8.2 | 71.5 | 31.5 | 9.5 | 120.7 | |
| Total VND (B) | | 164 | 1430 | 630 | 190 | | 2414 |

Note: - The figures given above are indicative.

- DFID's support of £17m began in 2010 (UK FY 09/10) and so also covered the NTP II period.
- Netherlands will not provide support for the NTPIII since 2012.

Executive summary

Background

Vietnam has made significant progress on increasing rural access to hygienic/safe water. With the coverage variously estimated at between 75% and 80% by end of 2010¹ the Millennium Development Goals (MDGs) for water supply are well on track. However, sanitation has proven more difficult and targets will not be met without special effort. It is estimated that at end of 2010 less than 60% of the rural population had access to latrines and according to some estimates as low as 52%². According to the Joint Monitoring Programme Vietnam has met both water and sanitation MDG goals however there is not full consensus on the accuracy of the data and the consistency of definitions. Vietnam's own targets as expressed in the Vietnam Development Goals and the National Target Programme are higher than the MDGs and not on track for sanitation.

As part of the Government of Vietnam's poverty reduction and growth strategy a National Target Programme for Rural Water Supply and Sanitation (NTP- RWSS) was developed. The first phase was from 2000-2005 and the second phase, supported by AusAID, Danida and the Netherlands, was from 2006 to 2010. These two phases are largely responsible for the coverage increases in the last ten years and for introducing a number of needed reforms in the sector. A third Phase III of the NTP - RWSS (2011-2015) has now been developed and submitted by MARD for approval by the Prime Minister. The development of Phase III has been based on the findings of a thorough sector review in 2005, annual reviews of NTP2 by donors and government, technical and financial audits, a strategic environmental assessment as well as a number of special studies on subjects such as operation and maintenance, water quality and the provision of credit. The process for developing Phase III has been led by the Standing Office of NTP - RWSS led by the MARD and composed of representatives of the Ministry of Health (MOH), Ministry of Education and Training (MOET) and others. A major shift in this third phase of the NTP-RWSS is the focus on sanitation and water quality improvement, longer term environmental challenges and on consolidating reforms started in earlier phases.

An assessment of supporting NTP2 was made (Joint sector review 2010) of the policy environment, sector finance, sector institutions and capacity and sector performance measurement and accountability. This assessment found that the modality of providing targeted sector budget support combined with off-budget technical assistance was appropriate except that in NTP3 support should shift to supporting sector household loans as well as sector grants.

The programme being supported

The overall objective of the NTP-RWSS is *“Realizing the national strategy on rural water supply and sanitation up to year 2020: improving the living conditions for the rural population by increasing access to water supply and sanitation, safe sanitation behaviour, awareness raising and mitigation of environmental pollution.”* These objectives are supported by three components: rural water supply and environment; rural sanitation; awareness raising, capacity building and institutional strengthening.

¹ 75% as estimated from a mixture of M&E results and provincial report August 2011 (Joint Annual review, p3); 83% presented in NTP3 planning documents (Ministry of Agriculture and Rural Development (MARD), October 2010),

² 52% as estimated from a mixture of M&E results and provincial report August 2011 (Joint Annual review, p3); 60% presented in NTP3 planning documents (Ministry of Agriculture and Rural Development (MARD), October 2010)

The main strategic thrusts of the new programme are to:

- Increase the poverty focus
- Focus on sanitation and water quality improvement
- Ensure environmental sustainability
- Create a financially sustainable market for the water and sanitation sector
- Improve operation and maintenance and technical sustainability of the sector
- Increase institutional effectiveness and management system

A summary budget is given below³:

Support to the national programme

Based on 4 years experience of supporting Phase II of the national target programme together with results of a number of special studies and reviews it is concluded that supporting the sector through a combination of targeted sector budget support and technical assistance is the most effective. Earlier support using national systems has contributed to a number of significant improvements that are now embedded such as:

- the greater focus on sanitation and hygiene promotion
- Priorities for water supply in water extremely disadvantageous areas (dried water sources, contamination, salt water intrusion, islands etc.), poor and ethnic areas
- Improvement of water quality
- coordination between ministries and departments at national and provincial level
- the quality of construction and sustainability of the infrastructure
- the focus and attention given to operation and maintenance
- the planning and reporting of the national programme
- the financial management and procurement at provincial and district levels

These advances will be consolidated by further support including support to the household lending programme of the Vietnam Bank for Social Policy (VBSP) which will lead to an increase in the volume of lending as well as improvements in its poverty targeting, coordination between organisations in providing IEC (Information, Education and Communication for Behaviour Change) and, the use of low-cost sanitation & water supply technologies where appropriate and possible.

To support the use of national systems, eight safeguards with performance benchmarks have been devised based on the findings of annual reviews between 2006 and 2010. These are: Fiduciary risk assessments; Value for money audits; Planning and reporting; Quality of construction; Operation and maintenance; Investment and recurrent budget allocation; Monitoring and Evaluation, Water quality and, Gender.

Areas where technical assistance is in demand include: i) IEC; ii) Water quality, environmental sanitation, climate change, water borne diseases; iii) Strategic financial planning and the development of a Medium Term Expenditure Framework; iv) Pro-poor

³ Final budget will be confirmed in the NTP 3 document.

targeting and gender; v) Rural water supply and sanitation lending; vi) Innovative approaches in sanitation and hygiene promotion; vii) the regulatory environment and institution/policy; viii) monitoring and evaluation. A sector based capacity building plan has been developed which can be supported through a combination of targeted programme budget support and separately channeled technical assistance primarily through supporting mobile teams.

In addition to this funds need to be set aside to ensure that an appropriate level of supervision and programme support management is in place. This includes for Joint Annual Reviews and supportive special studies such as fiduciary risk assessments and, other studies aimed at ensuring that the defined safeguards are in place and that risks and assumptions are properly monitored.

A summary budget of the support is given below:

| Summary of supports to NTP III 2011-2015 | | Netherlands | AusAID | Danida | DFID | Total | |
|---|-------------------------------|-------------|-------------|-------------|------------|--------------|-------------|
| | | €(m) | A\$(m) | DKK(m) | GBP (m) | USD (m) | VND (B) |
| Already committed | Target program budget support | 6.1 | 7.3 | 70.0 | 5.0 | 35.9 | 717 |
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Of the total target programme budget support of USD 120.7 million, a budget of up to approximately USD 16.7 million will be transferred to the VBSP from start of year 2012 if final arrangements are confirmed.

The targeted programme budget support of approximately VND 2.4 trillion⁴ is approximately 5 % of the total programme cost of approximately VND 40 trillion.

⁴ Note that in addition to this, a considerable amount of funding was provided by DFID under NTP Phase II which

Sustainability and withdrawal strategy

By 2015, after some 10 years of support by the donors and some 15 years of the national programme itself it is essential that the systems built are well operated and maintained; that an effective sector delivery system is in place and that hygiene behavior is improved. This in turn will require consolidation of tariff reforms, strategic financial planning, transparent and competent regulation of the sector and effective hygiene promotion. The entire strategy of the NTP and also the support to the NTP is built around ensuring conditions as favourable as possible for these factors. One of the most remarkable contrasts from previous NTPs is the focus on sanitation and environmental sustainability. The support will help ensure sustainability and conditions for responsible withdrawal by: consolidating strategic financial planning in the sector leading to a medium term expenditure framework; encouraging the expansion and efficiency of the lending programme through VBSP; supporting water quality and environmental studies; supporting gender and pro-poor targeting; undertaking regular dialogue and assessment of the agreed eight safeguards against their benchmarks and, supporting the sector through using national systems and thus building capacity to use and improve those systems.

Contribution to cross cutting issues

Gender equality will be enhanced. Achieving this aim and determining to what extent progress has been made, requires an accurate insight into the status of gender in the sector in order to determine the impact of current policies and practice. In response to this a study into how to improve gender equality in the sector has been undertaken. As gender was not a focus of attention in the last phase of the national target programme, a special gender earmarking within the technical assistance budget will be made – it will be aimed at supporting the implementation of the strategic recommendations of the gender report (Jensen, 2011).

Environmental sustainability and increasing the resilience to climate change will increase through increased focus on water resources and water quality monitoring as well as improving the regulatory and enforcement environment. The environmental risks are judged as manageable and relate to: over exploitation of water resources; poorly monitored water quality leading to people drinking unhealthy water e.g. containing pesticides; latrines concentrating waste and polluting the nearby groundwater being used for drinking water e.g. through dug wells; damage to fragile ecosystems caused by increased water availability leading to greater use of livestock. It is possible to avoid and mitigate all of these risks by the introduction and use of proper standards.

Governance in the sector will be improved. The routines and traditions for cooperation across ministerial boundaries will be strengthened. The involvement of non-government actors in the sector will increase as there is an increasing recognition that local level water resource management, water services and the provision of improved environmental sanitation depend on and will need to stimulate active civil society participation. The institutional component of the NTP aims at reforming institutions so that they operate effectively from central to local levels, and further facilitate the participation of the user groups. The support will assist the Vietnamese government in its declared aim of separating state management and service provision and in eliminating conflicts of interest (e.g. in procurement). The support also aims at establishing a better enabling environment for self-financing and provision of credit and in this way it will help market mechanisms. These interventions will be accompanied by improvements in regulation to ensure that market practices are fair and efficient. A focus on

is not included here.

value for money and fiduciary risk assessments will improve transparency and governance in the sector.

Opportunities for integrating HIV/AIDS in the sector will be enhanced. Mainstreaming opportunities arise from participatory efforts to improve sanitation services in rural, urban and peri-urban communities. The HIV/AIDS focal points in the counterpart ministries and at provincial level can be empowered to guide the work and put them in contact with NGOs and other actors at the forefront of HIV/AIDS initiatives.

Private sector participation will be encouraged since there will be increasing separation of state management and service provision. Through dialogue donors will advocate that tariffs need to be increased to allow sustainable services to be provided by the private sector. Improved procurement will also help the private sector, as it will create fairer and more transparent competition. Introducing strategic financial planning will enable the sector to take better advantage of market forces.

Management

The NTP - RWSS Phase III is a government programme. The designated lead agency at national level is MARD with MOH, MOET playing a significant role in their respective areas and supported by the Center for Rural Water Supply and Sanitation (CERWASS). At provincial level, the Provincial People's Committee (PPC) will designate a lead agency, usually Department of Agriculture and Rural Development (DARD) and/or pCERWASS (the provincial CERWASS) with DOH and DOET playing a significant role in their respective areas. At national level the programme is overseen by a Steering Committee chaired by the Minister of MARD. A Standing Office will be led by MARD. A sub-office(s) of the Standing Office might be set up within MOH and MOET given the importance of sanitation in this third phase of the programme. This management structure is replicated at province level. The programme is physically implemented at provincial, district and commune level.

The Target Programme Budget Support (TPBS) donors participate in Joint Annual Reviews (June/ July) and a Joint Annual Meeting (October). The joint annual review examines sector performance, reviews the safeguards in place and assesses benchmarks. The joint annual meeting follows up on the recommendations of the joint annual review and, based on a number of mainly performance-related criteria, agrees on donors' commitment for the following financial year. The joint annual meeting is the main forum for formal dialogue on progress and performance. It is also the forum for making decisions on how to adjust or alter the support to the programme.

Financial management

The programme will be managed in accordance with national systems as laid down by national laws, decrees and circulars and existing GoV's regulations on financial management for NTPs.

For targeted budgeted support, the donor funds for both grants and grant support for loans will be transferred to the MOF and join national funding streams. Off-budget support for technical assistance will be transferred to the implementing agencies as project support or provided in kind if that is more suitable.

The support from the donors will be transferred to the MOF in two tranches following an agreement reached on the amounts to be transferred for the next financial year. The agreement on the amount to be transferred to the MOF to both the provinces and VBSP will

be made at the joint annual meeting held in October each year. Every year during the joint annual meeting, donors will confirm their commitment for the whole programme (which includes budget support to the NTP 3, budget support to VBSP and off-budget TA) for the next year. At this time the first transfer will be made. The second transfer will be made 6 months later and will amount to the remainder of the total commitment of the year with the deduction of unspent funds of the previous year (unspent funds of both the NTP 3 and the VBSP).

Reporting and monitoring

Vietnam approved a national system of monitoring and evaluation for RWSS in April 2008. This is composed of 8 sector indicators and 6 programme indicators. The progress of the sector and the national target programme will be monitored using the national monitoring and evaluation system. The indicators are listed below:

| | |
|--|--|
| Water supply | Proportion of rural population using hygienic water (%) |
| | Proportion of rural population using clean water satisfying MOH's standard QCVN:02/2009/BYT |
| Environmental sanitation | Proportion of schools having hygienic water and hygienic latrine (%) |
| | Proportion of commune health centers having hygienic water and hygienic latrine (%) |
| | Proportion of public works (Market, cultural house, Commune Peoples Committee office) having hygienic water and hygienic latrine (%) |
| | Proportion of households having hygienic latrine (%) |
| | Proportion of livestock farming households having hygienic farms (%) |
| | Proportion of trade village having water discharge and waste treatment system (%) |
| Financial progress | Proportion of budget implemented compared to budget planned (%) |
| Physical progress | Number of people served by newly constructed or upgraded water facilities per year (#) |
| | Number of newly constructed latrines per year (#) |
| Efficiency | Average investment per capita on piped schemes (Vnd/p) |
| Sustainability and service efficiency | Proportion of water supply schemes operating sustainably (%) |
| | Proportion of piped water supply systems operating under recognized management models (%) |

The indicators are reported on as part of the annual NTP reporting and independent field verification can be obtained through the joint annual reviews. The national monitoring and evaluation system allows for periodic evaluation on topics which are too complicated to be captured on the basis of regular monitoring. These include topics such as gender equality in access to water and sanitation services and how competitive and rewarding an environment has been provided for the private sector.

Targets have been set by the NTP-RWSS assuming costs do not increase and that all sources of funding including donors are made available. A proportional estimate can be made of the contribution arising from donor support depending on the degree of leverage obtained i.e. the extent to which additional funding will mobilize community and provincial and VBSP spending.

An overview of the physical results expected, based on the original baseline and target figures of NTP planning document (October 2010) are shown in the table below⁵. These estimates will need to be updated at the start of the programme once consolidated baselines are obtained

⁵ Final data will be confirmed once the NTP3 budget and baseline data are final

| Targets | Targets of the NTP 3 RWSS | contribution of TPBS donors with no leverage | contribution of TPBS donors with full | Coverage end 2010 | Coverage end 2015 |
|---|----------------------------------|---|--|--------------------------|--------------------------|
| NTP3- RWSS targets | 2011-2015 | | | | |
| Additional people served by water supply (hygienic water) | 8,027,577 | 298,961 | 823,949 | 83% | 95% |
| Additional people served by water supply (clean water) | 4,791,124 | 178,430 | 491,760 | 42% | 60% |
| Number of additional households with latrines | 2,116,437 | 78,820 | 217,231 | 61% | 75% |
| Number of additional school latrines | 8,065 | 300 | 828 | | |
| Number of additional clinic latrines | 1,752 | 65 | 180 | | |
| Number of additional CPC facilities | 2,725 | 101 | 280 | | |
| Number of additional market facilities | 1,665 | 62 | 171 | | |
| Number of additional new livestock pens | 500,000 | 18,621 | 51,320 | | |
| Number of additional upgraded livestock pens | 500,000 | 18,621 | 51,320 | | |
| Number of bio-gas installations | 1,000,000 | 37,242 | 102,640 | | |
| Number of communes supplied with tools | 2,724 | 101 | 280 | | |
| Number of additional public waste disposal sites | 2,724 | 101 | 280 | | |

Risks and assumptions

There were four main risk factors considered: Inadequate operation and maintenance (medium); Hygiene behaviour not changing (high); Insufficient increase in sanitation lending (high) and, Fiduciary risks leading to high unit costs and poor quality of works (low).

Related to these risks are a number of assumptions behind the programme:

- Tariffs, socialisation and other regulatory reforms will be implemented so that operation and maintenance is sustainable
- The rural population will be receptive to new hygiene practices
- The VBSP will be able to raise sufficient finance to match demand for household water supply and sanitation
- The steering committees and standing offices of the national target programme will ensure that improved practices on financial management and regulation e.g. value for money audits, are incorporated into routine sector practice
- The NTP is approved for the full period (2011-2015). At present it is approved for 2011.

Mitigating measures have been identified to reduce the likelihood of occurrence and reduce the impact of these risks and any partial failures in the assumptions.

Acronyms

| | |
|----------|---|
| NCERWASS | National Center for Rural Water Supply and Sanitation |
| DARD | Department of Agriculture and Rural Development |
| DOET | Department of Education and Training |
| DOH | Department of Health |
| DONRE | Department of Natural Resources and Environment |
| GoV | Government of Vietnam |
| IEC | Information, Education and Communication |
| MARD | Ministry Agriculture and Rural Development |
| MDGs | Millennium Development Goals |
| M&E | Monitoring and Evaluation |
| MOET | Ministry of Education and Training |
| MOF | Ministry of Finance |
| MOH | Ministry of Health |
| NTP | National Target Programmed |
| NGOs | Non Government Organisations |
| ODA | Official Development Aid |
| pCERWASS | Provincial Center for Rural Water Supply and Sanitation |
| PPC | Provincial People's Committee |
| TPBS | Target Programme Budget Support |
| VBSP | Vietnam Bank for Social Policies |

Exchange rates used

| | A\$ | DKK | € | GBP | USD | Vnd |
|-----|------|------|------|------|-------|---------|
| A\$ | 1 | | | | 1.04 | |
| DKK | | 1 | | | 5.5 | |
| € | | | 1 | | 0.74 | |
| GBP | | | | 1 | 0.63 | |
| USD | 0.96 | 0.18 | 1.35 | 1.58 | 1 | 0.00005 |
| Vnd | | | | | 20000 | 1 |

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Map of Vietnam



1 Introduction

Vietnam has made significant progress on increasing rural access to hygienic/ safe water⁶. With the coverage variously estimated at 75% to 80% by end of 2010 (Ministry of Agriculture and Rural Development (MARD), October 2010), the Millennium Development Goals (MDGs) for water supply are well on track. However, household sanitation has proven more difficult and targets will not be met without special effort. It is estimated that at end of 2010 less than 60% of the rural population had access to latrines and by some recent estimates the figure could be as low as 52%⁷. According to the Joint Monitoring Programme Vietnam has met both water and sanitation MDG goals however there is not full consensus on the accuracy of the data and the consistency of definitions. Vietnam's own targets as expressed in the Vietnam Development Goals and the National Target Programme are higher than the MDGs and not on track for sanitation.

The government of Vietnam established the first five year National Target Programme for Rural Water Supply and Sanitation (NTP - RWSS) in 2000 in recognition that widespread lack of access to these basic services compromises economic development and poverty reduction. A second phase ran from 2006 to 2010. Australia, Denmark, the Netherlands, and recently the United Kingdom provided budget support and technical assistance to Phase II accounting for approximately 15% of total expenditures. The support for phase II comprised a two year pilot phase limited to 9 provinces in three clusters followed by a further 6 provinces (2006-2009). A decision was made by AusAID, Danida, and the Netherlands in 2009 to fund the remaining period of support (2009-2011) without earmarking the funding for particular provinces. This decision was based on studies (technical reviews, audits, fiduciary assessments) and the analysis of a joint annual review (2009). The review of 2010 confirmed the appropriateness of this funding modality.

A Phase III of the NTP - RWSS (2011-2015) has been developed and submitted for approval. The development of Phase III has been based on the findings of a thorough sector review in 2005, annual reviews of the programme by donors and government, technical and financial audits, a strategic environmental assessment as well as a number of special studies on subjects such as operation and maintenance, water quality and the provision of credit. The process for developing Phase III has been led by the Standing Office of NTP - RWSS led by the MARD and composed of representatives of the Ministry of Health (MOH), Ministry of Education and Training (MOET) and others.⁸

The joint annual review of July 2010, recommended that future support to the water and sanitation sector from Australia and Denmark should join that already committed by the United Kingdom and be channeled through Phase III of NTP – RWSS. Support from Australia and Denmark currently covers the period up to the end of 2011 (one year into Phase III) and support from United Kingdom extends to March 2013. The intention is that Australia will provide

⁶ The terms hygienic/safe water are synonymous. They are defined as being water that is provided from an approved source of supply (defined in the monitoring and evaluation system and in practice meaning an improved source such as a protected dug well, or a tap from a piped system which has not necessarily been tested for water quality). The term hygienic is often used in the English rather than safe as it better translated into the Vietnamese. Clean water refers to water that meets the relatively high standards of the MOH as defined in decision 09/ 2005/ QD-BYT. In practice many translated documents do not distinguish carefully between the different terms for water that are used.

⁷ A nationwide monitoring and evaluation system is being put in place that will provide a more precise estimation of coverage figures. According to the Joint Annual Review of 2011 the best estimates for 2010 for water coverage are 75% and for latrine coverage 52%.

⁸ A short process note provides more details on the documents, studies, workshops and participatory processes.

assistance up to the end of Phase III (end 2015) and Denmark will provide assistance up to the end of 2014 when its support to the sector will be withdrawn. The support has therefore been designed with a focus on ensuring sustainability of impacts.

This document describes briefly how the external support will be provided to Phase III of the NTP - RWSS. In line with the recommendations of the joint annual review of July 2010, this document refers to rather than repeats the government document for the NTP - RWSS. It does not make a formal assessment of the conditions for sector budget support as these have already been established in earlier phases. Instead it: makes an overall assessment of the sector and its need and readiness for further support (chapter 2); defines what is being supported (chapter 3&4); describes the support and how it will be channeled and managed (chapters 5 to 9) and, finally outlines the risks and assumptions (chapter 10).

2 National sector context

By the end of 2005, the national coverage of safe/hygienic water and hygienic latrine was estimated at approximately 62% and 50% respectively; many hygienic livestock pens have been upgraded and built; about 70% of all schools, kindergartens and nurseries, 58% of commune clinics and 17% of markets in rural areas have access to safe/hygienic water and hygienic latrines. As has been noted previously, based on recent information emerging from the new M&E system, these estimates of coverage are not fully reliable. In reality they are likely to have been lower. The NTPII targets were that 85% coverage of safe/hygienic water and 65% coverage of hygienic and livestock pens and that all rural primary schools, kindergartens, nurseries, clinics and commune people's committees have access to safe/hygienic water and hygienic latrines.⁹

According to the planning document for NTP III, the results at the end of 2010 were that 80% of the rural population had safe/hygienic and 55% of households had hygienic latrines as shown in table 2.1 These figures are based on estimates from provincial reporting; they are expected to be confirmed in the first half of 2011 by the monitoring and evaluation system. It should be noted that interim and not yet officially confirmed figures as reported in the Joint Annual Review of 2011 (August 2011, p3) indicate that the water supply coverage is 75% (in contrast to 80%) and the sanitation coverage is 52% (in contrast to 61%).

Table 2.1 Results of NTPII (showing the official figures from MARD planning document and implications of more recent findings from the M&E surveys)¹⁰.

⁹ MARD, NTP2 November 2005

¹⁰ Final data will be confirmed once NTP3 baseline data are final

| Region | Population 2010 | hygienic water | | Hygienic latrines | | |
|------------------------------|--------------------|------------------------|-----------|---------------------------|---------------------------|-----------|
| | | Persons served 2010 | % | No. Households 2010 | Households served 2010 | % |
| Northern areas | 9,350,754 | 7,293,588 | 78 | 2,337,689 | 1,332,482 | 57 |
| Red River delta | 13,943,452 | 11,851,934 | 85 | 3,983,843 | 2,948,044 | 74 |
| Northern Centre | 8,530,084 | 6,994,669 | 82 | 2,244,759 | 1,189,722 | 53 |
| Coastal Centre | 5,857,336 | 4,744,442 | 81 | 1,541,404 | 1,017,327 | 66 |
| Highlands | 3,715,904 | 2,749,769 | 74 | 906,318 | 444,096 | 49 |
| Eastern South | 6,067,574 | 5,400,141 | 89 | 1,596,730 | 1,197,547 | 75 |
| Mekong delta | 13,335,730 | 11,202,014 | 84 | 3,333,933 | 1,600,288 | 48 |
| Total (official) | 60,800,834 | 50,236,557 | 83 | 15,944,676 | 9,729,507 | 61 |
| Total (recent survey) | 60,800,834 | 45600625.8 | 75 | 15,944,676 | 8291231.374 | 52 |

Out of a total of some 40,200 schools, 32,006 or approximately 80% had latrines and water supply. Out of a total of 10,842 clinics, 8,675 or approximately 82% had latrines and water supply. The shortfalls in attaining the targets are analysed in the NTPIII document and relate to: a rapid rate of construction costs inflation, slightly lower than anticipated funding from donors and government, lower community contributions due to difficulty in getting consumer contributions, over optimistic planning and expectations on behavior change. Although targets were not reached, most sector observers find the increase in coverage impressive, at least for water supply¹¹. It is also an indication that the national systems are in a position to deliver significant advances in the sector.

2.1 Policy Assessment - relevance and contribution of the sector and the programme to poverty reduction

The NTP - RWSS contributes explicitly to the poverty reduction goals of the Comprehensive Poverty Reduction and Growth Strategy and the Social Economic Development Plan. The National Rural Clean Water Supply and Sanitation Strategy (2000-2020) is being updated by the MARD to benefit from lessons learnt during 2000-2010. A first draft is already prepared and it is expected to be finalized before end of 2011. Overall the policy environment, particularly with recent reforms to tariffs and socialization and the updated strategy being developed, is

Box 1 Lessons on poverty reduction from earlier support to the sector

- Grant funds need strict control if abuse is to be avoided.
- Grant funds reach relatively few of the poor if both poor and rich have access to the funds.
- Many schemes fail due to lack of operation and maintenance, particularly in poor communities and communities that did not demand the schemes.
- Poor coordination, centralized decision making and ignoring the consumers are systematic errors that reduce the poverty reduction impact.
- There is a tendency only to fund physical construction and not the necessary capacity building for operation and maintenance, sanitation promotion and hygiene promotion.
- Targeting difficult (as well as remote) areas will tend to reach those that are "water poor" but not necessarily income poor (targeting only remote areas tends to reach the income poor).

¹¹ By the same token of measurement the sanitation rose from 50% (2004) to 61% (2010) according to official estimates although recent results from the monitoring and evaluation show the actual coverage in 2010 to be substantially lower than 61% with an interim estimates of 52%. The Joint Monitoring Programme report rural sanitation coverage as 67% in 2008 (with 4% using shared facilities, 21% using unimproved sanitation and 8% practicing open defecation). By this measure the MDG goals are reached although the NTP goals which are higher are still not reached. The varying statistics on especially sanitation are largely due to different methodologies and especially standards and definitions of sanitation. They point to the importance of completing the M&E system which uses nationally agreed definitions and standards.

considered favourable for achieving sector goals including the national poverty reduction goals.

The NTP - RWSS targets the poor and ethnic population who are without adequate access to water supply and sanitation. It also focuses on the provision of water supply and sanitation in schools and public places. The subsidy policy of the government is to direct grant funding to remote and technically difficult areas where market approaches alone are inadequate. The subsidy policy indicates that state budget is not intended to displace normal public or private sector expenditure and is focused on “*rural areas of the country; with immediate priority to remote areas, ethnic minority people, coastal areas, droughts, water disadvantaged areas, and water polluted areas. And the programme supports poor households, privileged households, ethnic minority people areas and specially water and environmental disadvantaged rural areas*”. The subsidy policy is revised from time to time when practice shows that poverty targeting can be improved. Phase III, benefitting from the socialization decision (MARD, 2009), will also more actively contribute to the creation of a rewarding and competitive environment for the private sector.

The subsidy policies are well conceived, open to revision and directed towards meeting the needs of both the income poor and the water and sanitation poor. A recent study on the Vietnam Bank for Social Policies (VBSP) (Folkard, 2009) arrived at a conclusion that there was evidence of water and sanitation lending reaching the poor. Some evidence is available for the poverty targeting of the grant funding to water supply and demonstration latrines. This evidence has not been fully researched but it does appear that the policy of targeting remote and difficult areas has been followed at least in some provinces based on evidence of field trips made during annual reviews. The priority of focusing investment in the 10% poorest districts supports the view that the programme is pro-poor in policy at least. The actual results in practice and the degree to which the policy has been rigorously adhered has not been studied in depth. Annual reviews although not researching the topic in depth, have not come across evidence that there are severe or systematic distortions.

The concerns raised by earlier experience (see box 1) are now largely addressed and built into the operations and practice of the NTP - RWSS but there is still room for improvement. A special study (as envisaged by the monitoring and evaluation system) would be needed not so much to confirm the effectiveness of poverty targeting but to point to areas that can be improved – this study should build on work already done by the Standing Office. It is expected to take place in 2011. In the meantime a number of potentially worthwhile measures, where external support could be instrumental, are already apparent:

- Improving the coordination between hygiene promotion and the lending operations of the VBSP (already under consideration arising from the recommendations of the recent study (Folkard, 2009));
- Increasing the range of available sanitation options to encourage low cost solutions (already under preparation by the MOH where the number of approved latrine types will be expanded from 4 to over 20);
- Attention to continuous improvement of the operation and maintenance of water supplies and sanitation facilities (taken up as a benchmark assessment issue for the annual review);
- Attention to continuous improvement of construction quality and updating of national cost norms to assist in state management (taken up as a benchmark assessment issue for the annual review);
- Implementation of gender policies and, follow up on the policy implications and 6 strategic recommendations of the gender study (Jensen, 2011) - (also taken up as a benchmark assessment issue for the annual review).

Two of these (operation and maintenance; construction quality) were benchmarks during the support of the second phase of the NTP – RWSS, another on gender will be added. It should also be noted that there is a concern that the attention to be placed on rural environment and especially garbage collection (but also livestock pens) could potentially distract the achievement of core goals. The public subsidy for these issues is very small as it will be mainly financed through user contributions but there is a concern by some donors that this new area will delay consolidation of the achievements within water and sanitation.

2.2 Sector finance assessment – financial planning and management

Financial planning

Phase III of the NTP - RWSS like Phase II before it, will be financed from a combination of central government funds, provincial government funds, loans provided by the VBSP, individuals and donors. The planned funding for Phase II (2006-2010) was VND 22.6 trillion and the actual spending approximately VND 20.7 trillion as shown in table 2.2 below:

Table 2.2 Actual expenditure of NTP-RWSS Phase II (VND Billion)

| Funding sources | 2006 | 2007 | 2008 | 2009 | 2010 | Total | Original budget estimate |
|---------------------------|--------------|--------------|--------------|--------------|--------------|---------------|--------------------------|
| Central budget | 353 | 430 | 433 | 587 | 661 | 2,464 | 3,200 |
| <i>Investment capital</i> | <i>330</i> | <i>400</i> | <i>400</i> | <i>550</i> | <i>620</i> | 2,300 | |
| <i>Recurrent capital</i> | <i>23</i> | <i>30</i> | <i>33</i> | <i>37</i> | <i>41</i> | 164 | |
| Integrated budget | 300 | 350 | 716 | 911 | 500 | 2,777 | 2,300 |
| External aid | 270 | 250 | 664 | 1,048 | 1,334 | 3,566 | 3,400 |
| Users' contribution | 450 | 554 | 747 | 485 | 780 | 3,016 | 8,100 |
| Preferential credit | 518 | 1,083 | 2,138 | 2,738 | 2,400 | 8,877 | 5,600 |
| Total | 1,891 | 2,667 | 4,698 | 5,769 | 5,675 | 20,700 | 22,600 |

The indicative figures for Phase III (2011-2015) is VND 40 trillion which demonstrates a strong and growing government commitment to the sector. The role of credit took a far larger proportion of the finance in the second phase than originally planned and in Phase III it is envisaged to account for 32.3% of programme expenditure. The credit is re-paid by the beneficiaries and when combined with people's direct contribution means that the beneficiaries are financing well over half of the entire cost.

The role of donors has been modest but in the eyes of the government, crucial because it has provided more recurrent budget than was otherwise available and it has been instrumental, when combined with technical assistance, in ensuring implementation of difficult policy and other reforms.

Unfortunately there is not a complete overview of sector finances. Such an overview would need to show operation and maintenance costs as well as the contribution of all other projects and efforts outside the NTP – RWSS e.g. the P135 and loan projects from the World Bank and Asian Development Bank. At present only some of the projects outside the NTP-RWSS are accounted for. A sector investment plan based on provincial rolling plans is missing. Figures are based on rough per capita planning and do not take into account provincial differences or the mix of technology. This means that the information and planning needed to accelerate a

gradual transfer from a sector dependent on capital and recurrent subsidies (from taxes and transfers) to one that is self sustaining (from tariffs) is not in place.

Sector financial management

Experience has shown that use of government systems for implementation of the national policy in the water and sanitation sector is appropriate. Evidence of this can be found in: the appraisal of sector budget support to pilot provinces in 2006 (Danida et al, 2006); annual reviews since 2006 especially the review in 2009 which looked at the conditions for national rollout of pilot provinces (Danida et al, 2009); a sector funding modality study carried out in 2007 for the World Bank (Buhl-Nielsen et al, 2008) and, annual fiduciary risk assessments and value for money studies and financial audits (Houng & Pham, 2008). The 2010 extended value for money audit carried out by the State Audit of Vietnam under terms of reference and supervision of AusAID found that, as in previous years, less than 1% of the expenditure was unauthorized. It is expected that, as has been the case in previous years, all unauthorized expenditure will be paid back to the state treasury by the provincial and other bodies responsible.

Financial management has been under constant improvement including the launching of a new procurement law (2006) which increases competition and transparency. The sector itself has shown a remarkable ability to learn and self correct as revealed by the attention now given to once highly controversial issues such as construction quality, allocation of funding to sanitation, involvement of other ministries as investment owners and a focus on operation and maintenance ahead of even physical target achievement.

In summary, areas of improvement where external support could be instrumental include:

- Introduce provincial based financial planning for the sector that could lead the way towards increasing sustainability (to be supported through a special study) and adoption of a medium term expenditure framework for the sector.
- Institutionalise and make routine, the fiduciary assessments and the financial and technical audits in the sector as part of strengthening state management (taken up as a benchmark assessment issue for the annual review).

The first point will become a significant new area of technical assistance to NTPIII. The last point above is linked to two of the benchmarks (fiduciary assessment and value for money) used in Phase II and is to be continued in Phase III.

2.3 Institutional assessment – domestic capacity and need for technical assistance

The water and sanitation sector in Vietnam benefits from highly competent and motivated professionals who find innovative and pragmatic solutions to ongoing and new sector challenges. Capacity constraints in implementation are most commonly found at the district and commune level. At provincial and national level the constraints are mainly how to fulfill a policy and facilitating role and in appreciating and communicating sector strategies. Areas of weakness include hygiene promotion, adoption of low cost sanitation technologies, application of the demand responsive approach, monitoring and evaluation, strategic financial planning and reporting. In many cases capacity is constrained by institutional factors including: inflexibility in applying and interpreting rules and, despite recent improvements, a reward and allowance system that is not highly motivating.

Capacity, knowledge and skills can be and have been increased by intensive training in government systems such as financial management, procurement and information technology. Many of these training events were supported by donors during Phase II of the NTP – RWSS. These efforts need to be followed up by regular supervision and updating of relevant circulars and work instructions. Workshops, seminar and training events that seek to change attitudes have also shown success although they need the backing of higher level officials to be truly effective. The national Standing Office has the role to bring together lessons learnt and facilitate an exchange of experience. Where this has happened, capacity has increased but, according to repeated reviews, although improving, this has not happened enough.

Capacity building has worked best when the detailed delivery has been done by Vietnamese professionals working with the confidence and at the initiative of high level officials. Additional funds for detailed training delivery, identification of capacity building needs, inspiration from other countries and contribution to sensitive reform processes are areas where the external support has served and is likely to continue to serve a useful role. A capacity needs assessment has been developed by the sector but needs to be more widely disseminated, incorporated into capacity building plans and updated when relevant.

Some of the institutional improvements are still fragile and need to be consolidated. Decentralisation is threatened by capacity and supervision constraints. In some provinces there is a reluctance to transfer responsibility and resources to lower levels. Although national policies are clear on the separation of state management and implementation, adherence in practice is blurred. In the absence of a more stringent compliance there will be a tendency for public subsidies to be captured for the benefit of particular institutions instead of serving a wider purpose.

In summary, areas of improvement where external support could be instrumental include:

- Adoption of appropriate technologies for different regions.
- Promotion of socialization
- Technical areas such as: IEC promotion, hygiene promotion, adoption of low cost sanitation & water supply technologies, application of the demand responsive approach, monitoring and evaluation, strategic financial planning and reporting, innovative sanitation approaches (supported through a call for proposals and scaling up of successful pilots); Monitoring and Evaluation (M&E) data collection and synthesis, this should include capacity in establishing a sound sector database and documentation.
- Continuing support for institutional development and the revision of procedures that can streamline sector performance and strengthen state management (taken up as a dialogue issue for the annual review and provided mostly by local technical assistance).

These two areas will continue to be a significant focus of technical assistance to NTPIII (as it was for NPTII). The last point above, as mentioned, is also linked to dialogue at annual reviews.

2.4 Coordination assessment

The sector has made strong advances towards establishing a sector wide approach that involves the 3 main ministries and is reflected both at national and provincial level. Domestic coordination is improving but there are still improvements needed. Further integration of the VBSP is needed to ensure best use is made of the quite successful and promising credit arm of

the NTP – RWSS (which has according to published reports reached some 3.5 million households). Whilst it is not common place in Vietnam for the public sector to encourage a significant role for the private sector or civil society there is an increasing recognition that the long term sustainability of the sector is dependent on their closer involvement. The recently approved Socialisation¹² (Decision 131, Government of Vietnam (GoV) 2009) and the new tariff guidelines (Ministry of Finance (MOF), 2009) are strong evidence of this.

Cooperation between MARD, MOH and MOET is much improved but there is still a reluctance to transfer investment ownership and resources to other entities (the same holds true at provincial level).

The overall governance structures such as the Steering Committee and Standing Office have not been as strong as originally expected, especially the MOH was weak in the early years. There has however been an improvement and the arrangements are working much better than they were 5 years ago, although still with room for improvement.

A multi-stakeholder Rural Water Supply and Sanitation Partnership has been established to assist in coordination of donor support to the sector. The partnership has been largely successful in stimulating a policy debate and ensuring a minimization of overlap through exchange of information and sector knowledge. It does not have a formal coordinating role, though it does report to the International Cooperation Department of MARD. A sector wide approach implies moving away from projects and channeling all significant support via national programmes. There is however a tendency to prefer the project modality and little if any pressure put on non-NTP donors to align their support to the national target programme. Project modalities are easier to understand and often less frustrating for officials as they can bypass unpopular or problematic constraints in the Vietnamese systems; equally some donors' project procedures can be onerous. In the context of phasing out of donors' support for the sector, continued project modality, or working in parallel with GoV systems, will run the risk of fragmenting the sector further, thus making results achieved so far more unsustainable. Therefore, it is necessary to have mechanism for shared implementation and coordination so that modalities could together help fulfilling national targets of the NTP.

In summary, areas of improvement where external support could be instrumental include:

- Use and guidance of mobile teams to disseminate sector policy and approaches to provinces and ensure a high level of information exchange (supported via provision of off-budget support for technical assistance to pay for the mobile teams).
- Provision of TA to improve the coordination between the lending operations of the VBSP and the grant based operations of the NTP. Particularly in ensuring that IEC activities undertaken by the DoH and other mass organizations/unions e.g. women union, farmers' union, youth union, with core factor of women's engagement are coordinated with the VBSP and that lending operations of the VBSP are coordinated with the DoH IEC campaigns. Similar approaches and messages on how to target the poor and on low cost technologies and the use of the sanitation ladder approach are also needed.
- Accelerate efforts of the Rural Water Supply and Sanitation Partnership to undertake relevant initiatives (supported through the call off for mainstreaming and scaling up of innovative sanitation approaches e.g. the sanitation pilots funded by Danida and others, support to implementation of the socialization policy).

¹² Socialisation is a term used in Vietnam to describe the greater involvement of both private sector and civil society in activities previously dominated by the public sector.

Technical assistance will be made available for both these areas in NTPIII following successful practice in NTPII. Up to 3 mobile teams will be supported and off budget support to the partnership will be continued.

2.5 Assessment of performance measurement – monitoring and evaluation

In May 2008, the government launched a national sector monitoring and evaluation system based on 8 sector and 6 programme level indicators. Data collection was started late 2009 and is not yet finalized. Preliminary results from around 48 out of 61 provinces of the country show that water supply coverage is a little lower than previously recorded levels and that sanitation coverage is considerably lower than previously estimated. The data is already being used to target interventions especially where only minor works are needed to bring a system up to fully operational level. The national system is judged to be appropriate although it is proving to take a long time to establish.

Programme level reporting at the national level, although improving, is still not good enough to provide a clear overview of how the programme is progressing and/or how it is complying with new priorities within sanitation and hygiene promotion. The reasons for the inadequate overview include:

- The rural water supply and sanitation function has not in the past (prior to the NTP) been considered as a coherent sector, thus the routines for assembling information on water and sanitation are relatively new
- The collection of sector data requires cooperation across a number of institutional boundaries both at provincial and national level
- Some provinces are better at providing timely and well consolidated data than others
- Implementation duties take precedence over reporting and monitoring
- The incentives/sanctions for reporting using the monitoring and evaluation systems are not strong enough
- The standing office has not fully used its powers (and in practice they may be limited) to withhold funding from provinces not reporting
- Until the recent launch of the monitoring and evaluation systems, the definitions and formats for reporting were not clear and constantly changing
- The level of recurrent costs especially at provincial level is not sufficient to allow thorough monitoring and evaluation
- The skill set, despite training, for effective monitoring and evaluation is still not fully in place in many provinces

In summary, areas of improvement where external support could be instrumental include:

- Dialogue on the importance of good information levels in the sector (taken up as a benchmark assessment issue for the annual review - reporting)
- Dialogue on the need to introduce sampling methods to reduce the burden on the sector of continuous monitoring and evaluation (taken up as a benchmark assessment issue for the annual review).

As mentioned above, these areas will become an explicit part of the annual review and dialogue process. They will also feature as one of the prioritized areas of technical assistance.

2.6 Summary of areas of improvement

A summary of areas of improvement identified arising from the assessment above is given in table 2.3 with a focus on those areas where donor support can be particularly useful. It is very important to realize and acknowledge that not all areas need or will necessarily benefit from technical assistance and/or the use of benchmarks and dialogue. The vast majority of the challenges will be adequately dealt with through the Vietnamese systems without specific support.

Table 2.3 Summary of areas of improvement and how they will be addressed through donor support

| Area | Improvement needed (what has not worked well enough) | How addressed through proposed donor support |
|-------------------------|---|--|
| Policy | <ul style="list-style-type: none"> i) Improving the coordination between VBSP and NTP3 ii) Increasing the range of available sanitation options to encourage low cost solutions iii) Continuous improvement of the operation and maintenance of water supplies and sanitation iv) Attention to continuous improvement of construction quality and updating of national cost norms v) Implementation of gender policies (including the 6 strategic recommendations of the gender study) | <ul style="list-style-type: none"> i) Technical assistance specifically targeted at improving loan process and communication with MOH and others. ii) Technical assistance specifically targeted at developing innovative sanitation solutions and focus on water quality, climate change adaptation and improvement of regulatory environment. iii) benchmark and technical assistance iv) benchmark v) benchmark |
| Finance | <ul style="list-style-type: none"> i) Introduce provincial based strategic financial planning ii) Institutionalise and make routine, the fiduciary assessments and the financial and technical audits in the sector | <ul style="list-style-type: none"> i) Technical assistance specifically targeted at developing and introducing strategic financial planning ii) benchmark and technical assistance to strengthen state management and NTP guiding documents |
| Institutional capacity | <ul style="list-style-type: none"> i) Technical areas such as: hygiene promotion, adoption of low cost sanitation technologies, application of the demand responsive approach, monitoring and evaluation, strategic financial planning and reporting, innovative sanitation approaches ii) Continuing support for institutional development and the revision of procedures that can streamline sector performance | <ul style="list-style-type: none"> i) Technical assistance specifically targeted at developing and introducing innovative, low cost sanitation technologies and approaches; strategic financial planning; Monitoring and evaluation; applied research; ii) Promote policy dialogue through the annual reviews on areas related to sector management and NTP implementation; Technical assistance to implementing socialization decree to increase role and make use of private sector. |
| Coordination | <ul style="list-style-type: none"> i) Disseminate sector policy and approaches to provinces and ensure a high level of information exchange ii) Accelerate efforts of the Rural Water Supply and Sanitation Partnership to undertake relevant initiatives to improve coordination | <ul style="list-style-type: none"> i) Supported via provision of off-budget support for technical assistance to pay for the mobile teams ii) Supported through the call off for mainstreaming and scaling up of innovative sanitation approaches e.g. the sanitation pilots funded by Danida and others; socialization policy. |
| Performance measurement | <ul style="list-style-type: none"> i) Need better information levels in the sector ii) Need to introduce sampling methods to reduce the burden on the sector of continuous monitoring and evaluation | <ul style="list-style-type: none"> i) benchmark ii) benchmark and technical assistance targeted specifically at monitoring and evaluation |

3 Objectives

The objectives of the NTP - RWSS are consistent with:

- The national RWSS Strategy up to 2020 (being updated);
- The Socio-Economic Development Plan 2011-2015;
- The Vietnamese commitment to the MDGs;
- The national target programme to Respond to Climate Change;
- The national target programme for New Rural Development 2010-2020;
- The National Integrated Water Resources Management Programme.

The overall objective is “ *Realizing the national strategy on rural water supply and sanitation up to year 2020: improving the living conditions for the rural population by increasing access to water supply and sanitation, safe sanitation behaviour, awareness raising and mitigation of environmental pollution.* ”

The specific objectives¹³ to reach by end of 2015 are:

Water supply

- 85% of rural population has access to hygienic water, 45% of whom use water that meets MOH standard QCVN 02-BYT

Environmental sanitation

- 65% of rural households use hygienic latrines;
- 45% of rural husbandry households have hygienic livestock pens;
- Most of rural kindergartens, schools and health clinics have access to hygienic water and hygienic latrines, which are fully functioning and well-managed.

4 Summary of the programme

4.1 Structure of the national target programme

The NTP - RWSS Phase III is described in a detailed government document (MARD, October 2010). It has a total budget of VND 40 Trillion and will cover all provinces of Vietnam although only focusing on rural areas. It will operate in parallel with donor and NGO programmes and also with other government programmes such as P135 which provide water supply and sanitation as part of their broader development efforts. Coordination will during the lifetime of the programme be achieved through provincial based medium term strategic financial planning where technical assistance will be provided. This TA will commence in 2011 with a view to introducing a medium term expenditure framework from 2012.

It will have 3 main components with a number of sub-projects each with a single investment owner as listed below:

Project 1: Rural water supply and environment

Project 2: Rural sanitation

¹³ The final immediate objectives will be approved by the Government. These can also be interpreted as specific outcomes although the NTP III document labels them as objectives. It should also be noted that the additional facilities and people served is based on the NPT III planning document and will need to be revised to take account of: i) different baselines and ii) adjusted targets. This should be done once the final M&E figures are produced and hopefully in the first half of 2012.

Project 3: Capacity building, IEC, monitoring and review, State management strengthening of the NTP

4.2 Strategy of the national target programme

The government's programme document outlines the challenges faced by Phase II of the national target programme (2006-2010) especially those related to sanitation coverage, hygiene behaviour and the financial and environmental sustainability of the sector. The strategy for Phase III (2011-2015) is to:

- Increase the poverty focus
- Focus on sanitation
- Ensure environmental sustainability
- Create a financially sustainable market for the water and sanitation sector
- Improve operation and maintenance and technical sustainability of the sector
- Increase the institutional effectiveness
- Improve water quality

Increasing the poverty focus will be achieved by

- Prioritising investment in 62 remote and poor districts
- Developing transparent criteria for fund allocation on a yearly basis
- Updating and revising the subsidy rules in decision 80/48 (MARD, July 2008)
- For sanitation and hygiene - only providing Information, Education and Communication (IEC) and not investment subsidies to provinces already capable of mobilizing sufficient internal resources to meet targets
- Making strategic financial plans at province level to guide future investment
- Developing IEC and other approaches that target women and children as well as marginalized and vulnerable groups e.g. disabled people
- Making more use of civil society and mass organisations that are able to reach out to the poorest.

Greater focus on sanitation will be achieved by:

- Moving from investment in public facilities towards promoting household investment
- Making more credit available through the VBSP
- Promoting low cost sanitation options through credit to improve access by the poor
- Increasing the priority on IEC by greater recurrent funding
- Setting clear IEC targets
- Coordinating IEC between Department of Health (DOH) and VBSP
- Moving from IEC for awareness to IEC for behavior change
- Introducing, mainstreaming and scaling up innovative demand and market led approaches.

Ensuring environmental sustainability will be achieved by:

- Accelerating investment in livestock pens through research, IEC, credit
- Promoting biogas use at local level through research, IEC and credit
- Improving the regulatory environment and making investments in garbage collection provided this does not distract from the achievement of the key targets within water and sanitation
- Improving water quality management at water utility level
- Coordinating efforts with the water quality management strategy

- Taking climate change into consideration in selection of water source and improvements in water use efficiency.

Creating a financially sustainable market for water and sanitation sector will be achieved by:

- Promoting the implementation of the new tariff guidelines
- Promoting the implementation of the new socialization decree and subsequent guidelines
- Making use of credit to mobilize user financing
- Supporting both the demand side (IEC) and supply side (incentives for private sector)
- Ensuring that users are fully involved in choice of technology and level of service.

Improving operation and maintenance and technical sustainability of the sector will be achieved by:

- Ensuring appropriate tariffs
- Improving the regulatory environment on surveillance of water operators
- Placing greater attention on water use efficiency
- Monitoring water quality and service standards
- Placing attention on rehabilitation and extension not just construction of new schemes
- Training water operators and undertaking research in new technologies.

Increasing the institutional effectiveness will be achieved by:

- Strengthening the coordination arrangements at national and provincial levels
- Promoting the decentralization of implementation to district levels
- Structuring the NTP - RWSS into 4 major components each with projects that belong to single investment owners
- Using mobile teams to ensure better information sharing and experience exchange between provinces
- Insertion of the NTP - RWSS into the Socio- Economic Development Plan at province level and into national provincial programs such as the healthy and cultural villages programme or the national health standard for communes program.

4.3 Strategy of donor support to the national target programme

The strategy for supporting the NTP - RWSS is three pronged:

- i) provide targeted programme budget support to contribute to meeting national targets through the NTPIII (including capacity building targets);
- ii) provide targeted budget support to the VBSP to contribute to meeting national targets through the NTPIII and,
- iii) provide limited technical assistance and other support (not as budget support).

4.3.1 Targeted programme budget support to NTP-RWSS

Based on 4 years experience of supporting Phase II of the national target programme together with results of a number of specialist studies and reviews it is concluded that supporting the sector through the national target programme using government systems has resulted in a number of significant improvements such as:

- the focus on sanitation and hygiene promotion
- coordination between MARD, MOH and MOET at national and provincial level
- the quality of construction and sustainability of the infrastructure
- the focus and attention given to operation and maintenance
- the planning and reporting of the national programme
- the financial management and procurement at provincial and district levels

It is concluded, in line with the assessment provided in chapter 2, that continuing to provide funds via national systems to the programme will further yield benefits in the above areas.

To support the use of national systems, a number of safeguards (including annual audits) have been devised based on the findings of annual reviews from 2006 to 2010. These safeguards are described in the chapter on financial management. Other than these safeguards there are no restrictions or conditions on the provision of sector budget support.

4.3.2 Targeted budget support to VBSP as part of the NTP-RWSS

Providing support via government systems to the VBSP lending programme should lead to an increase in the volume of lending as well as improvements in:

- the poverty targeting
- the coordination between the DARD, DOH and VBSP and the mass organisations in providing IEC
- the use of low-cost household sanitation and water supply technologies where appropriate

The support will be provided following the system of subsidy to VBSP as is provided by the government.

4.3.3 Provision of technical assistance

Technical assistance (as support channeled outside of the Targeted Programme Budget support (TPBS)) is provided as a means of:

- Piloting innovations that are not easy to implement within a large national implementation focused programme;
- Supporting the sector beyond the government agencies involved in the national target programme;
- Building capacity of implementing agencies that cannot be better done from within the NTPIII system (in practice this will be via the mobile teams);
- Strengthening the national target programme itself e.g. improvement of the legal framework, providing training in financial systems for weaker provinces, undertake special studies, support mobile teams to support provincial implementation and,
- Ensuring a high level of supervision through reviews, audits and studies;
- Providing assistance for strengthening State management capacity to the sector.

A study on technical assistance to the NTP - RWSS was undertaken in 2009 (Barber, 2009) the main findings are summarized in Box 2.

Box 2 Finding of the study on TA to NTP-RWSS

- There is a continuing need for technical assistance;
- Although TA has been found useful to date there are improvements that can be made in use, management and contracting of technical assistance;
- Information sharing, coordination and communication between provinces and the centre is generally weak. Where there is ownership of the change process by implementing units, technical assistance can provide significant added value;
- Key agencies MARD and MOH, indicate that short-term rather than long-term technical assistance is more flexible;
- The strategy of using mobile teams to support the provinces should be continued but the Standing Office

All TA activities for NTP should reach agreement between GoV and donors.

Areas which already now, based on the above and the analysis of chapter 2, seem highly relevant for technical assistance include:

| Priority (time frame) | Areas relevant for TA |
|--|--|
| High (Needs urgent attention) | <ul style="list-style-type: none"> • Development and improvement of NTP guidelines for implementation • Strengthening state management and the regulatory environment • Strategic financial planning and the development of a Medium Term Expenditure Framework |
| Medium (Needs attention <u>within</u> a 2 year period) | <ul style="list-style-type: none"> • Innovative approaches in sanitation and hygiene promotion • Promotion of applied research • Enhancement of operation and maintenance capacity, improvement of water quality, including regulatory framework, and norms/standards for this area • Implementation of socialization in rural water supply and sanitation • Pro-poor targeting and gender • Rural water supply and sanitation lending programme |
| Longer term (Needs regular support over the longer term) | <ul style="list-style-type: none"> • Monitoring and evaluation and sector data-base system • PFM and procurement training for sub-national levels • Water quality, environmental sanitation and climate change adaptation |

In many of these cases there are also other organisations that are providing technical assistance. UNICEF provides extensive support within sanitation and hygiene and also water supplies especially for schools but also more generally. They have been a core adviser to the government on water quality and also monitoring and evaluation. International development agencies such as the World Bank and Asian Development Bank have also been active in the water sector. The World Bank has been active in the urban sector and also in the rural sector in the Red River Delta area where they have provided extensive support to: i) development of national strategies; ii) development of project management capacity and iii) development of private sector solutions to operation and maintenance. The Asian Development Bank and others have supported the rural sector through multi-sectoral projects. One of the most significant of these has been the P135 which is aimed at providing a range of services for ethnic communities including water supply and sanitation. All these efforts involve technical assistance usually within planning and managerial aspects and sometimes on technical aspects. To this official development assistance must also be added the support provided by NGOs including SNV, Plan Vietnam, IDE and East meets West. The coordination of these efforts is largely at the provincial level but the National Standing office also has an important coordinating role.

4.3.4 Areas of technical assistance – high priority

Development and improvement of NTP guidelines for implementation

Rationale: Many lessons have been learnt on how best to guide implementation over NTP I and II. These have been incorporated into guidelines and circulars especially the all important circular 80/48 which guides the subsidy rules. As experience develops it will be necessary to further adjust the guidelines and circulars. It will be useful for the Standing Office to be able to call on resources to assist with this task. For the most part the mobile teams will be able to help as they are composed of senior staff who are very familiar with government systems but occasionally it will be useful to call on specialist support.

Timing: This will start in 2013 once the new programme has gathered experience

Funding: Without a terms of reference and breakdown of what direct support (outside of TPBS) is required it is not possible to be highly specific on the level of funding. For the purposes of estimates for the first two years it is expected that the following funding would be required (in addition to local inputs available from the 3 mobile teams). The operational costs are for workshops to consult on changes.

| Support type | Quantity (person months) | Rate | Amount (USD) |
|---------------------------------------|--------------------------|-----------------|--------------|
| Local TA (including mobile team) | 4 | Already covered | |
| Local TA (additional to mobile team) | 10 | 5,000 | 50,000 |
| International TA | 0 | 30,000 | |
| Operational costs | Lump sum provision | | 20,000 |
| Total for first two years (2012/2013) | | | 70,000 |

Strengthening state management and the regulatory environment

Rationale: Both for water and sanitation there are benefits to be gained in improving the regulatory environment as the sector moves from earlier phases of the NTP - RWSS which focused on accelerating targets to Phase III which will increasingly focus on sector management and regulation. Although there are still large development challenges ahead, particularly for sanitation, it is the right time for the sector to start to look to the future where the public sector will regulate and stimulate the market for water and sanitation. Important steps in setting an appropriate incentive environment have already been taken with the approval of the recent water tariff (MOF, April 2009). Overtime, the ongoing initiatives to increase the access to loans for sanitation and increase the demand (hygiene promotion) and improve the supply (introducing new technologies) will need to be balanced by an improving regulatory environment that obliges householders to have sanitation.

Timing: This will start from 2012.

Funding: Without a terms of reference and breakdown of what direct support (outside of TPBS) is required it is not possible to be highly specific on the level of funding. For the purposes of estimates for the first two years it is expected that the following funding would be required (in addition to local inputs available from the 3 mobile teams).

| Support type | Quantity (person months) | Rate | Amount (USD) |
|---------------------------------------|--------------------------|-----------------|--------------|
| Local TA (including mobile team) | 4 | Already covered | |
| Local TA (additional to mobile team) | 16 | 5,000 | 80,000 |
| International TA | 2 | 30,000 | 60,000 |
| Operational costs | Lump sum provision | | 10,000 |
| Total for first two years (2012/2013) | | | 150,000 |

Strategic financial planning and the development of a Medium Term Expenditure Framework

Rationale: Present financial planning for the sector is static and focused on capital expenditure and the use of government subsidies. The financial planning does not take account of the operation and maintenance costs and the contribution of tariffs and self-investment. Introducing strategic financial planning as practiced in a number of other countries would allow the sector to develop a strategy for making it self-financing in time and based on market mechanisms. The Organisation for Economic Co-operation and Development has developed an approach for the water sector that could be usefully adapted and applied in Vietnam.

Timing: This should be started in 2012 (implying contracting towards end of 2011)

Funding: Without a terms of reference and breakdown of what direct support (outside of TPBS) is required it is not possible to be highly specific on the level of funding. For the purposes of estimates for the first two years it is expected that the following funding would be required.

| Support type | Quantity (person months) | Rate | Amount (USD) |
|---------------------------------------|--------------------------|-----------------|--------------|
| Local TA (including mobile team) | 1 | Already covered | |
| Local TA (additional to mobile team) | 12 | 5,000 | 60,000 |
| International TA | 14 | 30,000 | 420,000 |
| Operational costs | Lump sum provision | | 15,000 |
| Total for first two years (2012/2013) | | | 495,000 |

4.3.5 Areas of technical assistance – medium priority

Innovative approaches in sanitation and hygiene promotion

Rationale: Apart from providing consultancy type support to the programme there is an opportunity to test innovative community and market-based sanitation approaches e.g. scaling up of Community Led Total Sanitation and use of new approaches to sanitation marketing. A call for proposals in these areas from relevant Non Government Organisations (NGOs) and mass organizations was undertaken and two proposals are being funded. The call was intended not to develop new pilots but to upscale and mainstream those that have already shown promise. The support being provided by UNICEF and many NGOs is very relevant for this area of work. The Vietnam Women's Union is also an important actor. The design of the technical assistance during NTPII was well integrated with the efforts of these actors.

Timing: As this is one of the core directions of the NTPIII, it is important that support is provided already from 2012 and continues to the end of the 2015 in addition to the support of the mobile teams and other ongoing efforts which have already started in 2011 (e.g. the pilot studies and call offs arranged via the RWSS partnership).

Funding: Without a terms of reference and breakdown of what direct support (outside of TPBS) is required it is not possible to be highly specific on the level of funding. For the purposes of estimates for the first two years it is expected that the following funding would be required (in addition to local inputs available from the 3 mobile teams).

| Support type | Quantity (person months) | Rate | Amount (USD) |
|---------------------------------------|--------------------------|-----------------|--------------|
| Local TA (including mobile team) | 5 | Already covered | |
| Local TA (additional to mobile team) | 10 | 5,000 | 50,000 |
| International TA | 4 | 30,000 | 120,000 |
| Operational costs | Lump sum provision | | 30,000 |
| Total for first two years (2012/2013) | | | 200,000 |

Strengthening of applied research

Rationale: During NTP II, the TPBS donors financed a call for proposal for research. The facility took a long time to get started and obtain proposals and then finance them. Nevertheless it is expected that eventually promising results will be obtained and that the sector will be in a position to respond to a new call for proposals. Some work may need and justify additional funding e.g. to scale up and replicate promising developments. Many NGOs are involved in supporting the piloting of new technologies.

Timing: It will be best to allow the current facility to run its course and for the an evaluation to be made of what was learnt and whether a new call off is justified or whether it would be better to continue funding some of the more promising developments already funded under NTP II.

Funding: Without a terms of reference and breakdown of what direct support (outside of TPBS) is required it is not possible to be highly specific on the level of funding. For the purposes of estimates for the first two years it is expected that the following funding would be required (in addition to local inputs available from the 3 mobile teams). The lumpsum provision is for additional funding of promising research in 2012/13 that was already started in NTP II.

| Support type | Quantity (person months) | Rate | Amount (USD) |
|---------------------------------------|--------------------------|-----------------|--------------|
| Local TA (including mobile team) | 2 | Already covered | |
| Local TA (additional to mobile team) | 1 | 5,000 | 5,000 |
| International TA | 0 | 30,000 | |
| Operational costs | Lump sum provision | | 20,000 |
| Total for first two years (2012/2013) | | | 25,000 |

Enhancement of operation and maintenance capacity

Rationale: Although the level of operation and maintenance has improved considerably and consistently since NTP I, it is still a very vulnerable area. The new tariff mechanism which allows provinces to increase the tariffs up to VND 9000 per cubic meter is a very welcome measure but efforts will also be needed on improving the effectiveness of operations and maintenance as well as advocating to provincial authorities the need for cost reflective tariffs. The studies on strategic financial planning will certainly help in this regard. The World Bank project in the Red River Delta and also the activities of the NGO East meets West are directed towards improving operation and maintenance and it is important that these efforts are coordinated by the standing office.

Timing: It is envisaged to start from 2012.

Funding: Without terms of reference and breakdown of what direct support (outside of TPBS) is required it is not possible to be highly specific on the level of funding. For the purposes of estimates for the first two years it is expected that the following funding would be required (in addition to local inputs available from the 3 mobile teams).

| Support type | Quantity (person months) | Rate | Amount (USD) |
|---------------------------------------|--------------------------|-----------------|--------------|
| Local TA (including mobile team) | 6 | Already covered | |
| Local TA (additional to mobile team) | 20 | 5,000 | 100,000 |
| International TA | 1 | 30,000 | 30,000 |
| Operational costs | Lump sum provision | | 10,000 |
| Total for first two years (2012/2013) | | | 140,000 |

Implementation of socialization in rural water supply and sanitation

Rationale: The involvement of the private sector is crucial to the sustainability and future of Vietnam's rural supply and sanitation water sector. The World Bank supported Red River project has developed models that could be relevant for the more densely populated towns in

rural areas. Other models involving extensive private sector inputs are also being developed. The socialization decree of 2010 is a key step in the direction of enhancing the conditions for private sector involvement. As Vietnam has never engaged in large scale use of the private sector in the rural water and sanitation sector, it would be useful to bring in experience from outside the country and to provide additional support from within the country. The technical assistance by the World Bank in the Red River Delta would be particularly relevant as it pilots a model that is suitable for some areas especially where the urban areas are relatively dense and higher levels of service are demanded. The NGO East meets West has also piloted very relevant initiatives and it is important that these are coordinated by the standing office.

Timing: To prevent overload this should be started in 2011 (using TA funds under the previous programme of support). During 2012/2013 will become more intensive. In addition the mobile teams which will offer support as from 2011.

Funding: Without a terms of reference and breakdown of what direct support (outside of TPBS) is required it is not possible to be highly specific on the level of funding. For the purposes of estimates for the first two it is expected that the following funding would be required (in addition to local inputs available from the 3 mobile teams).

| Support type | Quantity (person months) | Rate | Amount (USD) |
|---------------------------------------|--------------------------|-----------------|--------------|
| Local TA (including mobile team) | 3 | Already covered | |
| Local TA (additional to mobile team) | 10 | 5,000 | 50,000 |
| International TA | 5 | 30,000 | 150,000 |
| Operational costs | Lump sum provision | | 5,000 |
| Total for first two years (2012/2013) | | | 205,000 |

Pro-poor targeting and gender

Rationale: The main input will be to assist with the full rollout of the national M&E system which in addition to sector and programme indicators also included periodic evaluation of difficult to measure but important aspects of sector performance. Two of the most important which have not yet been addressed are the performance to date on pro-poor targeting and gender. An assessment has been made of these issues (Jensen, 2011) and a number of recommendations have been made. Technical assistance can assist in the implementation of some of the recommendations.

Timing: the study has already been undertaken. There is a need for follow up of the recommendations in the years 2012 and 2013 and it is this follow up which is budgeted for here.

Funding: Without a terms of reference and breakdown of what direct support (outside of TPBS) is required it is not possible to be highly specific on the level of funding. There are some 6 strategic recommendations within gender and some 7 strategic recommendations within poverty targetting of which at least some would benefit from technical assistance (others are addressed exclusively to the national authorities and need to be implemented by them and do not require technical support just decision making and change in practice). For the purposes of estimates for the first two years it is expected that the following funding would be required as an absolute minimum.

| Support type | Quantity (person months) | Rate | Amount (USD) |
|---------------------------------------|--------------------------|-----------------|--------------|
| Local TA (including mobile team) | 3 | Already covered | |
| Local TA (additional to mobile team) | 6 | 5,000 | 30,000 |
| International TA | 2 | 30,000 | 60,000 |
| Operational costs | Lump sum provision | | 30,000 |
| Total for first two years (2012/2013) | | | 120,000 |

Rural water supply and sanitation lending programme

Rationale: The major input will be at the local level to build capacity and stimulate the integration between the activities of the VBSP, Vietnam Women's Union (and other mass organisations) and the DOH hygiene promotion activities. This will include the introduction of innovative approaches to sanitation promotion, hand washing, stimulation of the private sector, broadening the range of sanitation technology and varying the size of loans according to need.

Timing: The support will be provided in 2011/2012 using DFID funds in continuity of earlier work.

Funding: The support to VBSP is still under negotiation now and will start in 2012 if final arrangements are confirmed. . The support requirements above this are not evident yet. But for the purposes of estimates for the first two years it is expected that the following funding would be required.

| Support type | Quantity (person months) | Rate | Amount (USD) |
|---------------------------------------|--------------------------|-----------------|--------------|
| Local TA (including mobile team) | 3 | Already covered | |
| Local TA (additional to mobile team) | 2 | 5,000 | 10,000 |
| International TA | 1 | 30,000 | 30,000 |
| Operational costs | Lump sum provision | | 5,000 |
| Total for first two years (2012/2013) | | | 45,000 |

4.3.6 Areas of technical assistance – longer term priority

Monitoring and evaluation and sector database system

Rationale: Monitoring and evaluation is essential for creating the information base for well considered policies and policy adjustment. It is also the basis for improving transparency and sector governance and accountability. Effective monitoring also provides the basis for better targeting of rehabilitation and maintenance investment. Most of the shortfalls in monitoring and evaluation relate to internal matters such as allocation of sufficient recurrent costs, provision of sufficient institutional incentives and organizational discipline. There is little that external technical assistance can provide in these areas, such concerns are better dealt with through dialogue and rigorous follow up of the relevant benchmark. Technical assistance can help with areas such as: further identifying constraints and bottlenecks in the system; improving sampling to reduce the monitoring burden; improving reporting, information processing and presentation of the results as well as making use of the data for decision making. UNICEF has been providing continuous support to monitoring and evaluation for a number of years.

Timing: Most of the external support will be provided through the mobile team. Additional inputs are justified to evaluate the results at the end of 2011 or start of 2012.

Funding: Without a terms of reference and breakdown of what direct support (outside of TPBS) is required it is not possible to be highly specific on the level of funding. For the purposes of estimates for the first two years it is expected that the following funding would be required (in addition to local inputs available from the 3 mobile teams). It is very important that the technical assistance funding is for evaluation and support and does replace or substitute government funding for monitoring and evaluation. Even if this is initially via the NTP, eventually the funds should be budgeted at provincial level (this will be one of the key evaluation topics).

| Support type | Quantity (person months) | Rate | Amount (USD) |
|----------------------------------|--------------------------|-----------------|--------------|
| Local TA (including mobile team) | 2 | Already covered | |

| | | | |
|---------------------------------------|--------------------|--------|--------|
| Local TA (additional to mobile team) | 3 | 5,000 | 15,000 |
| International TA | 2 | 30,000 | 60,000 |
| Operational costs | Lump sum provision | | 10,000 |
| Total for first two years (2012/2013) | | | 85,000 |

PFM and procurement training for sub-national levels

Rationale: the new procurement law has been consolidated at national level with regular training, however this has not taken place to the same extent at provincial and district levels. As a result there are observations from a number of different sectors that procurement practice at the sub-national levels needs to be improved. As rural water and sanitation is implemented at the sub-national level it is very important that these levels are fully familiar and competent in the new procurement procedures.

Timing: This will start in 2012 and continue to the end of 2015.

Funding: Without a terms of reference and breakdown of what direct support (outside of TPBS) is required it is not possible to be highly specific on the level of funding. For the purposes of estimates for the first two years it is expected that the following funding would be required (in addition to local inputs available from the 3 mobile teams).

| Support type | Quantity (person months) | Rate | Amount (USD) |
|---------------------------------------|--------------------------|-----------------|--------------|
| Local TA (including mobile team) | 6 | Already covered | |
| Local TA (additional to mobile team) | 15 | 5,000 | 75,000 |
| International TA | 1 | 30,000 | 30,000 |
| Operational costs | Lump sum provision | | 30,000 |
| Total for first two years (2012/2013) | | | 135,000 |

Water quality, environmental sanitation and climate change – water borne diseases

Rationale: As Vietnam develops, the threat to water quality and the need to ensure a safe environment and to safeguard water sources against contamination from human and animal wastes will grow in importance. Climate change also threatens to worsen rather than improve water quality. Technical assistance can support building up reliable water quality monitoring and development of broader sanitation waste management strategies particularly for the rapidly growing areas or those near sensitive water resources. A national water quality management strategy has been developed which gives a good basis for providing support. This strategy envisages in the long term a self-financing of water quality management through tariffs and user payments, at least for the water quality testing of piped supplies run by utilities. Sub project 4 of project 1 of the NTPIII is about water quality control in rural water supplies. Technical assistance will work in support of and in harmony with this sub-project. UNICEF has made important contributions to water quality strategies in the past 5 years and has a strong basis of expertise in this area that can also draw on the resources of the World Health Organisation.

Timing: This will start in 2012 and continue until end of 2015.

Funding: Without a terms of reference and breakdown of what direct support (outside of TPBS) is required it is not possible to be highly specific on the level of funding. For the purposes of estimates for the first two years it is expected that the following funding would be required (in addition to local inputs available from the 3 mobile teams).

| Support type | Quantity (person months) | Rate | Amount (USD) |
|--------------------------------------|--------------------------|-----------------|--------------|
| Local TA (including mobile team) | 4 | Already covered | |
| Local TA (additional to mobile team) | 10 | 5,000 | 50,000 |
| International TA | 3 | 30,000 | 90,000 |

| | | |
|---------------------------------------|--------------------|---------|
| Operational costs | Lump sum provision | 40,000 |
| Total for first two years (2012/2013) | | 180,000 |

4.3.7 Summary of cost estimates

A summary of costs estimates for 2012 and 2013 are given below:

| Priority | Item | person months | | | rates (usd) | | Cost estimates 2012-2013 (USD) | | | | Division in to 2012/2013 | |
|--|---|--------------------------|----------|---------|-------------|---------|--------------------------------|---------|--------------------------------------|---------|--------------------------|------------|
| | | Mobile team contribution | Local TA | Int. TA | Local TA | Int. TA | Local TA | Int. TA | operational costs lump sum provision | Total | 2012 (USD) | 2013 (USD) |
| High | Development and improvement of NTP guidelines for implementation | 4 | 10 | 0 | 5,000 | 30,000 | 50,000 | - | 20,000 | 70,000 | 45000 | 25000 |
| | Strengthening state management and the regulatory environment | 4 | 16 | 2 | 5,000 | 30,000 | 80,000 | 60,000 | 10,000 | 150,000 | 70000 | 80000 |
| | Strategic financial planning and the development of a Medium Term Expenditure Framework | 1 | 12 | 14 | 5,000 | 30,000 | 60,000 | 420,000 | 15,000 | 495,000 | 450000 | 45000 |
| Medium | Innovative approaches in sanitation and hygiene promotion | 5 | 10 | 4 | 5,000 | 30,000 | 50,000 | 120,000 | 30,000 | 200,000 | 100000 | 100000 |
| | Promotion of applied research | 2 | 1 | 0 | 5,000 | 30,000 | 5,000 | - | 20,000 | 25,000 | 10000 | 15000 |
| | Enhancement of operation and maintenance capacity | 6 | 20 | 1 | 5,000 | 30,000 | 100,000 | 30,000 | 10,000 | 140,000 | 60000 | 80000 |
| | Implementation of socialization in rural water supply and sanitation | 3 | 10 | 5 | 5,000 | 30,000 | 50,000 | 150,000 | 5,000 | 205,000 | 120000 | 85000 |
| | Pro-poor targeting and gender | 3 | 6 | 2 | 5,000 | 30,000 | 30,000 | 60,000 | 30,000 | 120,000 | 60000 | 60000 |
| | Rural water supply and sanitation lending programme | 3 | 2 | 1 | 5,000 | 30,000 | 10,000 | 30,000 | 5,000 | 45,000 | 15000 | 30000 |
| Longer term | Monitoring and evaluation and sector data-base system | 2 | 3 | 2 | 5,000 | 30,000 | 15,000 | 60,000 | 10,000 | 85,000 | 30000 | 55000 |
| | PFM and procurement training for sub-national levels | 6 | 15 | 1 | 5,000 | 30,000 | 75,000 | 30,000 | 30,000 | 135,000 | 35000 | 100000 |
| | Water quality, environmental sanitation and climate change adaptation | 6 | 10 | 3 | 5,000 | 30,000 | 50,000 | 90,000 | 40,000 | 180,000 | 80000 | 100000 |
| Summary of specific TA inputs | | total | | | | | 230,000 | 420,000 | 120,000 | 770,000 | 340,000 | 430,000 |
| Mobile team (3 teams 2 years, including MOH team) | | Total | | | | | | | | | 200,000 | 200,000 |
| Defined inputs | | Total | | | | | | | | | 540,000 | 630,000 |
| Available for undefined inputs and for commitments already made in 2011 (e.g. Innovative sanitation, VBSP etc) | | Total | | | | | | | | | 2,067,853 | 1,661,853 |

Supervision and programme management

In addition to this funds need to be set aside to ensure that an appropriate level of supervision and programme support management is in place. This includes the need for support for joint annual review and supportive special studies such as fiduciary risk assessments and, other studies aimed at ensuring that the defined safeguards are in place and that risks and assumptions are properly monitored. It has also been concluded from the analysis done earlier on technical assistance support that long term advisers placed in the ministries are no longer needed and that much of the dialogue and supportive work can be carried out by programme staff in the embassies further supported by an international technical adviser based at the DFID office and focusing on sanitation.

Summary of sequencing and timing

The sequencing of the major prioritized technical assistance interventions is given below in figure 4.1. The sequencing takes into account that although all areas are urgent, it is not advisable to overload the sector all at once. Priority is given to studies on the strategic financial planning (because it involves the financial calendar and needs to be inserted early on in the programme to have an effect) and on the gender and pro-poor targeting (because this was delayed from the last NTP). The technical assistance towards the VBSP and innovative sanitation approaches has been planned but has not yet started..

| Priority | Major prioritised TA interventions | 2011 | | | | 2012 | | | | 2013 | | | | 2014 | | | | 2015 | | | |
|-------------|---|------|----|----|----|------|----|----|----|------|----|----|----|------|----|----|----|------|----|----|----|
| | | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| High | Development and improvement of NTP guidelines for implementation | | | | | | | | | | | | | | | | | | | | |
| | Strengthening state management and the regulatory environment | | | | | | | | | | | | | | | | | | | | |
| | Strategic financial planning and the development of a Medium Term Expenditure Framework | | | | | | | | | | | | | | | | | | | | |
| Medium | Innovative approaches in sanitation and hygiene promotion | | | | | | | | | | | | | | | | | | | | |
| | Promotion of applied research | | | | | | | | | | | | | | | | | | | | |
| | Enhancement of operation and maintenance capacity | | | | | | | | | | | | | | | | | | | | |
| | Implementation of socialization in rural water supply and sanitation | | | | | | | | | | | | | | | | | | | | |
| | Pro-poor targeting and gender | | | | | | | | | | | | | | | | | | | | |
| | Rural water supply and sanitation lending programme | | | | | | | | | | | | | | | | | | | | |
| Longer term | Monitoring and evaluation and sector data-base system | | | | | | | | | | | | | | | | | | | | |
| | PFM and procurement training for sub-national levels | | | | | | | | | | | | | | | | | | | | |
| | Water quality, environmental sanitation and climate change adaptation | | | | | | | | | | | | | | | | | | | | |

4.3.8 Proposed national capacity building strategy

As part of the preparation for the NTP a very detailed capacity building demand assessment and training plan for the sector was undertaken (VWSSA, 2010). The demand assessment was based on surveys of the implementing agencies and concluded that there were 4 major themes:

- Planning and Budgeting,
- Monitoring and Evaluation,
- Information, Education and Communications and
- RWSS service provision.

Within these themes particularly the following have been prioritized by the government:

- Operation and maintenance of centralized RWSS systems
- School sanitation facilities management workforce
- Rural solid waste collection

Box 3 Mobile teams – lessons learnt and strategy

Lessons learnt

- Recruitment of suitable professionals has taken much longer than anticipated – there are not many who can and are willing to do the task.
- Use of retired senior professionals who know the institutional systems combined with specialists is working well.
- Spreading over 63 provinces has led to uneven coverage.
- Inputs are only useful where they are demanded by the province.

Strategy

- A south, central and northern cluster approach should be used to reduce travel time (use 3 teams).
- The TOR for the mobile team should be issue specific e.g. on operation and maintenance, this will avoid unfocussed inputs – strong Standing office supervision needed.
- A demand based approach is best as it leads to the advice being given also being followed.
- The mobile team should focus on supporting the national capacity building plan.

The capacity building programme proposed has the following objectives/targets:

- 1,200 programme management staff at national and provincial levels are trained in planning and budgeting
- 1,200 staff in state management entities at national and provincial levels are trained systematically in Monitoring and Evaluation of programs and projects
- 52,000 staff at provincial, district and commune levels are trained in IEC and WSS behaviour change
- 61,500 employees of WSS service providers and social and economic entities are trained in operation and maintenance of RWSS systems.

The total cost of this plan is over VND 400 billion (compared to a total NTP III budget for IEC and training of VND 761 billion). The “off budget” technical assistance is not needed for the majority of these training activities and it would be sounder if they were funded through the normal channels and supported by the donors as part of the TPBS contribution. An exception to this is the support that would be provided by the proposed mobile teams. One of the roles of the mobile teams would be oversee the capacity building strategy and its application at provincial level. Thus the donor support to the national capacity building plan will be:

- Through TPBS which contributes to IEC and training (approximately 1.7% of the total cost of the programme). This could include the capacity building of the supportive Standing Office role of MOH.
- Through technical assistance provided outside the TPBS (not as sector budget support) to finance the mobile teams.

4.3.9 Sustainability and withdrawal strategy

After some 10 years of support by the donors and some 15 years of the national programme itself it is important that the following is sustained:

- The functionality of the built water supplies and public facilities – i.e. the facilities should be well operated and maintained.
- An effective delivery system – i.e. a combination of an efficient public investment system in the sector and a market for water and sanitation services that is competitive and rewarding for the private sector¹⁴.
- Hygiene behavior – i.e. people practice good hygiene and keep sanitation and livestock facilities clean and in good repair.

The factors that influence operation and maintenance, effective delivery and hygiene behavior can be simplified to:

- Tariff – i.e. strategic financial planning that ensures operation and maintenance as well as raising finance for capital investment (rehabilitation and extension)
- Good governance – i.e. transparent and competence regulation of the sector
- Capacity – i.e. development and retention of essential skills in the sector (including research)
- Environment – i.e. regulation and intervention that ensures adequate water resources including water quality and reduction of pollution
- IEC – effective hygiene promotion through health channels, schools and mass organisations / civil society.

The entire strategy of the NTP and also the support to the NTP is built around ensuring as favourable as possible conditions for these factors. One of the most remarkable contrasts from previous NTPs is the focus on sanitation and environmental sustainability. In highly specific and concrete terms the support will help ensure sustainability and conditions for responsible withdrawal by:

¹⁴ This could be interpreted as meaning that a NTP 4 is not needed as the sector will be self-financing from either user charges and/or provincial based subsidies.

- Consolidating strategic financial planning in the sector leading to a medium term expenditure framework¹⁵
- Encouraging the expansion and efficiency of the lending programme through VBSP
- Supporting water quality and environmental studies
- Supporting gender and pro-poor targeting
- Undertaking regular dialogue and assessment on 8 benchmarks related to the factors above
- Supporting (as part of its main philosophy and approach) the core institutions of the sector using own systems and improving from within.

5 Specific measures to address cross-cutting issues and priority themes

Gender

The national strategy for Advancement of Women 2001-2010 supported by a five year plan, a revised civil code and a law on Gender Equality (2006) provides the basis for ensuring gender issues are taken into account across all sectors. The NTP - RWSS recognises that equitable access to and control over water resources, water services and improved sanitation will be the area where women will benefit most directly. It is also recognised that women hold the main responsibility for household water use management and family health - which should be improved through access to safe/hygienic supply, better sanitation and hygiene promotion.

Challenges remain: gender equality in ethnic areas lags behind and the actual decision making influence of women is less than the statistics on representation imply. The recent study on gender (Jensen, 2011) found that RWSS-NTP's staff is quite aware of men and women's roles in accessing and using clean water and sanitation facilities but stereotypical perception of gender issues are common e.g. participation of the Women's Union guarantees gender equality and that supplying water for households can solve gender issues because both men and women benefit. Men still have a more dominant voice than women in decision making on water and sanitation. Guiding documents are lacking on how to tackle gender issues. Communication messages and channels are not developed for men and women separately. Capacity building activities have not taken gender issues into account and monitoring of female participation of training course is not done. Women's chance to participate and get paid for construction work for the schemes is far lower than that of men. Although planned, M&E and reporting activities have not mentioned gender issues. Mobile monitoring reports have not taken this into account, either

By supporting this programme gender equality will be enhanced. Achieving this aim and determining to what extent progress has been made, requires an accurate insight into the status of gender in the sector in order to determine the impact of current policies and practice. The 6 strategic recommendations of the study provide an action list for the national target programme. Most of the recommendations are best implemented as part of the TPBS support and thus fully internalized. But there are some areas that will be best supported by providing technical assistance and support via project modalities to capacity building and awareness raising.

Gender can be promoted under the budget support modality by undertaking dialogue with the GoV and ensuring through this dialogue that: i) the sector policies, regulations and plans are gender sensitive; ii) women's access to IEC campaigns, training, sanitation modalities, credit, is measured, understood and improved.

¹⁵ See OECD, Strategic financial planning for water and sanitation, 2009

As gender was not focused on, in the last phase of the national target programme, a special gender earmarking within the technical assistance budget.

Environment and climate change

The National Strategy for Environmental Protection provides a strategy for mainstreaming environment in all sectors. A Strategic Environment Assessment of the NTPI-RWSS was made in 2009, it identified a number of hazards in current operations and suggested mitigating measures. One of the key messages was the need to strengthen the environmental sanitation aspect of the programme and to make efforts on the issue of rural solid as well as just liquid waste management. The third phase of the national target programme puts much stronger emphasis on environment and climate change than the previous programmes. MONRE is now a formal partner in the Steering Committee at national and provincial level. Investment in sanitation will be increased considerably as will attention to sustainable management of water resources, hygienic livestock management, water quality control in trade villages, water quality monitoring and management of solid waste.

Challenges remain: Longer term sustainable development approaches are not yet deeply rooted in society and environmental monitoring and enforcement is insufficient and under resourced.

By supporting this programme, environmental sustainability and the resilience to climate change will increase. This will happen by bringing MONRE into the decision making processes and by focusing a much greater proportion of investment on sanitation, water resources and water quality monitoring as well as improving the regulatory and enforcement environment. The environmental risks are judged as manageable and relate to: over exploitation of water resources; poorly monitored water quality leads to people drinking unhealthy water e.g. containing pesticides; latrines concentrate the waste and pollute the nearby groundwater being used for drinking water e.g. through dug wells; increased water availability leads to greater use of livestock and damage to fragile ecosystems. It is possible by introduction and use of proper standards to avoid and mitigate all of these risks.

Governance

The Public Administration Reform programme provides the framework for ensuring that good governance is introduced into the public sector. This reform programme incorporates a range of measures including a decree on grassroots democracy which is aimed at promoting participation and a recent law on anti corruption which involves the installation of anti corruption units in government bodies. The recent decree on socialization in the water sector, supported by the target programme budget support donors, is a very significant step towards improving governance and democratizing the sector.

Challenges remain: Decision making is centralized, participation tends to be state focused and corruption is still far from being removed.

By supporting this programme governance in the sector will be improved. The routines and traditions for cooperation across ministerial boundaries will be strengthened. The involvement of non-government actors in the sector will increase as there is an increasing recognition that local level water resource management, water services and the provision of improved environmental sanitation depend on and will need to stimulate active civil society participation. The institutional component of the national target programme aims at reforming institutions serving the water and sanitation sector so that they operate effectively at a more decentralised level and increase the participation of the user groups. The support will assist the Vietnamese

government in its declared aim of separating state management and service provision and in eliminating conflicts of interest (e.g. in procurement). The support also aims at establishing a better enabling environment for self-financing and provision of credit and in this way it will help market mechanisms. These interventions will be accompanied by improvements in regulation to ensure that market practices are fair and efficient. A focus on value for money and fiduciary risk assessments will improve transparency and governance in the sector.

HIV/AIDS

Vietnam's epidemic (0.4%, 2009) is less advanced than in other countries in the region, like Cambodia (0.5%, 2009) or Thailand (1.3%, 2009), but more advanced than in for example Laos (0.2%, 2009) or Indonesia. Health authorities report (SEMLA, 2007) that the number of new cases is rising rapidly at 100 new infections per day. Vietnam's national strategy to prevent and control HIV/AIDS calls for all units and localities across the country to incorporate HIV/AIDS prevention and control activities as one of priority objectives into their socio-economic development programs. In January 2007 a new law on HIV/AIDS came into effect in Vietnam. The law strengthens the rights of people with HIV and calls for AIDS education in the workplace.

Challenges remain: despite good intentions very little was done for mainstreaming HIV/AIDS in during the second phase of the national target programme (2006-2010).

By supporting this programme the opportunities for integrating HIV/AIDS in the sector will be enhanced. Mainstreaming opportunities arise from participatory efforts to improve sanitation services in rural, urban and peri-urban communities. The HIV/AIDS focal points in the counterpart ministries and at provincial level can be empowered to guide the work and put them in contact with NGOs and other actors at the forefront of HIV/AIDS initiatives. Preventative activities to curtail the spread of HIV/AIDS among staff working within the water related organisations and the focal points will be given priority. HIV/AIDS training/sensitisation should be included in all contractual obligations with contractors winning tenders and employing workers from outside the village where construction is to take place. This includes providing access to condoms. It is well known that workers living away from their families are an "at risk" group – both as regards contracting as well as transmitting the virus.

Private sector

Vietnam is committed towards building a socialist market economy. With accession to the World Trade Organisation in 2007 a major step was taken towards building a market economy. Within the water sector the recent decree on socialization (MARD, 2009) reflects the recognition by the government that the sector is best sustained by market based approaches. The new tariff regulations (MOF, 2009) also provide a much improved basis for developing financially sustainable market based solutions to the provision of water and sanitation services.

Challenges remain: Access by the private sector is still restricted. There is not fair competition between state owned enterprises and the private sector. The water and sanitation sector works best as a stable, long term, low risk, relatively low profit-margin business. Profits in the public utility sector will never be high but to compensate should be consistent and low risk. However this has not been the case in the sector although the socialization decree will when implemented assist in the long term aim of creating enabling conditions for the private sector.

By supporting this programme, private sector participation will be encouraged since there will be increasing separation of state management and service provision. Through dialogue donors will advocate for tariffs to be increased to allow sustainable services to be provided by the

private sector. Improved procurement will also help the private sector, as it will create fairer and more transparent competition. Introducing strategic financial planning will enable the sector to take better advantage of market forces.

Disability

Vietnam passed a Law on People with disabilities (2010). This law obliges the sector to ensure that people with disability have access to water and sanitation facilities especially those provided in public places and schools.

Challenges remain: Many people with disabilities are unable to access publically provided water and sanitation facilities e.g. in market places and public places.

By supporting this programme: technological solutions for water supply and sanitation needs of disabled people will be explicitly considered. UNICEF have already made a strong start in ensuring that children with disability have access to better designed school and water and sanitation facilities. AusAID have a well developed strategy and policy “Development for all” which outlines strategies of dialogue and influence that can be adopted to ensure that the water and sanitation sector leads rather than falls behind the implementation of Vietnam’s law on people with disabilities.

6 Budget

6.1 National Budget

The outline national budget with the main budget lines is shown in table 6.1. The foreseen source of funds is given in Table 6.2. Each year an annual budget will be presented by the Standing Office for approval by the government and the donors. The annual budget will be an aggregate of the provincial budgets. The outline budget present here is a framework and indicates the funds required and how they should be allocated in order to reach the stated targets.

Table 6.1 Budget for the NTP - RWSS Phase III¹⁶

¹⁶ NTP3 budget will be confirmed in the final NTP 3 document

| | | Estimated allocation of budget 2011-2015 | | | | Proportion |
|---|-----------------------------|--|-------------------|--------------|-----------|------------|
| | | Total | Users' investment | State budget | | |
| | | | VBSP | Inv. | Rec. | (%) |
| | Total | 40,000,000 | 19,646,704 | 1,192,560 | 8,284,598 | 100% |
| 1 | Sanitation: | 8,641,989 | 6,620,486 | 892,560 | 1,128,943 | 21.6% |
| | - Household latrines | 7,526,289 | 6,397,346 | | 1,128,943 | |
| | - W&S for schools | 985,680 | 197,136 | 788,544 | | |
| | - W&S for clinics | 130,020 | 26,004 | 104,016 | | |
| | | | | | | |
| | | | | | | |
| 2 | Environment | 9,478,032 | 8,081,620 | 0 | 1,396,412 | 23.7% |
| | - New pens | 2,250,000 | 1,912,500 | | 337,500 | |
| | - Upgraded pens | 1,500,000 | 1,275,000 | | 225,000 | |
| | - Biogas facilities | 5,300,000 | 4,505,000 | | 795,000 | |
| | - Waste collection | 428,032 | 389,120 | | 38,912 | |
| 3 | Water supply | 15,820,736 | 4,944,598 | | | 39.6% |
| | - Piped and rehabilitated | 14,828,852 | 4,448,656 | 10,380,196 | | |
| | - Small and scattered | 991,884 | 495,942 | 495,942 | | |
| 4 | IEC and training activities | 1,061,510 | | 300,000 | 761,510 | 2.7% |
| 5 | Management costs and others | 4,997,733 | | | 4,997,733 | 12.5% |

Note: Routine recurrent costs such as salaries are within the already established budgets for the various implementing agencies. The budget for operation and maintenance costs (including water quality monitoring) are also covered by a combination of tariff and user payments and public subsidy depending on the provincial policy and not covered by NTP expenditure. In principle, water quality testing and the sending of results to the MOH is the obligation of the water entity in charge. Some allowance for establishing water quality testing routines is possible under the IEC and training activities budget line if approved by the provincial steering committee.

Table 6.2 Sources of funding¹⁷

Note: by co-incidence the amount from the central budget and total expected donor funds is the same.

6.2 Donor funding

A summary of the donor funds are shown in Table 6.3.¹⁸ The total funding from AusAID, Danida and DFID available for Phase III of the NTP - RWSS is USD 112.1 million of which USD 101.3 million is provided as targeted programme budget support and USD 10.7 is provided as technical assistance and for programme management. This accounts for approximately 25% of the envisaged donor support. It is likely that unless some major additional donors provide funds that the provision of support from donors will fall short of the target of USD 388 million (see Table 6.2).

¹⁷ NTP3 budget will be confirmed in the final NTP3 document

¹⁸ Exchange rates used: 1 USD = DKK 5.5 = A\$ 1.04 = £ 0.63 = VND 20,000=€1.35

Table 6.3a Commitments already made ¹⁹

| | | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | Total |
|----------------------------------|-----------------|------------------------|-------------------------|------|------|------|------|-------|
| AusAid | Program periods | TBPS support 2006-2011 | Support to NTP3 support | | | | | |
| Danida | | TBPS support 2006-2011 | Support to NTP3 support | | | | | |
| Dfid | | NTP2/3 support | | | | | | |
| Government of Vietnam | | NTP2 | NTP3 | | | | | |
| Already committed | | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | Total |
| Dfid | | | | | | | | |
| Targetted program budget support | GBP (million) | 11 | 2.75 | 2 | 0.25 | | | 16 |
| Technical assistance | GBP (million) | | 0.3 | 0.45 | 0.25 | | | 1 |
| Total | GBP (million) | 11 | 3.05 | 2.45 | 0.5 | | | 17 |
| AusAid | | | | | | | | |
| Targetted program budget support | A\$ (million) | | 7.30 | | | | | |
| Technical assistance | A\$ (million) | | 2.06 | | | | | |
| Total | A\$ (million) | | 9.36 | | | | | |
| Danida | | | | | | | | |
| Targetted program budget support | DKK (million) | | 70.00 | | | | | |
| Technical assistance | DKK (million) | | 3.00 | | | | | |
| Total | DKK (million) | | 73.00 | | | | | |
| the Netherlands | | | | | | | | |
| Targetted program budget support | €(million) | | 6.08 | | | | | |

Table 6.3a shows the commitments already made from AusAID, Danida and DFID under ongoing assistance programs. Amounts from 2011 onwards will contribute towards NTP_RWSS Phase III.

Table 6.3b Indicative budget

| Indicative commitments | | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | Total |
|----------------------------------|---------------|------|------|------|------|------|------|-------|
| AusAid | | | | | | | | |
| Targetted program budget support | A\$ (million) | | | 13 | 13 | 13 | 13 | 52 |
| Technical assistance of which: | A\$ (million) | | | 2 | 2 | 2 | 2 | 8 |
| <i>capacity building support</i> | A\$ (million) | | | 1.5 | 1.5 | 1.5 | 1.5 | 6 |
| <i>Programme management</i> | A\$ (million) | | | 0.5 | 0.5 | 0.5 | 0.5 | 2 |
| Total | A\$ (million) | | | 15 | 15 | 15 | 15 | 60 |
| Danida | | | | | | | | |
| Targetted program budget support | DKK (million) | | | 31.5 | 31.5 | 27 | | 90 |
| Technical assistance of which: | DKK (million) | | | 3.5 | 3.5 | 3 | | 10 |
| <i>capacity building support</i> | DKK (million) | | | 2.5 | 2.5 | 2 | | 7 |
| <i>Programme management</i> | DKK (million) | | | 1 | 1 | 1 | | 3 |
| Total | DKK (million) | | | 35 | 35 | 30 | 0 | 100 |
| AusAid and Danida | | | | | | | | |
| Targetted program budget support | USD(million) | | | 18.2 | 18.2 | 17.4 | 12.5 | 66.4 |
| Technical assistance of which: | USD(million) | | | 2.6 | 2.6 | 2.5 | 1.9 | 9.5 |
| <i>capacity building support</i> | USD(million) | | | 1.9 | 1.9 | 1.8 | 1.4 | 7.0 |
| <i>Programme management</i> | USD(million) | | | 0.7 | 0.7 | 0.7 | 0.5 | 2.5 |
| Total | USD(million) | | | 20.8 | 20.8 | 19.9 | 14.4 | 75.9 |

Table 6.3b shows the new indicative commitments from AusAID and Danida.

Table 6.3c Summary of support to NTP-RWSS Phase III

¹⁹ There are many varying figures on the commitment provided which are further complicated by the differing financial years and uncertainty over when the funds were released for expenditure under the Vietnamese system. These figures are based on a spreadsheet processed by DFID on 6 September 2010 and updated information from October 2011.

| Available to NTP3 from donors | | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | Total |
|----------------------------------|---------------|------|-------|-------|-------|-------|-------|--------|
| Targetted program budget support | USD(million) | | 32.3 | 21.4 | 18.6 | 17.4 | 12.5 | 102.2 |
| Technical assistance of which: | USD(million) | | 3.0 | 3.3 | 3.0 | 2.5 | 1.9 | 13.6 |
| <i>capacity building support</i> | USD(million) | | 2.6 | 2.6 | 2.3 | 1.8 | 1.4 | 11.14 |
| <i>Programme management</i> | USD(million) | | 0.4 | 0.7 | 0.7 | 0.7 | 0.5 | 2.47 |
| Total | USD(million) | | 35.3 | 24.7 | 21.6 | 19.9 | 14.4 | 115.8 |
| | | | | | | | | |
| Targetted program budget support | Vnd (billion) | | 645.9 | 427.7 | 372.4 | 348.2 | 250.0 | 2044.3 |
| Technical assistance | Vnd (billion) | | 59.9 | 65.4 | 59.1 | 49.4 | 38.5 | 272.2 |
| Total | Vnd (billion) | | 705.9 | 493.2 | 431.5 | 397.6 | 288.5 | 2316.6 |

Targeted programme budget support

The total provided as targeted programme budget support is USD 112.9 million for the period 2011-2015 taking into account the ongoing commitments and the new indicative commitments. The targeted programme budget support will in principle follow the government's division of financing for the provincial grant programme and support to the lending programme of VBSP.

In principle, TPBS funds planned for VBSP will comply with existing GoV's regulations on interest subsidy for the VBSP.

Table 6.4 indicates the planned proportion of spending on credit subsidies and funding to provinces.²⁰ This indicates, if donors follow the financing flow of the government, that 20% of the targeted programme sector budget support should be directed toward credit subsidies for VBSP (although this will only start from 2012).

Table 6.4 Proportion of funding on credit subsidy

| Items | VND million | % |
|---|-------------|-------|
| Central government | 7,768 | |
| Donor funding expected (from all sources not just AusAid, Danida, DFID) | 7,768 | |
| Total expected funding at central level | 15,536 | |
| cost of credit (VBSP) | 3,146 | 20.3% |
| Funding to provinces | 12,390 | 79.7% |
| | | |

However, it has been planned that the £4 million (equivalent USD 6.3 million) set aside for VBSP support from DFID will be provided so it can be used in 2012 if final arrangements are confirmed and that up to 20% of the remaining funds assigned as targeted programme budget support per year will be provided for the VBSP (see table 6.5). These amounts can be varied year by year at the joint annual meeting.

²⁰ There are many assumptions behind these figures which are shown in accompanying excel charts. A key one here is that the subsidy is limited to the administration cost of 0.45% per month and that the loans are 3 years duration on average and the principal is paid at the end of the term.

Table 6.5 Funding to the VBSP²¹

| | | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | Total |
|---|--------------|------|------|------|------|------|------|-------|
| Targetted program budget support of which | USD(million) | 0.0 | 38.6 | 22.6 | 21.8 | 17.4 | 12.5 | 112.9 |
| <i>Funding to VBSP</i> | USD(million) | 0 | 0 | 6.3 | 4.4 | 3.5 | 2.5 | 16.7 |
| <i>Funding to provinces/national</i> | USD(million) | 0.0 | 38.6 | 16.3 | 17.4 | 13.9 | 10.0 | 96.2 |

Support to the VBSP in 2012 will be carried out with DFID funds only. From 2013 onwards, AusAID and Danida, subject to i) the positive results of the support to VBSP in 2012 and ii) recommendations from the 2012 joint annual sector review, can consider allocating up to 20% of their total annual budget support to VBSP (NB. AusAID and Danida management rules allow for further increasing their support to the VBSP in case deemed effective).

Technical assistance and programme management

A total USD 13.6 million will be provided as technical assistance and programme management in addition to the target programme budget support of USD 112.9 million. Of the USD 13.6 million, USD 2.5. million is allocated to programme management and the remainder (USD 11.1 million) to technical assistance.

In line with donor policies to place focus on gender as a cross cutting topic, an earmarking of USD 0.2 million from the technical assistance budget will be made for initiatives that specifically support gender mainstreaming. In the first instance these will be related to the cost of supporting the recommendations that arise from the planned study into gender equity in the sector.

7 Management and organisation

7.1 Management of the NTPIII

The NTP - RWSS Phase III is a government programme. The designated lead agency at national level is MARD with MOH, MOET playing a significant role in their respective areas and supported by the Center for Rural Water Supply and Sanitation (CERWASS). At provincial level, the Provincial People's Committee (PPC) will designate a lead agency, usually Department of Agriculture and Rural Development (DARD) and/or pCERWASS (the provincial CERWASS) with DOH, Department of Education and Training (DOET) playing a significant role in their respective areas.

Steering Committee

At national level the programme is overseen by a Steering Committee chaired by the minister of MARD and with participation of vice ministers from the relevant national agencies (MOH, MOET). The Steering Committee meets twice a year to review progress and make strategic level changes if necessary. The funding agreement for NTP2 allowed donors to participate in steering committee meetings on an observer basis. This should be continued for NTP3.

At provincial level, a Steering Committee led by a vice PPC chairman and composed of representatives of DARD, DOH, DOET, DONRE is set up. In some provinces a single Steering Committee for all NTPs is set up but the more usual situation is for a dedicated Steering Committee or sub-committee to be established. The functions are similar to the national committee but within the area of jurisdiction of the province.

Standing Office

²¹ Provided that final arrangements are confirmed

A Standing Office led by MARD with participation of MOH, MOET ensures that the programme is progressing well at the operational level. A sub-office of the Standing Office might be set up within MOH given the importance of sanitation in this third phase of the programme.

The programme is implemented at provincial, district and commune level.

At central level the role of the Standing Office is defined in the NTP - RWSS Phase III document and summarized as:

- Developing and issuing guidelines and regulations;
- Consolidating provincial planning, budgeting and reporting at a national level;
- Allocate provincial budgets in consultation with the Ministry of Planning and Investment and Ministry of Finance;
- Checking, supervising and evaluating progress;
- Training and developing human resources;
- Developing IEC materials and promoting communication campaigns;
- Liaising with donors and other external parties;
- Sharing the lessons learnt.

A Standing Office is also, in principle set up at provincial level. At provincial level a Standing Office (or lead agency if no Standing Office is set up) is responsible for:

- Planning and budgeting;
- Implementing activities according to the plan;
- Undertaking monitoring and reporting on programme implementation results.

Role of the line agencies

At national level, MARD, and at provincial level, DARD, has specific responsibilities for overall programme coordination, water supply and sanitary conditions for livestock. They are supported technically by NCERWASS with its provincial offices pCERWASS.

At national level MOH and at provincial level, DOH, has specific responsibilities for sanitation and hygiene promotion as well as water quality monitoring.

At national level MOET and at provincial level, DOET has specific responsibilities for water supply and sanitation as well as hygiene promotion in schools.

In addition, various committees and working groups have been established, including the national working group on sanitation.

Vietnam Bank for Social Policies

The VBSP programme for lending for water and sanitation was established through Decision 62/2004 “Approval of the Credit for National Strategy on Clean Water Supply and Rural Environment Sanitation”. The VBSP is responsible for ensuring that loans for water supply and sanitation reach those that do not have such facilities and are capable of repaying a loan. The VBSP operate through district based offices and use a variety of mass organisations to make contact with and help administrate the loans. Most commonly the Vietnamese Women’s Union is used. In most provinces, the provincial offices of the VBSP will be invited to be part of the NTP provincial Steering Committee to ensure good coordination of the water and sanitation lending with the other activities and especially the hygiene promotion activities of DOH. It is

also likely that the VBSP will be invited to participate in the national Steering Committee (under other ministries and sectors, §XIV.2.1.f of the NTP-RWSS document).

Rural water supply and sanitation partnership (RWSSP)

The RWSSP is a partnership between government agencies, donors and civil society. It aims to create a collaborative mechanism for improved effectiveness of resource use in RWSS through coordination and harmonization of support to GoV policies, the NTP - RWSS and other programmes. The Partnership's goal is "reducing rural poverty and improved living conditions of rural people through universal, sustained and affordable access to RWSS services". The RWSSP works closely with the Standing Office of the national target programme at the national and provincial levels as well as its partners in MARD, MOH and MOET. The RWSSP has recently established a 5 year plan which provides a strategic underpinning for its role and lays out its programme of action for the next years.

Appropriateness of the management arrangements

The management arrangements are considered appropriate except that the role of the VBSP on the Steering Committee should be formalized and the donors should be provided with an observer status on the Steering Committee. It is understood that both these points will be addressed at the start of the NTPIII and in time for the first meeting.

7.2 Donor involvement and coordination

The target programme budget support donors participate in joint annual reviews (June/ July) and the joint annual meeting (October). The joint annual reviews examine sector performance, review the safeguards in place and assess benchmarks. The joint annual meeting follows up on the recommendations of the joint annual review and, based on a number of mainly performance-related criteria, agrees on donors' commitment for the following financial year. The joint annual meeting is the main forum for formal dialogue on progress and performance. It is also the forum for making decisions on how to adjust or alter the support to the programme.

The target programme budget support donors also engage in issue specific meetings with the Standing Office as and when required.

Following successful practice during Phase II of the national target programme, a lead donor role is not found necessary. Instead there is a flexible division of labour amongst the three target programme budget support donors based on frequent meetings. In practice AusAID tends to lead on financial management, fiduciary assessment and value for money auditing, Danida tends to lead on water supply issues, gender and socialization and DFID tends to lead on credit with sanitation being jointly led by Danida and DFID. If more donors join or if this cohesion does not continue in practice then it might be necessary to instigate a lead donor role.

It should be stressed however that in practice the three donors coordinate closely internally and it has been found most pragmatic to allow the actual tasks to deviate from the above depending on circumstances.

The Rural Water Supply and Sanitation Partnership offers a broad forum for coordination of donor activities in the sector beyond budget support to the National Target Programme.

8 Financial management and procurement

8.1 Main principles

Following the successful piloting of targeted programme budget support from 2006-2009 a decision was made by AusAID, Danida, and the Netherlands to fund the remaining period of support (2009-2011) without earmarking the funding for particular provinces. This decision was based on studies (technical reviews, audits, fiduciary assessments) and the analysis of a joint annual review (2009). The review of 2010 confirmed the appropriateness of this funding modality. Therefore, consistent with the logic of targeted programme budget support, financial management will be fully aligned to the Vietnamese national systems.

The Vietnamese system of management of Official Development Aid (ODA (GoV, November 2006, decree 133)) recognizes two distinct types of support modalities: i) investment and, ii) technical assistance/capacity building. In line with this decision, the principles governing financial management of the programme are:

- The modalities for transfer of funds will separate between the two types of intervention recognized by the GoV for ODA: i) investment ii) capacity building/ technical assistance.
- The financial management and transfer of funds for investments will be as aligned to the Vietnamese procedures and systems. Thus the national planning, budgeting, accounting, procurement and auditing procedures will be followed.
- The line agencies of the national programs²² being supported will identify the implementing and budget holding entities (project owner in Vietnamese terminology) who will be responsible for the detailed management and accounting following the MOF procedures.
- Funds for supporting loans to households through the VBSP will follow the subsidy and other norms established by the government.
- Safeguards in the form of joint reviews and benchmarks should be built in where the overall fiduciary risk assessments indicate it is necessary.
- Where necessary, for building up capacity to implement the financial management systems particularly in weak provinces, technical assistance will be provided.
- Capacity building or technical assistance support modalities will be channeled to the implementing agency as off-budget (either as funds or in kind) as the support needed is usually of a temporary nature, or of a purely catalytic nature which does not need to be sustained or, is a type where there are advantages to using in-kind provision modalities e.g. procurement of international specialists.
- All ODA funds, both those transferred via the Vietnamese treasury and those provided through project modalities or in-kind will be recorded on the budget by the MOF as provided for under MOF circular 82, 2007.

The type of support and funding modalities are summarized in Table 8.1 below.

Table 8.1 Summary of the types of support and funding modalities

| Type of support | Funding modalities |
|-----------------|--------------------|
|-----------------|--------------------|

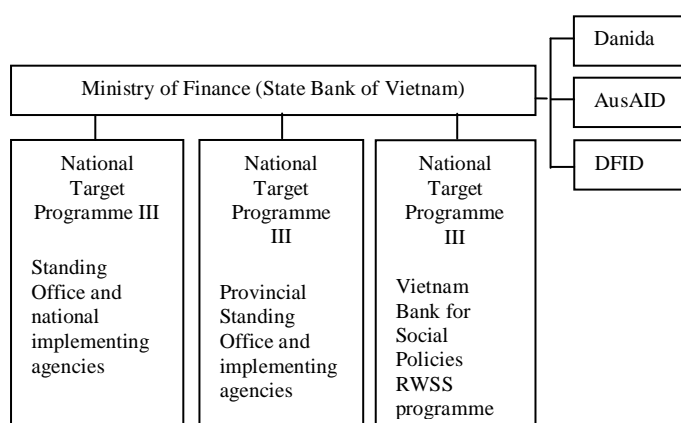
²² GoV, November 2006, decree 133 article 4.15, 4.16

| Type of support | Funding modalities |
|----------------------|--|
| Investment | <ul style="list-style-type: none"> • Grants transfer via MOF, targeted for the NTP- RWSS (national and provincial level) • Grant support for loans, transfer via MOF, targeted for the water supply and sanitation loan programme of the VBSP |
| Technical assistance | <ul style="list-style-type: none"> • Transfer via the GoV systems if within state management functions – practical only for local consultants, local expatriates and workshops or training events • Provide directly if in-kind support is preferable e.g. international advisers, consultants |

8.2 Financial management of investment funds

Figure 8.1 shows the funding channel for investment funds. It indicates that all investment funds will be transferred to the Vietnam Ministry of Finance via the State Bank of Vietnam (using the national and provincial treasury).

Figure 8.1 Funding channels for investment



The support from the donors is transferred to the Ministry of Finance in two tranches following an agreement reached on the amounts to be transferred for the next financial year. The agreement on the amount to be transferred to the Ministry of Finance to both the provinces and VBSP will be made at the joint annual meeting held in October each year. The following criteria will guide the decision on what if any variation on the indicative annual funding should be transferred:

1. The sector outcome, documented in the performance report (available April, for year n-1)
2. Audit results (available July, for year n-1)
3. Progress on benchmarks (available July, for year n-1)
4. Budget for next financial year (available October, for year n+1)
5. Allocation to provinces (available October, for year n+1)
6. Qualitative assessment of the current situation (October, for year n)
7. Confirmation of availability of donor funds (October, for year n+1)
8. The record of actual disbursement made (available January in year n+1, for year n)

Once the commitment for year n+1 is agreed, the funds will be transferred in two tranches. The first tranche will be carried out immediately after the joint annual meeting. The second tranche will contain an adjustment for the criteria #8 (disbursement) which will not affect the total funds available in year n+1 as funds not disbursed by the government in year n will be carried over to year n+1 and compensate for lower donor funding. In principle, 70% of the total

indicative funding level will be considered fixed and up to 30% will be varied according the criteria above.

In summary the procedure is:

- Every year during the joint annual meeting, donors will confirm their commitment for the whole programme (which include budget support to the NTP 3, budget support to VBSP and off budget TA) for the next year.
- Funds will be transferred in two tranches to MOF and it is MOF's responsibility to allocate funds to the NTP 3 and VBSP in accordance with the agreement between the GoV and donors.
- The second transfer of the year will be the proceeds of the total commitment of the year deduct the unspent funds of the previous year (unspent funds of both the NTP 3 and the VBSP).

Table 8.2 summarises the procedures for financial management of state management activities. A outline of the overall financial calendar in Vietnam is given in Annex A.

Table 8.2 Summary of procedures for financial management of investment funds

| Area | Support to NTPIII grant program |
|---------------------------------|--|
| Planning and budgeting | The Standing Office in each province drafts annual work plans and budgets based on provincial master plans (where available and approved by PPCs). The provincial plans and budgets are subject to consolidation and onward submission for approval by the national Standing Office based on a number of criteria. Procedures defined in: State budget law www.mof.gov.vn (recurrent) and www.mpi.gov.vn (capital) |
| Funds transfer | The funds approved in the annual workplan and budget will be transferred by the MOF following its detailed procedures (Circular 82/2007/TT-BTC) to the relevant project owners (implementation agencies). State budget law www.mof.gov.vn (recurrent) and www.mpi.gov.vn (capital) |
| Accounting and reporting | The national Standing Office provides semi-annual progress and financial reports that are based on provincial reports and the normal government accountancy systems used by the implementation agencies. Law on accounting 2003. |
| Procurement | Procurement for activities carried out directly by the project owners and will follow GoV procedures and norms. Procurement law 61/2005/QH11 and related regulatory documents. |
| Auditing and tracking | GoV audits are carried out every 2 years at the lead agency level (ministry and PPC) and every 2 -3 years at the national programme level. Where needed, the State Audit of Vietnam audits will be either supplemented by additional independent tracking and/or audits or alternatively support will be provided to ensuring a more intensive and detailed State Audit of Vietnam audit than normal. State Audit Law 2006. Audit law 2006, (earlier Decree 60, article 73). The VBSP should also submit annual audit statements. |

8.3 Safeguards and benchmarks

Joint annual reviews and the outline assessment of the overall NTPIII national sector framework (chapter 2) have shown that a number of issues within the national systems would benefit from safeguards and the definition of benchmarks against which progress can be measured. Safeguards for eight areas have been found to be necessary:

- Fiduciary risk assessments
- Value for money audits
- Planning and reporting
- Quality of construction

- Operation and maintenance
- Investment and recurrent budget allocation
- Monitoring and evaluation
- Gender

The rationale for these safeguards and the benchmarks are summarized in Table 8.4 and further defined and a baseline given in Annex A. The benchmarks will be assessed regularly by the annual review missions, although in some years the missions will focus more on some topics than others.

Table 8.4 Rationale for benchmarks

| Issue | Rationale for the safeguard/ benchmark |
|------------------------------|--|
| 1. Fiduciary risk | <p>Although, annual audits undertaken by donor funded State Audit of Vietnam audits have demonstrated that provincial accounts present an accurate view of NTP-RWSS Phase II expenditure and that all relevant financial and procurement norms are followed, it is still considered prudent especially in the light of increasing decentralization that a special audit and fiduciary risk study is undertaken on a 15 province sample basis. This audit as for earlier years will include an audit of procurement procedures. Aspects that will potentially be included are: i) a review if whether cost estimates are attached to the bidding documents; ii) whether bids are accepted whether or not they exceed the cost estimates; iii) whether there is a minimum bidding period of 30 days for national competitive bidding processes; iv) whether the system has introduced technical evaluations with pass/fail criteria for goods and works procurements, and evaluations based on a points system only for procurements for consulting services; v) whether is evidence that collusion has taken place.</p> <p>This safeguard is also intended to demonstrate the value of such studies and to encourage the sector to adopt such approaches in the future.</p> <p>The Benchmark is a continued less than 1% of unauthorized expenditure.</p> |
| 2. Value for money | <p>Although the sector has performed well in past value for money audits, there are still issues remaining such as: low connection rates in some schemes; promotion of low cost sanitation solutions and insufficient attention on water quality. With the introduction of solid waste management new issues are also likely to arise. Like the fiduciary risk safeguard, this safeguard is intended to demonstrate the value of such studies and to encourage the sector to adopt such approaches in the future. It will be considered to add a specific task to the study to look at the link between procurement practice and value for money.</p> <p>The bench mark is that the value for money is on a constantly improving trend.</p> |
| 3. Planning and reporting | <p>Financial and progress reports have not been fully satisfactory – they are not sufficiently timely, accurate, consistent or complete. They are not based on rolling medium term plans as they should be.</p> <p>The benchmark is that all plans satisfy minimum format standards and provide accurate data and that by 2012 are based on proper medium term financial planning.</p> |
| 4. Quality of construction | <p>Quality of construction has been a major problem in the past due to poor procedures and inadequate updating of GoV cost norms. The situation is much better now in part because of improved procurement regulations. Nevertheless there is a need to continuously watch over construction quality especially as the more difficult and costly schemes are implemented and as implementation is progressively decentralized.</p> <p>The benchmark is that a qualitative assessment, made as part of the the State Audit of Vietnam/Standing Office technical audit on a sample of schemes, that cost norms are sufficient and that construction quality adequate.</p> |
| 5. Operation and maintenance | <p>Like quality of construction, operation and maintenance has been a major problem in the sector. The situation however has been improving rapidly due to increase tariffs and more attention on viable management models. It is judged prudent to continue to watch over operation and maintenance and ensure that improvements continue.</p> <p>The benchmark is that monitoring and evaluation target values on operation and maintenance</p> |

| Issue | Rationale for the safeguard/ benchmark |
|---|--|
| | are reached and that in the opinion of the annual review mission suitable tariff and/or provincial subsidy arrangements are in place based on the field evidence of the mission. |
| 6. Investment and recurrent budget allocation | <p>Greater expectations on sector performance is increasingly demanding; i) a higher ratio of spending on recurrent items such as: hygiene and IEC and water quality monitoring as well as ii) a spread of investment owners (DOH, DOET and DONRE) to ensure that works are done by investment owners in their mandate area and ii) where capacity exists or can be built investment ownership is delegated to district level and communes and villages play an active role in the definition and supervision of investments.</p> <p>The benchmark is that a qualitative assessment, externally verified by the Target Programme Budget Support donors once a year prior to finalization of the budget, demonstrates that budget allocation follows policy.</p> |
| 7. Monitoring and evaluation | <p>The newly established Monitoring and Evaluation system should be rolled out fully and the results should be quality assured and available at provincial and national levels.</p> <p>The benchmark value is that there should be full reporting each year. The type “c” indicators should be evaluated more frequently.</p> |
| 8 Gender | <p>The newly established Monitoring and Evaluation system should provide information on the gender status of the sector as part of the periodic evaluation and that recommendations from the study should be adopted where appropriate.</p> <p>The benchmark value is that the periodic evaluation should be complete by end 2011 and the Standing Office should have assessed and adopted the recommendations where they are found appropriate by end 2012.</p> |

8.4 Financial management for technical assistance provided in kind or via project modalities

Earlier experience during NTP-RWSS Phase II showed that technical assistance and support for capacity building activities is often more effective if provided either in-kind or via project modalities. For these types of expenditures, the financial management and procurement will simply follow the standard procedures of the particular donor involved. The particular procedures are not described here as they are known to the donors concerned²³. The volume and nature of assistance does not justify setting up a pooled fund or creating any special regulations or rules.

In general, technical assistance support will either be provided in kind in which case procurement and financial management follows the donor procedures, or funds will be transferred to a project account held by the beneficiary in which case procurement and financial management follows the project procedures of the receiving organisations. Most of the Vietnamese organisations both government and NGOs that could be considered relevant have project procurement and financial management procedures that have been tried and tested and which are able to cope with the donor demands for financial management and reporting.

9 Monitoring, reporting, reviews and evaluations

9.1 Monitoring

Vietnam approved a national system of monitoring and evaluation for RWSS in April 2008. This is composed of 8 sector indicators and 6 programme indicators. The progress of the sector

²³ A separate text will be made available by the donors on each of their procedures.

and the national target programme will be monitored using the national monitoring and evaluation system. The indicators are listed below:

Table 9.1 Indicators

| | |
|--|--|
| Water supply | Proportion of rural population using hygienic water (%) |
| | Proportion of rural population using clean water satisfying MOH's standard QCVN 02:2009/BYT |
| Environmental sanitation | Proportion of schools having hygienic water and hygienic latrine (%) |
| | Proportion of commune health centers having hygienic water and hygienic latrine (%) |
| | Proportion of public works (Market, cultural house, Commune Peoples Committee office) having hygienic water and hygienic latrine (%) |
| | Proportion of households having hygienic latrine (%) |
| | Proportion of livestock farming households having hygienic farms (%) |
| | Proportion of trade village having water discharge and waste treatment system (%) |
| Financial progress | Proportion of budget implemented compared to budget planned (%) |
| Physical progress | Number of people served by newly constructed or upgraded water facilities per year (#) |
| | Number of newly constructed latrines per year (#) |
| Efficiency | Average investment per capita on piped schemes (Vnd/p) |
| Sustainability and service efficiency | Proportion of water supply schemes operating sustainably (%) |
| | Proportion of piped water supply systems operating under recognized management models (%) |

The indicators are reported on as part of the annual national target programme reporting and independent field verification can be obtained through the joint annual reviews.

The national monitoring and evaluation system allows for periodic evaluation on topics which are too complicated to be captured on the basis of regular monitoring. These include topics such as gender equality in access to water and sanitation services and how competitive and rewarding an environment has been provided for the private sector.

As a supplement to the national monitoring system, attainment of a number of benchmarks (defined in chapter 8) are also monitored during the joint annual reviews.

It is not meaningful to attempt to measure the specific contribution that can attributed to the donors instead it is considered that the donor support via targeted programme budget support contributes to the target achievement of the whole NTP 3 in proportion to the funding made available (approx 5%)²⁴. In addition the donor support makes a policy and policy implementation contribution that can be best measured by achievement of the benchmarks, this is supported by the off budget technical assistance and programme support management.

The direct additional support of the donors depends on a number of factors. It depends on the leverage that can be expected to be obtained i.e. the extent to which additional funding will mobilize community and provincial and VBSP spending. It also depends on the accuracy of the unit costs which in the NTP3 –RWSS budgets are all in 2010 figures. A range of acceptable values is shown in the table below based on no leverage and full leverage²⁵.

²⁴ In practice this means that donors use the annual targets of the NTP III as the donors' annual targets. The level to which NTP III achieves its targets will be taken as the level to which the donors have achieved their targets.

²⁵ With no leverage the additional TPBS funds are simply taken as a proportion of the total expenditure i.e. USD 101.3 million out of a total budget of USD 2282 million – essentially this is equivalent, across the range of facilities of the results that would be obtained from total TPBS funds divided by the unit cost of facilities. With full leverage, allowance is made for the fact that in effect neither the donors or the government are paying for everything. The people are also contributing directly and through repaying loans. For full leverage the TPBS funds are compared to the government budget and subsidy to VBSP i.e USD 101.3 million out of a total of USD 828 million (made up of USD

Table 9.2 is not meant to represent a literal calculation of the schemes and people served by the donor support but is intended to give a scale of magnitude of the impact of the donor assistance. It should also be noted that it is based on original baseline and targets of the NTP planning document (MARD, October 2010)²⁶.

| Table 9.2 Targets | Targets of the NTP III RWSS | source NTP III budget | contribution of TPBS donors with no leverage | contribution of TPBS donors with full leverage | Coverage end 2010 | Coverage end 2015 |
|---|------------------------------------|------------------------------|---|---|--------------------------|--------------------------|
| NTPIII- RWSS targets | 2011-2015 | | | | | |
| Additional people served by water supply (hygienic water) | 8,027,577 | | 298,961 | 823,949 | 83% | 95% |
| Additional people served by water supply (clean water) | 4,791,124 | Table 3a | 178,430 | 491,760 | 42% | 60% |
| Number of additional households with latrines | 2,116,437 | table 6 | 78,820 | 217,231 | 61% | 75% |
| Number of additional school latrines | 8,065 | table 8 | 300 | 828 | | |
| Number of additional clinic latrines | 1,752 | table 9 | 65 | 180 | | |
| Number of additional CPC facilities | 2,725 | table 10 | 101 | 280 | | |
| Number of additional market facilities | 1,665 | table 11 | 62 | 171 | | |
| Number of additional new livestock pens | 500,000 | Table 12 | 18,621 | 51,320 | | |
| Number of additional upgraded livestock pens | 500,000 | | 18,621 | 51,320 | | |
| Number of bio-gas installations | 1,000,000 | | 37,242 | 102,640 | | |
| Number of communes supplied with tools | 2,724 | Table 13 | 101 | 280 | | |
| Number of additional public waste disposal sites | 2,724 | | 101 | 280 | | |

Source: NTP3 planning tables 1 to 16 (excel Tinh toan NTP3(Thong ke)_en dated january 2011)

9.2 Reporting

Quarterly, semi-annual and annual reports are made at provincial level and then compiled at national level by the Standing Office –although at present quarterly reports are not produced. In the past, these reports have included information on the credit programme through the VBSP. In future the information on VBSP should be more detailed and refer to VBSP reports. The annual reports make a qualitative assessment of the constraints encountered and assess how well new opportunities have been taken advantage of. They also assess any changes that need to be made to the procedures and approach of the programme in order to better attain sector and programme targets. These reports form the basis for the joint annual reviews.

As mentioned in chapter 8, the standard of reporting, although improving, is still not good enough which is why a safeguard has been introduced in this area. Greater vigilance and supervision by the Standing Office is the key to ensuring improved reporting from the provinces. It is not expected that interventions other than the regular monitoring of the safeguard is needed. If this is found to be overly optimistic then further steps can be taken after one year. The proposed strategic financial planning will tend to help the process of reporting as will the completion of the M&E system.

9.3 Reviews and evaluations

As mentioned earlier, a joint review between government and donors is conducted once per year. This review is based on the annual reports of the previous year together with value for money audits and where relevant a fiduciary risk assessment. The joint review assesses the overall sector performance and progress on reaching the agreed benchmarks. It also focuses on a small number of thematic areas e.g. hygiene promotion or provision of credit. There is provision within the format of the review to carry out (not necessarily annually) a review of the contribution and progress within cross cutting issues as well as an explicit review of the validity of assumptions and an analysis of risks.

671 (government budget) and USD 157 million (VBSP subsidy)).

²⁶ Final data will be confirmed once NTP3 budget and baseline data are final.

The joint annual review is followed by a joint annual meeting to follow up on recommendations made and to make necessary adjustments in the support programme if appropriate. There are no post programme evaluations planned at this stage, however as the last thorough sector review was done in 2005, there could be value in making one to update and deepen sector understanding. A mid-term review could be launched if found appropriate to re-consider the direction of the NTP or obtain more in-depth insight into the progress and issues outstanding.

10 Risks and assumptions

10.1 Risks

The most recent risk assessment of the national target programme was conducted as part of the preparation of DFID support in 2009 and also by the joint review of 2010. From these assessments five main risk factors were identified:

- Inadequate operation and maintenance
- Hygiene behaviour not changing
- Insufficient increase in sanitation lending
- Fiduciary risks leading to high unit costs and poor quality of works
- Insufficient budget from government and/or donors to reach targets

Each of these risk factors is assessed in greater detail in the text below. In addition to these four risks there are also implicit risks at a lower level where safeguards have been introduced to monitor the situation. It is considered for these additional risks that introduction of a safeguard is sufficient and further support (or distortion) is not needed. In addition to operation and maintenance and fiduciary risks the safeguards include: value for money; planning and reporting; quality of construction; recurrent and capital investment; M&E and gender. The rationale behind these factors have been established in chapter 2 which itself draws on the sector review of 2005, the design process of NTPII / III as well as the outcome of five years of sector reviews from 2006 to 2010. The more precise requirements and present level of attainment is defined in Annex A.

Operation and maintenance (medium/high):

There is a risk that constructed facilities may have a too short useful service life, due to either (i) poor design and construction quality or (ii) insufficient emphasis on IEC user involvement and training for operation and maintenance. So far, indications from the joint annual reviews and specialised studies indicate that the failure rate (4,5% in 2007) of the first phase of the NTP - RWSS is reducing fast. It is likely this risk will fall to medium once better baseline information on infrastructure functionality is available.

Hygiene behaviour change (high):

There is a risk that hygiene behaviour does not change, due to i) lack of political will to adopt new social marketing and private sector based approaches if institutionally unpopular or ii) slow response to hygiene promotion. The national strategy now correctly focuses on creating demand, stimulating supply and providing an enabling environment. But in practice, greater attention to hygiene and sanitation promotion is required and without it, health impacts will be sub-optimal. Donor support to implement innovative approaches, which yield compelling evidence that tangible results can be achieved, is designed to help mitigate this risk. However, approaches are new and political commitment to transfer control to others is untested.

Sanitation coverage (high):

There is risk that there are insufficient funds to match the massive demand for loans through VBSP. The risk is that despite donor support to the government for increasing the volume of subsidies, the VBSP might not be able to raise the necessary finance from the market.

Fiduciary risk (low):

There is a risk that despite apparent improvements in the last few years, the sector reverts to the poor practices of the past. This risk is rated as low based on earlier fiduciary risk assessments. However, a more in-depth procurement assessment and auditing will be carried out as described under safeguards and benchmarks. In particular, the risk of collusion between those managing the implementation and contractors will be examined.

Insufficient budget from government and/or donors to reach targets (medium/high):

There is a very large amount of funds budgeted under loans and other donors. Already now it seems it will be difficult for VBSP to mobilize the fund necessary to increase lending at the scale envisaged by the NTP 3. Less lending will particularly affect the sanitation targets as mentioned above. The TPBS donors are providing less than 25% of the total funding envisaged from donors. It is not clear where the other funds will come from. A related issue is that funding that is made available is often not targeted at the recurrent needs especially those within sanitation that are under the mandates of the DOH and DOET.

All these risks are covered by the benchmarks and agreed by GoV and donors for annual monitoring. Operation and maintenance and household sanitation coverage are also part of 16 national indicators. Monitoring is thus already built into national monitoring systems. A summarised risk management analysis is given below:

Table 10.1 Risk management

| Risk event | Risk consequence | Risk rating | Mitigating measures |
|--|---|--------------------|--|
| Inadequate operation and maintenance | Systems fail and the impacts of improved water and sanitation are short lived. Costs rise due to the need to rehabilitate. | Medium to high | <ul style="list-style-type: none"> i) Fine-tune State management system and regulatory framework on management, operation of rural water supply schemes ii) Intensive monitoring and periodic evaluation to understand reasons for failure iii) Follow up on failures and allocation of responsibilities to responsible water supply and sanitation authorities iv) Adjustment of standards and norms v) Increased funding of IEC vi) Decentralisation of implementation vii) Reduction of provincial funding for new investments until operation and maintenance levels are acceptable |
| Hygiene behaviour will not change | The facilities built are not used. Health benefits of water supply and sanitation do not occur. Demand in especially ethnic communities lags. | High | <ul style="list-style-type: none"> i) Policy dialogue to support introduction of innovative solutions ii) Intensive monitoring and periodic evaluation to understand reasons for failure iii) Provide Technical Assistance to MOH /provinces and VBSP to help introduce sanitation marketing, private sector supply and enabling environment improvements iv) Increased funding of IEC |
| Lending to household sanitation will not increase as | Not enough sanitation facilities are built. | High | <ul style="list-style-type: none"> i) Adopt a flexible, pragmatic and persistent attitude to engaging with VBSP ii) Assess what to do if the loan programme does not lend as much as expected |

| Risk event | Risk consequence | Risk rating | Mitigating measures |
|---|---|--------------|---|
| expected | | | |
| Fiduciary risk and procurement | The unit costs rise and fewer facilities are built for the money available. Those facilities that are built are poorly constructed and have a very short design life. | Low | i) Continue to finance the independent technical and financial audits at a sample of 15 provinces per year. ii) Intensify training in use of government systems including the new procurement law iii) Intensify training in anti-corruption iv) Undertake an updated procurement assessment in 2011 as part of updating FRA |
| Insufficient funds (and/or not well targeted) | Targets cannot be met | Medium/ high | i) Undertake early work on strategic financial planning to ensure that provincial planning can make good use of other funding outside of the NTP (e.g. P135, World Bank or Asian Development Bank lending) so that they contribute towards the targets. ii) Monitor benchmark 6 on targeting of funding on recurrent |

10.2 Assumptions

Related to these risks are a number of underlying assumptions which are beyond the immediate influence of the TPBS donor's support and which are useful to isolate and subject to monitoring.

- Tariffs, socialisation and other regulatory reforms will be implemented so that operation and maintenance is sustainable (Monitor principally through examination of average tariffs)
- The rural population will be receptive to new hygiene practices (Monitor through evidence of continued strong demand for loans and outcome of special studies on hygiene behaviour)
- The VBSP will be able to raise sufficient finance to match demand for household water supply and sanitation (Monitor through volume of outstanding loans)
- The Steering Committees and Standing Offices of the national target programme will ensure that improved practices on financial management and regulation e.g. value for money audits, are incorporated into routine sector practice (monitor through the adoption of more rigorous and appropriately flexible cost control and cost norms)
- Other donors provide support at the scale envisaged by the NTP3 (self evident monitoring)
- The NTP is approved for the full period (2011-2015). At present it is approved for 2011. (Self evident monitoring).

On the last assumption, if the NTP for the period 2011-2015 is not approved by the time of the Annual Review meeting in September 2011, then the GOV and the donors will need to decide on how to potentially restructure the support depending on how the GOV will proceed (e.g. the government could decide there should be no NTP for water and sanitation at all or that it should be merged with another NTP).

Annexes:

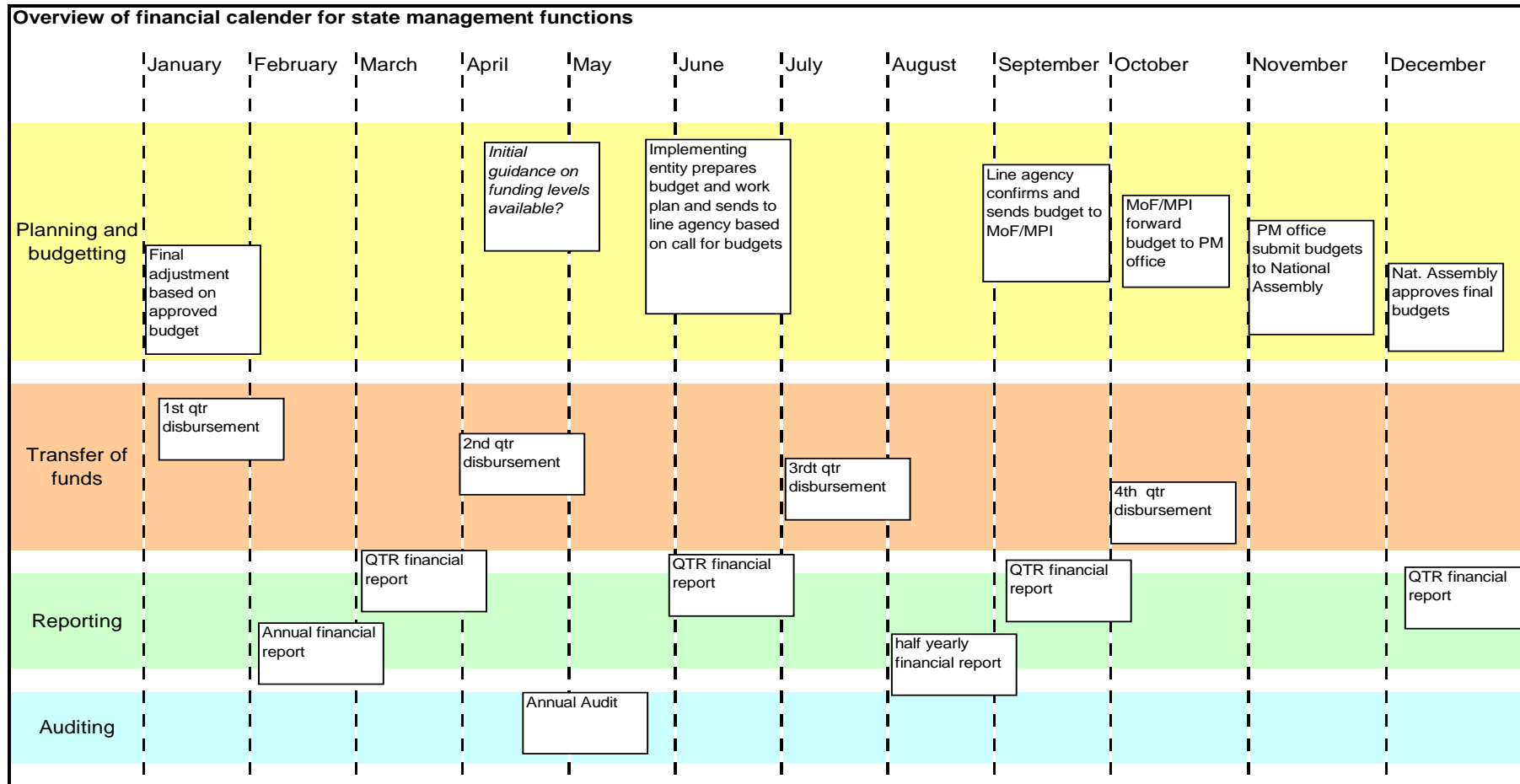
Annex A Benchmarks

Table A 1 Definition and baseline assessment of benchmarks

| Issue | Institution | Requirements | Means of Verification |
|----------------------------|---|---|--|
| 1. Fiduciary risk | MOF/DOF/SAV | Annual audits undertaken by SAV demonstrate that provincial accounts present an accurate view of NTP III expenditure and that all relevant financial and procurement norms are followed. Benchmark value: less than 1% unauthorized expenditure | SAV audit |
| 2. Value for money | Standing Office (with support/ training by SAV) | Technical audits are undertaken nationally on a sample basis and indicate that value for money is being obtained. A long term view of the cost effectiveness of the sector investments is given by the cost efficiency indicator in the M&E system. Benchmark value: Qualitative assessment by the JAR that: i) the technical audit is thorough and follows the quality of audit established by the SAV and ii) the value for money is on an improving trend | NTPIII Steering Committee / JAR assessment using technical audit |
| 3. Planning and reporting | MOF/MPI/MARD/DARD | Financial and progress reports are improved so that they are timely, accurate, consistent and complete. Increasingly rolling medium term plans should be made. Benchmark value: Qualitative assessment by the JAR that reports are of improving quality. | NTPIII Steering Committee /JAR assessment |
| 4. Quality of construction | MOF/DOF/MOC/MOET | GOV cost norms periodically revised and external construction supervision undertaken to ensure quality construction in accord with design standards. A long term view of the functionality of the sector investments is given by the functionality indicator in the M&E system. Benchmark value: a qualitative assessment, made as part of the State Audit of Vietnam/Standing Office technical audit on a sample of schemes, that cost norms are sufficient and that construction quality adequate. | SAV audit and using M&E results where relevant |
| 5. Operation and | MARD/DARD, MOH/DOH, MOET/DOET | In each scheme: i) One of the sector approved management models should be in place; ii) Water quality should satisfy the national standards and, iii) | NTPIII Steering Committee /JAR |

| Issue | Institution | Requirements | Means of Verification |
|---|-------------------------------|---|--|
| maintenance for piped water schemes | | a tariff and/or provincial subsidy that allows for sustainable cost recovery of at least the operation and maintenance costs should be in place.. The first two measures are defined as indicators in the M&E system. Benchmark value: M&E target values and suitable tariff and/or provincial subsidy arrangement reached in more than 50% of the schemes by end 2012 and by 70% of the schemes by end of 2013. And that in the opinion of the annual review mission suitable tariff and/or provincial subsidy arrangements are in place based on the field evidence of the mission | assessment using M&E results where relevant |
| 6. Investment and recurrent Budget allocation | MOF/DOF/MPI/DPI/MARD/DARD/PPC | Budget allocation follows policy directions and mandates. This implies: i) a higher ratio of funds allocated to recurrent financing to enable greater attention to hygiene and IEC; ii) DOH and DOET should be assigned as investment owners for their mandate areas and a budget transferred to DOH/DOET that is in line with the requirements; iii) where capacity exists or can be built investment ownership is delegated to district level and communes and villages play an active role in the definition and supervision of investments. The split of investment owners can be derived from information in the standard NTP planning and expenditure reporting. Benchmark value: Qualitative assessment, externally verified by the TPBS donors once a year prior to finalization of the budget, that budget allocation follows policy. | TPBS donors inspect provincial budget allocation in prior to finalization. |
| 7. Monitoring and evaluation | MARD, MOH, MOET, MPI, PPC | The newly established M&E system should be rolled out fully and the results should be quality assured and available at provincial and national levels. The type C indicators should be evaluated more frequently. Benchmark value: full reporting by August 2012 | Results inspected by NTPIII Steering Committee / JAR |
| 8. Gender | MARD/MOH/MOET | The newly established Monitoring and Evaluation system should provide information on the gender status of the sector as part of the periodic evaluation and that recommendations from the Gender study should be adopted where appropriate. The benchmark value is that the periodic evaluation should be complete by end 2011 and the SO should have assessed and adopted the recommendations where they are found appropriate by end 2012. | Availability of the study report and minutes of meeting of the SO. |

Figure A1 Financial calendar in Vietnam



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