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IN THE AMOUNT OF SDR 142.5 MILLION
(US\$200 MILLION EQUIVALENT)

TO

THE SOCIALIST REPUBLIC OF VIETNAM

FOR THE

RESULTS-BASED SCALING UP RURAL SANITATION AND WATER SUPPLY
PROGRAM

October 21, 2015

*GWADR
EAST ASIA AND PACIFIC*

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CURRENCY EQUIVALENTS

US\$1 = 20,840 VND

ABBREVIATIONS AND ACRONYMS

ACG	Anti-Corruption Guidelines
BCC	Behavior Change Communication
BCR	Benefit Cost Ratio
CATS	Community Approaches to Total Sanitation
CEMA	Commission for Ethnic and Minority Affairs
CLTS	Community Led Total Sanitation
CPM	Center for Preventative Medicine
CPO	Central Project Office
CPS	Country Partnership Strategy
CWS	Commune-Wide Sanitation
CY	Calendar Year
DANIDA	Danish International Development Agency
DARD	Department of Agriculture and Rural Development
DFAT	Australia's Department of Foreign Affairs and Trade
DFID	UK's Department for International Development
DLI	Disbursement-linked Indicator
DLR	Disbursement-Linked Result
DoET	Department of Education and Training
DoF	Department of Finance
DoH	Department of Health
DoNRE	Department of Natural Resources and Environmental
DPI	Department for Planning and Investment
EIA	Environmental Impact Assessment
EM	Ethnic Minority
EMP	Environmental Management Plan
EMW	East Meets West
EPC	Environmental Protection Commitment
EPP	Environmental Protection Plan
ESSA	Environment and Social Systems Assessment
FWSC	Functioning Water Supply Connections
GDP	Gross Domestic Product
GI	Government Inspectorate
GIS	Geographical Information System
GNI	Gross National Income
GoV	Government of Vietnam
GPOBA	Global Partnership on Output Based Aid
GRS	Grievance Redress Service
GSO	General Statistics Office
IDA	International Development Association
IEC	Information, Education and Communication
IT	Information Technology
IVA	Independent Verification Agent
JMP	Joint Monitoring Program
M&E	Monitoring and Evaluation
MARD	Ministry of Agriculture and Rural Development
MDG	Millennium Development Goal

MoET	Ministry of Education and Training
MoF	Ministry of Finance
MoH	Ministry of Health
MoNRE	Ministry of Natural Resources and Environment
MPI	Ministry of Planning and Investment
NA	National Assembly
NCERWASS	National Center for Rural Water Supply and Sanitation
NIN	National Institute of Nutrition
NM-CH	Northern Mountains and Central Highlands (regions)
NTP	National Target Program / National Target Program for Rural Water Supply and Sanitation
NTP2/NTP3	National Target Program for Rural Water Supply and Sanitation Phase 2/Phase 3
NTP-SO	National Target Program Standing Office
O&M	Operation and Maintenance
OD	Open Defecation
ODA	Official Development Assistance
ODF	Open Defecation Free
OM	Operational Manual
PAP	Program Action Plan
PCERWASS	Provincial Center for Water Supply and Sanitation
PDO	Program Development Objective
PforR	Program-for-Results
POM	Program Operational Manual
PPC	Provincial People's Committee
PPMU	Provincial Project Management Unit
PSC	Provincial Steering Committee
RB-SupRSWS	Results-based Scaling up Rural Sanitation and Water Supply
RRD- RWSSP	Red River Delta Rural Water Supply and Sanitation Project
RWSE	Rural Water Supply Enterprise
RWSS	Rural Water Supply and Sanitation
RWSSP	Rural Water Supply and Sanitation Partnership
SAV	State Audit of Vietnam
SBV	State Bank of Vietnam
SDG	Sustainable Development Goals
SEDP	Socio-Economic Development Plan
SIL	Specific Investment Loan
SLTS	School Led Total Sanitation
SOE	State-Owned Enterprise
TA	Technical Assistance
UNICEF	United Nations Children's Fund
VBSP	Vietnam Bank for Social Policies
VHLSS	Vietnam Household Living Standards Survey
VIHEMA	Vietnam Health Environment Management Agency
VND	Vietnamese Dong
WHO	World Health Organization
WRD	Water Resources Directorate
WSP	Water and Sanitation Program of the World Bank

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SOCIALIST REPUBLIC OF VIETNAM

RESULTS-BASED SCALING UP RURAL SANITATION AND WATER SUPPLY PROGRAM

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PAD DATA SHEET

Vietnam

Results-based Scaling up Rural Sanitation and Water Supply Program

PROGRAM APPRAISAL DOCUMENT

East Asia and Pacific Region

GWADR

Basic Information			
Date:	October 21, 2015	Sectors:	Sanitation (35%); Water supply (35%); Health (15%); General education sector (15%)
Country Director:	Victoria Kwakwa	Themes:	Pollution management and environmental health (30%); Rural services and infrastructure (30%); Indigenous peoples (20%); Child health (20%)
Practice Manager/Senior Global Practice Director:	Ousmane Dione/ Junaid Kamal Ahmad		
Program ID:	P152693		
Team Leader(s):	Parameswaran Iyer/ Hoa Thi Hoang		
Program Implementation Period		Start Date:	January 01, 2016
		End Date:	July 31, 2021
Expected Financing Effectiveness Date:		April 1, 2016	
Expected Financing Closing Date:		July 31, 2021	
Program Financing Data			
<input type="checkbox"/> Loan	<input type="checkbox"/> Grant	<input type="checkbox"/> Other	
<input checked="" type="checkbox"/> Credit			
For Loans/Credits/Others (US\$M):			
Total Program Cost :	225.5	Total Bank Financing :	200
Total Cofinancing :	25.5	Financing Gap :	

Financing Source	Amount
BORROWER/RECIPIENT	25.5
IBRD/IDA	
IDA: New	200
Total	225.5

Borrower: Socialist Republic of Vietnam

Responsible Agency: Ministry of Agriculture and Rural Development

Contact:	Ms. Hạ Thanh Hằng	Title:	Director, RWSS National Target Program Standing Office (RWSS NTP SO)
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Responsible Agency: Ministry of Health

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Expected Disbursements (in USD Million)

Fiscal Year	2016	2017	2018	2019	2020	2021			
Annual	11	26	47	55	61	0			
Cumulative	11	37	84	139	200	200			

Program Development Objective(s)

To improve hygiene behavior, increase and sustain access to rural sanitation and water supply in rural areas in the Participating Provinces.

Compliance

Policy

Does the program depart from the CAS in content or in other significant respects?	Yes []	No [X]
Does the program require any waivers of Bank policies applicable to Program-for-Results operations?	Yes []	No [X]
Have these been approved by Bank management?	Yes []	No []
Is approval for any policy waiver sought from the Board?	Yes []	No [X]
Does the program meet the Regional criteria for readiness for implementation?	Yes [X]	No []

Overall Risk Rating: Substantial

Legal Covenants

Name	Recurrent	Due Date	Frequency
Program Operational Manual and Program Action Plan (FA reference: Schedule 2. Section I. C 2 (a))	Yes		On-going
Description of Covenant: the Recipient shall carry out the Program, and cause the Participating Provinces and other implementing agencies to carry out the Program, in accordance with the provisions of the Program Operational Manual and undertake the actions set forth in the Program Action Plan.			
Name	Recurrent	Due Date	Frequency
Verification (FA reference: Schedule 2. Section III. A 2)	Yes		Annually
Description of Covenant: the Recipient shall cause the State Audit of Vietnam to undertake a verification process in accordance with terms of reference acceptable to the Association for the fulfillment of the Disbursement Linked Results.			
Name	Recurrent	Due Date	Frequency
Mid-term Review (FA reference: Schedule 2. Section III. C 2)	No	June 30, 2018	N/A
Description of Covenant: the Recipient shall carry out jointly with the Association, by no later than June 30, 2018, a midterm review to assess the overall implementation progress of the Program and, based on the conclusions of the report, take any needed measures.			
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I. STRATEGIC CONTEXT

A. Country Context

1. Vietnam has an impressive record on economic growth and poverty reduction in the last twenty five years. Reforms have transformed Vietnam from one of the poorest countries in the world, with per capita income below US\$100, to a lower middle-income country. Annual average growth between 2008 and 2014 was 5.8 percent. However, while the overall rate of poverty for the country in 2012 was 9.6 percent, the poverty rate¹ for the remote Northern Mountains and Central Highlands (NM-CH) regions is significantly higher at 23.8 percent and 17.8 percent, respectively.² In addition to the regional variation, there is a considerable difference in the poverty level between the Kinh/Hoa majority and ethnic minority (EM) groups. Average income among EM households is only equal to one sixth of the national average.³

2. Vietnam has made significant progress with respect to increasing water supply and sanitation coverage, but important regional differences remain. According to the Joint Monitoring Program (JMP), in rural areas, access to an improved toilet facility is 67 percent, with open defecation (OD) now at 2 percent nationwide, and access to improved water supply at 94 percent. However, in the NM-CH regions, approximately 20 percent of the rural population practice OD,⁴ increasing to at least 30 percent for EMs, and around 30 percent⁵ (almost 50 percent in EMs) have unhygienic⁶ toilets. In some provinces, such as Dien Bien, more than 50 percent of the rural population have no access to sanitation. In addition, 27 percent of people in rural areas of the NM-CH do not have access to safe water supply and many of the schemes installed are no longer functioning – largely due to poor maintenance. The limited data that exists on hand washing in Vietnam suggests that it is not widely practiced, with only 13 percent of people washing their hands with soap at key moments.⁷ Even lower rates were found for poor households and among EM groups.⁸ Institutional needs are also high; in some provinces in the NM-CH regions, less than 50 percent of schools have access to hygienic sanitation and water.⁹

3. The lack of access to basic services together with poor hygiene practices in lagging regions contribute to the high morbidity rates for diarrhea¹⁰ and parasitic infections¹¹ – the number two leading cause of morbidity in the Northern Mountains.¹² Recent evidence has indicated that diarrhea and chronic environmental enteropathy (intestinal inflammation) in children are linked to a lack of sanitation and have a significant impact on childhood development;¹³ 41 percent of EM children below the age of five are stunted.¹⁴ Stunted children are not only short for their age, but

¹ Assessed against a threshold of 570 thousand Dong for rural areas.

² General Statistics Office data for 2012.

³ Committee on Ethnic Minority's report to MOLISA, 2013.

⁴ National Target Program Monitoring and Evaluation data (2013).

⁵ National Target Program Monitoring and Evaluation data (2013).

⁶ According to the Ministry of Health's definition of hygienic sanitation.

⁷ Before eating and after defecating.

⁸ Ministry of Health (MoH), UNICEF. 2007. Summary: National Baseline Survey on the Environmental Sanitation and Hygiene Situation in Viet Nam. Hanoi: Ministry of Health and UNICEF.

⁹ National Target Program Monitoring and Evaluation data (2013).

¹⁰ Department of Preventive Medicine – 2009.

¹¹ WHO 2007.

¹² Perspectives on child diarrhea management and health service use among ethnic minority caregivers in Vietnam, Rheinlander 2011.

¹³ Environmental enteropathy and malnutrition: do we know enough to intervene? Petri et al, BMC Medicine 2014.

¹⁴ 2014 Vietnam Taking Stock report.

also more likely to have poorer cognitive and educational outcomes in later childhood and adolescence.¹⁵ They are more likely to become less productive adults, and be less able to contribute to their nation's growth. Studies have found relatively linear relationships between reducing open defecation and malnutrition; significant reductions in open defecation are required to have a detectable effect on child height and large-scale public investment in sanitation and health promotion may be needed to tackle stunting.¹⁶ High levels of sanitation coverage and improved hygiene practices are critical to reach the collective health gains needed to address these problems.¹⁷

B. Sectoral and Institutional Context

4. The Government of Vietnam (GoV) recognizes that improving access to sanitation and clean water is a priority and has formally committed to eliminating OD in Vietnam by 2025. Improving hygiene practices has long been a goal of the Government. In 1961, President Ho Chi Minh highlighted the need for all children to “maintain very good hygiene and sanitation” (“*Giu gin ve sinh that tot*”), a phrase that continues to be taught in schools all over Vietnam. However, previous interventions to improve sanitation and hygiene practices have had a limited impact due to insufficient emphasis on supporting behavior change interventions and prioritization of water supply in budget allocations.

5. The GoV has made significant efforts to improve access to and ensure the sustainability of rural sanitation services. The National Rural Clean Water Supply and Sanitation Strategy to 2020 (developed in 2000 and updated in 2011) set the overall vision and goals for the sector. The key principles of the strategy include community participation, sustainability and cost recovery. The sector strategy also emphasizes the focus on poverty, ethnic minority groups and remote areas. In the short term, the focus is to target poor communities where water and sanitation coverage is low and malnutrition is high. To implement the strategy, GoV established a National Target Program for Rural Water Supply and Sanitation (NTP), which has generated considerable progress over the past 15 years.

6. The third phase of this dedicated National Target Program (NTP3) aims to reach the following in rural areas by 2015: 85 percent coverage of hygienic water; 65 percent coverage of hygienic latrines; and 100 percent hygienic water supply and sanitation coverage at commune clinics and schools.¹⁸ To date NTP3 has achieved 82 percent coverage of hygienic water and 60 percent coverage of hygienic latrines. However, the level of achievement across the provinces is highly variable, with almost all low-performing provinces in the mountainous and poor areas. Following the end of the NTP3 program period, Government support for the activities under NTP3 will be continued for the period 2016-2020 with the Ministry of Agriculture and Rural Development (MARD) as the lead agency. The components of the current NTP3 will be transferred to the NTP for New Rural Area which has been developed within MARD.

¹⁵ Grantham-McGregor, S., Cheung, Y.B., Cueto, S., Glewwe, P., Richter, L. and B. Strupp (2007). “Developmental Potential in the First Five Years for Children in Developing Countries.” *The Lancet*, Vol. 369, Issue 9555, pp. 60–70.

¹⁶ Gertler et al. *How Does Health Promotion Work? Evidence From The Dirty Business of Eliminating Open Defecation*, National Bureau of Economic Research, 2015

¹⁷ Quattri, M et al. “Investing in the Next Generation: Children grow taller, and smarter, in rural, mountainous villages of Vietnam where community members use improved sanitation.” WSP Research Brief. 2014.

¹⁸ Excluding satellite schools.

7. The NTP3 and its successor program are being supported in eight Provinces of the Red River Delta through the ongoing US\$200 million World Bank-funded Results-Based Rural Water Supply and Sanitation (RWSS PforR) under the National Target Program operation. The implementation of this first RWSS PforR operation, which will continue until end 2017, has been generally satisfactory and achieved more than 80 percent of the target results in the first year.

8. There are three main Ministries and several Government agencies engaged in the sector:

- The Ministry of Agriculture and Rural Development (MARD) has the mandate for rural water supply and has implemented (and coordinated) a number of large-scale programs in water, sanitation and hygiene. Within MARD, the National Target Program Standing Office (NTP-SO) is responsible for leading and coordinating the Rural Water Supply and Sanitation NTP. The National Center for Rural Water Supply and Sanitation (NCERWASS) within MARD is the national technical agency;
- The Ministry of Health (MoH) has the overall mandate for sanitation and hygiene promotion and manages a nationwide network of healthcare staff and village health workers responsible for local hygiene promotion. The Vietnam Health and Environment Management Agency (VIHEMA), within the MoH, has strong technical experience in sanitation and behavior change communication (BCC), and also coordinates the sanitation interventions of non-governmental organizations (NGOs) working in the sector. MoH and the Department of Health (DoH) in some provinces are also directly implementing related activities; these include national-level campaigns such as the National Patriotic Sanitation campaign, targeting specific public health issues and providing technical support. For example, recent support included a hand washing campaign in response to foot and mouth disease and providing technical advice on low-cost latrines. MoH/DoH are closely supported by the United Nations Children’s Fund (UNICEF) on community approaches to total sanitation (CATS)¹⁹ interventions in the Northern Mountains;
- Ministry of Education and Training (MoET) is responsible for school sanitation and teaching about health and hygiene through the national curriculum.
- Committee for Ethnic Minority Affairs (CEMA) is engaged in programs to provide targeted support to EMs; and
- Provincial-level implementation is overseen by the Provincial People’s Committee (PPC) and managed by the Provincial Center for Water Supply and Sanitation (PCERWASS), within the Department of Agriculture and Rural Development (DARD).

9. Nutrition is a critical issue for the NTP3 and is the responsibility of the Department of Reproductive Health, with technical management by the National Institute of Nutrition (NIN) under MoH. The NIN manages the National Nutrition Program and is active in research, training and implementation activities in the fields of nutrition, food sciences and clinical nutrition across Vietnam.

¹⁹ CATS builds on and uses the Community Led Total Sanitation (CLTS) approach for collective action.

10. Nationally, progress in expanding sanitation coverage still lags behind water supply. This is partly due to the focus of sanitation investments on capital investment at only institutional facilities (schools and health clinics) and subsidized demonstration latrines for households. There has been insufficient focus on creating broader demand for sanitation, particularly for household facilities. Additionally, facilities in schools and clinics are often poorly maintained. The lack of progress on sanitation also results from the low prioritization of Information, Education and Communication (IEC) activities. Even under the sections of the RWSS NTP supported by the World Bank PforR operation, the investment into IEC has been well below what is required to have a significant impact. A national hand washing campaign was implemented between 2006 and 2010, however this was found to have limited impact on actual behaviors, in large part because it relied on traditional health messaging approaches.²⁰

11. Behavior change and institutional capacity are thought to be the biggest constraints to scaling up sanitation. Although levels of poverty are high, the prevalence of consumer goods, or prestige items, such as televisions, motorbikes and mobile phones are rising among all ethnic groups.²¹ For example, among the Thai and Hmong groups prevalent in the Northern Mountains, television ownership had risen to more than 77 percent and 36 percent, respectively, by 2011. In addition, UNICEF has had some localized success with BCC approaches which support construction of affordable improved latrines which cost about US\$10. Therefore, affordability is not thought to be a binding constraint for access to sanitation and water and the adoption of hygienic practices in the Program areas.

12. Approaches to scaling up sanitation that have been demonstrated to be effective in a number of different countries are being applied at a small scale or are in the early stages of development. However, they have faced challenges in being implemented across different target groups or have required intensive efforts from NGOs or international partners. The inputs required before scaling up these approaches are to identify how these approaches can be made more effective – for example through emotional levers and different communication channels – and how they can be integrated into Government systems in a cost-effective manner.

13. There has been a focus on construction rather than the long term sustainability of water supply schemes with a large proportion of schemes failing. This can be attributed to poor investment preparation and design, incomplete or low-quality construction, and insufficient operation and maintenance linked to poor cost recovery and capacity.

14. The implementation of the National Rural Clean Water Supply and Sanitation Strategy faces its main challenges in the two lagging and remote regions of NM-CH. In these two regions it has been difficult, despite increased investment, to scale up sanitation coverage, improve hygiene practices and sustain water supply services. Open defecation persists across these regions. The proportion of water supply schemes either operating poorly or not functional at all is among the highest in the country (48 percent in Central Highlands and 33 percent in Northern Mountains). Further details are provided in the Technical Assessment described later in this document.

²⁰ WSP 2012. Hand washing Behavior Change at Scale: Evidence from a Randomized Evaluation in Vietnam.

²¹ “54 Ethnic Groups, Why different?” Mekong Development Research Institute, 2014.

C. Relationship to the CPS and Rationale for Use of Instrument

15. Relationship to the Country Partnership Strategy

16. The proposed operation is closely aligned with the Bank's twin goals of ending extreme poverty and boosting shared prosperity, as well as the overarching theme of sustainability. Nationally, The Government's Socio-Economic Development Plan (SEDP) stresses the importance of developing the NM-CH regions and, in particular, focusing on ethnic minorities. Improving hygiene behavior, increasing and sustaining access to sanitation, and significantly reducing open defecation, in parallel with increasing access to water respond to all three pillars of the Country Partnership Strategy (CPS)²² as well as the two cross-cutting themes of improved governance and gender.

17. Improving hygiene and sanitary conditions in rural populations will reduce incidence of disease and improve the quality of life of the rural population, including improved nutritional status and cognitive performance. By targeting sanitation and water supply in marginalized EM communities, the operation will ensure social inclusion. On governance, the proposed PforR is designed to reinforce and strengthen GoV's own systems for delivery of sanitation and hygiene behavior change services by building sound fiduciary, environmental and social management practices. The burden of poor access to sanitation often falls most heavily on women. On gender, the proposed PforR will strengthen gender RWSS mainstreaming and gender-based monitoring and reporting.

18. The CPS places critical importance on the issue of resilience to climate change in Vietnam. In the NM-CH regions one problem impacting the sustainable management of water supply systems is the increased level of variability in the availability of water from various sources. The Program would aim to support provincial Governments to develop robust water systems which consider future variations in climate, including for example, sizing storage tanks on spring systems to ensure continuous supply through the dry season in the Northern Mountains, and designing water schemes in the Central Highlands to take into account current and projected fluctuations in the groundwater level.

19. The Program will contribute directly to the achievement of Vietnam's decade-long commitment to meeting the Millennium Development Goals (MDGs), and the Sustainable Development Goals (SDGs).²³ The Government's Ten Year Socio-Economic Development Strategy and the Five Year Socio-Economic Development Plan, give high priority to rural development. The United Nations (UN) is also supporting the Government to develop an action plan to achieve the Millennium Development Goals in EM communities using the MDG Acceleration Framework methodology to set local goals, identify bottlenecks, and prioritize actions and resources prior to transitioning to the SDGs. Progress on sanitation has lagged, and if the more ambitious targets set by the SDGs are to be met then it will be necessary to develop and implement effective approaches to improve access to sustained sanitation and water supply services on a large scale.

²² Vietnam Country Partnership Strategy 2012-2016 (Report No. 65200-VN). The pillars are: (i) strengthening Vietnam's competitiveness in the regional and global economy, (ii) enhancing the sustainability of its development, and (iii) broadening access to social and economic opportunity.

²³ SDGs were developed to replace the MDGs after 2015.

Rationale for choice of Bank financing instrument

20. Vietnam is among the most experienced countries in the use of the PforR instrument. There are two ongoing PforR operations in Vietnam: the Results-Based Rural Water Supply and Sanitation under the National Target Program (RWSS PforR) and the Results-Based National Urban Development Program in the Northern Mountains (Urban PforR). The RWSS PforR, which is focused in eight Provinces in the Red River Delta, has demonstrated the potential of the PforR instrument to incentivize the achievement of results. The Urban PforR is also building the capacity of Provincial authorities in the Northern Mountains on the implementation of results-based financing mechanisms. GoV therefore has experience with the implementation of Program for Results approaches, specifically in the rural water supply and sanitation sector.

21. PforR is a suitable instrument to support strategic shifts in the GoV RWSS NTP. The GoV's RWSS NTP provides a well-established framework for delivery of rural water supply and sanitation services at scale; however, it has had limited effectiveness in the NM-CH regions. To date there has not been a sufficiently large and transformational operation in the NM-CH regions focusing on hygiene promotion, sanitation and water supply and aimed at sustaining behaviors and the infrastructure provided. The proposed Program would incentivize the GoV to target these lagging regions and increase focus on sanitation and sustainability of infrastructure.

22. Key lessons learned through implementation of the PforR operations in Vietnam have been effectively integrated into the proposed Program.

- Integrating Technical Assistance (TA) and capacity building for implementation into the Disbursement-linked Indicators (DLIs) helps incentivize their timely delivery. Under the RWSS PforR the TA was financed through a recipient-executed grant, resulting in some delays partly due to lack of familiarity with World Bank procurement and financial management procedures. Under the Urban PforR the TA has been fully incorporated within the Program. A hybrid approach is proposed under the proposed Program with capacity building included under the DLIs and additional World Bank Group-executed TA planned to support implementation on sanitation and hygiene;
- Careful structuring of the Program Operational Manual (POM) improves the Program's flexibility during implementation. In order to support flexibility, but maintain quality of implementation, the definitions and detailed implementation procedures are provided in the POM, rather than the Financing Agreement;
- The Program Action Plan (PAP) can be a useful tool to support the quality of implementation. Learning from the experiences under the RWSS PforR and the Urban PforR, the proposed Program has significantly simplified the PAP by focusing only on essential actions which will address critical gaps for Program implementation. Furthermore, an action on working effectively with ethnic minority groups in the Program Action Plan has been incorporated into the requirements for fulfilling DLI 1.1;
- Engaging more closely at the policy level during preparation supports the "change of thinking" required by GoV to apply results-based approaches. Specifically, it is critical to engage with the Provincial People's Committees and get their support and buy in from the

beginning of Program preparation. Under the proposed Program this has been a major investment of time; there have been regular meetings with all 21 Provinces and training has been completed to familiarize Provinces with the new approaches proposed for introduction;

- Incentivizing water scheme sustainability as a DLI helps to improve outcomes, and this is being done in addition to providing parallel TA. Furthermore, the importance of accommodating both rehabilitation and new schemes in program design is also recognized;
- Taking cash flow into account in phasing DLI allocations helps to achieve desired results. Managing liquidity requirements for investments has been challenging in the RWSS PforR. Learning from the cash flow analysis prepared for the Urban PforR, the Program has phased DLI allocations to take into account water supply investments over successive years to improve cash flow.
- Ensuring timely budget allocation is also important. In the RWSS PforR, some delays were experienced in the availability of funds for central ministries and provinces. These issues are addressed under the proposed Program by ensuring that fund flow guidelines are issued prior to implementation; and
- Reaping the benefits of using smart phone data collection and a shared IT platform will help to improve quality control and transparency of verification of results.

23. Use of the PforR lending instrument to support the RWSS-NTP will add significant value by:

- Allowing MARD and MoH to continue to incorporate the ongoing TA (supported by UNICEF, the Water and Sanitation Program (WSP) of the World Bank, and the ongoing Red River Delta RWSS PforR) to improve the design and implementation of the program in remote areas – including sharing lessons learned from successful rural water and sanitation projects globally and enabling MARD and MoH to become proficient in innovative methods for BCC, with ripple effects across sectors;
- Encouraging the use of a results-based approach: disbursements will be made against results, based on the indicators previously agreed with the GoV, which will create incentives for improved cost-efficiencies and better planning of implementation;
- Incentivizing the achievement of results related to behavior change: given the reluctance to invest in “soft” investments (such as BCC) and the status of sanitation as a low priority sector, use of the PforR instrument will support achievement of results related to behavior change by including the implementation of the BCC program and increased coverage of sanitation and hand washing points as DLIs under the Program; and
- Strengthening monitoring and evaluation (M&E) as well as management and Government systems, resulting in better targeting and capacity building.

24. The sanitation and water supply sector in the target regions is ideal for such support through a PforR given existing experience under the ongoing PforR, a strong presence of the Bank in the sector, and Government interest in closing the gap in these lagging regions. Under implementation of the NTP3 in these regions, contract values will be small, well within the limits set by Bank procedures. No activities that are judged to be likely to have significant environmental or social

impacts would be included under this Program. Similarly, there are no activities which would introduce fiduciary risks due to high value contracts.

Value Added by the World Bank

25. The World Bank assistance to develop and support this Program would facilitate the sharing of lessons learned from successful rural water and sanitation projects globally (Box 1), while also building capacity for results-based planning and financing in the national Program. The Bank is bringing leading international experts from within and outside the Bank to inform the design and to support the implementation of the proposed Program. The Program includes TA to tackle two of the most deeply entrenched problems under the NTP3: (a) behavior change for improved sanitation and hygiene and (b) sustainable operation and maintenance of infrastructure. The Program is introducing new approaches to enable a gradual transformation of the way in which the GoV tackles these major challenges for basic water supply and sanitation provision under the NTP.

26. The Program will be initiated under NTP3 and will then continue under its successor program. Following the end of the NTP3 program period the Government support to the activities under NTP3 will be continued for the period 2016-2020 with the Ministry of Agriculture and Rural Development (MARD) as the lead agency. The components of the current NTP3 will be transferred to the NTP for New Rural Area.²⁴ (Box 2 below).

Box 1. India: Experience in scaling up sanitation and improved hygiene behaviors – National Program and Village levels

India has among the highest rates of open defecation in the world, despite Government interventions to scale up sanitation over many years. This is due to a range of factors; in many districts constructing toilets became the focus rather than behavior change and usage. Furthermore, even where achievements were significant there were no mechanisms to ensure sustained Open Defecation Free (ODF) status. A new National flagship program called “Swachh Bharat Mission” (Clean India Mission) was launched in 2014 to eliminate open defecation in India. The new program aims to have a much more significant impact due to the strong political leadership at the highest level and aim to monitor both outputs (access to sanitation) and outcomes (usage).

The impact of effective behavior change campaigns in India has been demonstrated by the “SuperAmmma” campaign completed by the London School of Hygiene and Tropical Medicine. This achieved substantial (and sustained) improvements in hygiene practices through a scalable intervention based on emotional drivers. Using a Behavior Centered Design approach, handwashing rates increased from 2 to 37 percent following community and school-based events focused on emotional drivers of nurturing and disgust.

(Source: “Effect of a behavior-change intervention on handwashing with soap in India: a cluster-randomised trial,” *Lancet Global Health*, Curtis et al. 2014)

²⁴ The Ministry of Agriculture and Rural Development has explained the institutional arrangements under the successor program in a letter addressed to the World Bank prior to negotiations, and confirmed that the main design features and financing arrangements of the NTP-RWSS are expected to continue under the successor program.

27. Therefore, the potential exists to continue to influence the development of the successor program during its initial implementation, including mainstreaming the approaches developed in these two regions into the national program and potentially influencing Government guidelines for the successor program.

28. The proposed Program would build on and leverage the interventions under a number of other Bank-supported operations in different sectors in the NM-CH regions, such as the Central

Box 2. Transition of NTP3 to the NTP for New Rural Area

On April 3, 2015, letter 1928 from the Ministry of Planning and Investment (MPI) confirmed that the NTP for water supply and sanitation will be transferred to the New Rural Area NTP. The components of NTP3 will be followed under the New Rural Area NTP through a rural water supply and environment component that includes schools, and a rural water and sanitation component in households and commune health centers including behavior change communication.

MARD and the Irrigation Department will continue to lead the water supply and sanitation components under the New Rural Area NTP and will continue to collaborate with the same agencies as under NTP3 (VIHEMA, MoET, etc.). The New Rural Area NTP will be responsible for supervising and monitoring the components. An additional indicator will be included relating to the environment component.

Highlands Poverty Reduction Project, the Second Northern Mountains Poverty Reduction Project, the School Education Quality Assurance Program and the extensive experience of the World Bank’s Water and Sanitation Program in the sector, including their ongoing work with VIHEMA. In addition to other Development Partners, the proposed Program would benefit from the work of the Bank’s key partner UNICEF through their support to the implementation of Community Approaches to Total Sanitation (CATS) in some of the target provinces. The Program would benefit from Australia’s Department of Foreign Affairs and Trade’s (DFAT) support for NTP3 and the RWSS PforR, specifically in the review of standards for rural water supply schemes, guidance on operation and maintenance, and development of approaches on community mobilization. The proposed Program will also link closely with the World Bank’s strategy to reduce malnutrition (2015-2020); this draft strategy highlights the Results-based Scaling up Rural Sanitation and Water Supply (RB-SupRSWS) Program as a key part of the intervention in Vietnam. The connections to the projects and the work of other donors will support the Program to link sanitation improvements into a broader strategy addressing community needs.

II. PROGRAM DESCRIPTION

A. Program Scope

29. **Program Definition.** The Government’s RWSS NTP operates across all 63 provinces of Vietnam. The proposed Program to be supported by this IDA operation includes NTP3 and the successor program in 21 geographically-clustered provinces in the Northern Mountains and Central Highlands²⁵ regions. This geographical slice comprises Program finances of US\$225.5 Million.

30. **The National Target Program.** NTP3 is a US\$1.3 billion nation-wide program that runs from 2012 to 2015. NTP3 delivers funding to all 63 Provinces of the country on an annual cycle

²⁵ The provinces covered are: Dak Lak, Dak Nong, Gia Lai, Kon Tum, Lam Dong, Bac Can, Bac Giang, Cao Bang, Dien Bien, Ha Giang, Hoa Binh, Lai Chau, Lang Son, Lao Cai, Phu Tho, Son La, Thai Nguyen, Tuyen Quang, Yen Bai, Binh Thuan and Ninh Thuan.

for investments in water supply, sanitation, and hygiene IEC activities. Budgeting and disbursements occur on an annual cycle based on implementation plans prepared by the provinces. NTP3 is led by MARD, with MoH responsible for sanitation. Following lessons learned from the first two phases, NTP3 incorporated sanitation under the mandate of MoH. NTP3 includes the following three components or “projects” and associated activities:

a) Rural domestic water supply and rural environment

- Provision of hygienic sanitation, hand washing facilities and water supply in schools;
- Construction and rehabilitation of water supply schemes, promotion of clean water use, improved control of water quality, and support to sustainable systems; and
- Environmental sanitation and construction of hygienic livestock pens.

b) Rural sanitation and hygiene

- Construction and effective use of latrines at households and public places; and
- Provision of hygienic sanitation, hand washing facilities, and adequate water supply in health clinics.

c) Capacity building, communication and supervision, monitoring and evaluation of NTP3

- Information, Education and Communication activities to raise awareness on the importance of clean water and latrines and hygiene practices;
- Development of the legal framework and capacity building for the implementation of the RWSS strategy; and
- Promotion of international cooperation.

The PforR (The Program)

31. The approach taken under the Program is to strengthen the Government of Vietnam’s NTP3, and successor program the NTP for New Rural Area (Box 2), in the 21²⁶ provinces of the NM-CH. Learning from global and Vietnam-specific experience, the Program will focus specifically on: (a) improving the effectiveness of the existing efforts of the Government to scale up access to sanitation and improved hygiene practices; and (b) improving the sustainability of the infrastructure put into place, for both water supply and institutional sanitation facilities. The Program will target public health interventions with maximum impact and will therefore focus on water supply, hand washing and domestic sanitation as well as water, sanitation and hygiene facilities in institutions (schools, health centers).²⁷

²⁶ During negotiations, the GoV requested the inclusion of two additional provinces in the Program; Ninh Thuan and Binh Thuan. This was agreed by the Bank on the basis that the two provinces have similar characteristics, water, sanitation and hygiene status and are in close geographic proximity to the original provinces under the Program.

²⁷ Hygiene, Sanitation and Water: Forgotten foundations of health. Bartram J. and Cairncross S., 2010.

32. The Program will aim to achieve Commune-Wide Sanitation (CWS) across a significant proportion of the rural communes in the target provinces. CWS requires: (a) 70 percent of households have an improved latrine which hygienically separates human feces from human contact; (b) 80 percent of households have dedicated (fixed) hand washing points, with soap (or soap substitute) and water available; and (c) all schools and health clinics have functional water supply, hygienic sanitation and hand washing facilities. CWS is therefore a proxy for a significant reduction in open defecation. The commune is the smallest unit of Government and supporting changes at this level builds a sustainable base for improved sanitation and hygiene in the long term. Reaching CWS requires a significant increase in improved latrines (which provide public health benefits) and therefore balances the need for DLIs which incentivize a high impact through the Program, but are also achievable. CWS is an incremental step towards reaching open defecation free (ODF) status for villages and communes, for which guidelines are currently under development by VIHEMA.

33. An evidence-based approach will be taken to scaling up successful innovative behavior change interventions. Increased coverage of improved latrines and hand washing points will largely be realized through the introduction of more effective and innovative demand generation. This would be achieved through innovative approaches in BCC and community approaches for total sanitation at the local level along with strengthening the supply chain to improve the design, availability and affordability of sanitation products and services and promote innovative financing mechanisms (Box 3 below). Design and implementation of these approaches is

Box 3: Sanitation financing

Experiences regarding sanitation financing in South Asia identified some options for further development:

- Menu of options adapted to different income brackets along with partial and graded subsidies for the poor / near poor and improved access to micro finance for richer households – including training for micro finance institutions, facilitating access and increased awareness on both sides;
- Voucher schemes with approved suppliers, in parallel with developing the sanitation market and linking suppliers and micro finance institutions or Government agencies;
- Water User Associations or other well-established community groups managing revolving funds can lead to initial increases, but may face difficulties in reaching the poorest; and
- Advances and rewards for reaching open defecation free status have been successful in poor rural areas in Nepal – similar to experiences with East Meets West in Vietnam.

being supported by TA from UNICEF and WSP. At the midterm review the impact of these approaches will be assessed compared to the traditional IEC approaches. A baseline and a process evaluation will be carried out to inform the midterm review. Following the review, a randomized evaluation will be used to determine the effect of the entire intervention package on sanitation and hygiene behaviors in three provinces. This will allow an evidence-based approach in scaling up these innovative approaches during the second part of the program, based on their demonstrated impact and cost effectiveness.

34. Technical Assistance, rolled into implementation, will strengthen Program management, verification and audit capability and, in particular, will focus on improving the sustainability of infrastructure, including all stages of implementation (i.e., design, construction, operation and maintenance). The Program will support extensive investments into rehabilitation of water supply schemes and extending shared community systems into household connections to improve revenue generation and maintenance. Appropriate management models will be identified and support will

be given to community management systems to increase capacity, both in terms of hardware and capacity building. The technology used will be appropriate, cost effective and accessible for poor households. For institutional facilities, support will be provided to identify management and maintenance models and assess alternative designs to make structures more child-friendly and appropriate to local conditions.

35. The Program will be designed in coordination with existing socio-economic rural development programs and activities managed by other line Ministries. In order to effectively implement the Program and to target remote regions, effective and multi-sectoral approaches to commune-wide sanitation will need to be developed. Linkages with the health, education, nutrition and poverty reduction programs will be key, given the links between poor access to sanitation and stunting and the need to develop a sustained system. Schools, in particular, will be a critical focal point for developing an integrated strategy for water supply, sanitation and hygiene. The WSP Global Hand Washing Initiative studied working through schools – and research in Vietnam revealed that children had very little free time and that teachers were already overburdened with a heavy curriculum. Therefore, the entertainment education approach was used to develop games and extracurricular activities that would complement rather than compete with the existing curriculum.²⁸ These tools were developed by WSP and will be adapted for use under the Program. For integration strategies regarding nutrition, synergies can specifically be found in the outreach programs to mothers and care-givers.

36. The institutional and financing arrangements will be aligned with the structures of GoV and current implementation arrangements of the NTP3. Overall, the aim is to support incremental improvements which can be sustained by the GoV under the future national program.

37. In summary, the scope of activities to be supported will be as follows, detailed further in Annex 1:

(a) Rural water supply:

- Provision, operation and maintenance of hygienic sanitation, hand washing facilities and water supply in schools – including consideration of the needs of all children;
- Provision, operation and maintenance of water supply coverage in communities – using small-to-medium sized piped systems – focusing on rehabilitation and extensions from existing systems. New water supply schemes would be constructed as required using appropriate technology. Investments would be demand responsive and would balance willingness to pay with prioritizing areas with higher levels of poverty; and
- Provision of TA for improved operation and maintenance procedures, and tariff collection, and accounting procedures at village/commune levels. The role of PCERWASS in supporting this process, specifically in their technical backstopping role for community based systems, will be strengthened.

(b) Rural sanitation and hygiene

²⁸ The Power of Primary Schools to Change and Sustain Hand washing with Soap among Children: The Cases of Vietnam and Peru. WSP, 2013.

- Provision, operation and maintenance of hygienic sanitation, hand washing facilities and adequate water supply in health clinics – along with support for putting in place the system for operation and maintenance of the facilities;
 - Scaling up hygiene and sanitation, through demand and supply interventions and latrine construction to achieve Commune-Wide Sanitation:
 - (i) Demand side interventions would be implemented through existing channels, including clinics, schools, Government health system staff, and traditional leadership structures. In addition, at the village level, local leaders along with the Women’s Union and commune and village health workers would be supported with new tools and to adapt existing approaches, such as CATS, which have demonstrated effectiveness. Counseling of mothers and caregivers in clinics would also support scaling up existing successful programs combating malnutrition;
 - (ii) Supply side interventions such as support to the private sector to strengthen the capacity of local builders, manufacturers and suppliers of sanitation products and services, in order to supply a menu of affordable and appropriate household sanitation and hand washing hardware options and services. The intervention will build on the work already being done by VIHEMA and other Development Partners.
 - (iii) Additional targeted support to households for latrine construction with affordable technology options and potentially strengthening micro-financing through Vietnam Bank of Social Policy (VBSP). This intervention would also identify how to improve the delivery of the existing subsidy systems for poor households, for example as rebates directly to households or voucher systems to be redeemed at local sanitation suppliers (Box 3 above).
- (c) Capacity building and implementation support (detailed further in Section II-D)
- Focused capacity building at national, provincial and local agencies involved in the Program to develop their implementation and management capacity and improve inter-sectoral collaboration, including: (i) capacity to promote hygienic behavior change and provide sustainable sanitation services; (ii) planning, monitoring, evaluation and reporting and; (iii) supporting improved environmental, social and fiduciary systems;
 - Supervision of Program implementation, including: (i) policy support where needed, for example to enhance the role of PCERWASS in supporting institutional capacity development at the commune levels, for school WASH, water pricing framework, and development of sanitation markets; and (ii)
 - Improving sustainability of access to sanitation and improved water supply through TA for community management and support to PCERWASS and DoH/DoET;
 - Monitoring and evaluation, and verification of Program Results and External Audit of the Program by the Independent Verification Agent; and
 - Launch of a national and provincial high-level communications campaigns to raise the political profile of sanitation and hygiene.

Financing and Program Costs

38. **The budget for the NTP3 Program at the national level is VND 27,600 billion (US\$1.3 billion) for 2012-2015.** The main sources of funding are the central Government (49 percent – directly or through the provision of concessional credit to users), provincial Governments (11 percent), donors (30 percent) and users (10 percent).

39. In the 21 provinces supported by the Program, the total scale of the financing required to implement the Program is estimated to be US\$225.5 million. Within this context, the GoV seeks an IDA Credit at a funding level of US\$200 million. This financing will form a part of the overall national program budget. This is an aggregate figure; each Province does not have a set allocation under the Program. The PforR Program will disburse to the Ministry of Finance (MoF) on the basis of verified results. Annual budgets for each participating province and central agencies (MARD, MoET, CEMA and VIHEMA) will be allocated by MoF on the basis of annual plans.

Table IIA-1 Program Financing (\$ Million)

<i>Source</i>	<i>Amount</i>	<i>% of Total</i>
Government	25.5	11
IDA	200	89
Other Development Partners	0	0
Total Program Financing	225.5	100

B. Program Development Objective

40. The Program Development Objective (PDO) of the Results-based Scaling up Rural Sanitation and Water Supply (RB-SupRSWS) Program is to improve hygiene behavior, increase and sustain access to rural sanitation and water supply in rural areas in the Participating Provinces.

C. Program Key Results and Disbursement Linked Indicators

Key Results

41. The Program results and supporting actions needed to efficiently achieve them are organized around three key results areas. Specifically, the Program will aim to:

- Improve hygiene behaviors²⁹ and increase access to improved water and sanitation services for households as well as provide clean water, hygienic sanitation and hand washing facilities at schools and clinics;
- Ensure water supply schemes are sustainable and all schools and clinics continue to have functioning hygienic water and sanitation facilities; and

²⁹ Reduced open defecation, use of improved toilets, and hand washing with soap after using the latrine.

- Build capacity at the provincial, commune and village levels to implement, manage and, most importantly, sustain hygiene, sanitation and the water supply.

42. **Results area 1 relates to the delivery of BCC plans, achievement of commune-wide sanitation and increased coverage of water supply.** The delivery of BCC plans is incorporated to incentivize the Provinces to introduce new approaches and tools and to increase investment in hygiene and sanitation approaches. The BCC plans, which will be reviewed by the Bank each year, will be developed dynamically, based on learning from the experiences of the preceding years of the Program. Commune-wide sanitation is defined by a specified high level of improved household sanitation and institutional sanitation (school and health clinics) coverage in the commune as a proxy for reduced open defecation. In addition, high coverage of hand washing points is used to indicate improved hygiene practices.

43. **Results area 2 is focused on medium-term sustainability of the infrastructure verified under Results area 1.** Indicators under this Results area assess the performance of the water supply schemes and institutional sanitation two years after installation, including the management of water supply schemes and whether institutional facilities are being maintained.

44. **Results area 3 is centered around improved national, provincial and local capacity for Program implementation.** Indicators under this area measure whether the new approaches – such as BCC and improved planning and sustaining of investments – developed under the Program are mainstreamed nationwide. Also, they measure whether more immediate improvements in implementation are being achieved, including: (a) effective oversight and management of the Program (including more responsive planning, monitoring and financing) at the provincial and national level; (b) the implementation of Annual Capacity Development plans including safeguards and fiduciary management, TA for BCC and sustainability of infrastructure; and (c) improved governance systems.

Key results area	PDO indicator	Intermediate indicator
1. Key hygienic behaviors changed amongst the population and increased access to basic services	Direct Program beneficiaries (number), of which female (%) Communes achieving Commune-Wide Sanitation (number)	Development and implementation of behavior change communication (BCC) plans; at the provincial, district, and commune level Schools reached through targeted BCC campaigns (number)
2. Adequate water and sanitation infrastructure is in place and in working condition	Households with access to sustainable water supply systems (number) Communes where schools and health clinics have maintained hygienic status (number)	Clinics with <i>antenatal</i> programs which complete nutrition-related BCC (number) National BCC program is launched (yes/no) Increase in hand washing with soap after using the latrine among the target population (compared to non-program communes) (%) New and rehabilitated functioning household water supply connections (FWSC) (number)

		Schools and health centers with new and rehabilitated water supply and sanitation facilities (number)
3. Improved capacity for program implementation	New approaches for BCC and supply chain activities are included in the successor program to the NTP3 (Yes/No)	Annual Program Plans and Reports disclosed (number) Reports on beneficiary feedback received and feedback has been used Approved Annual Capacity Development Plan for Provinces implemented Systems are in place and being used to monitor sustainability of commune-wide sanitation

45. The estimated number of beneficiaries in the 21 provinces of the NM-CH regions under the Program is as follows:

- 5,300,000 people benefitting from Commune-Wide Sanitation, targeted for behavior change communication and supported with strengthened sanitation supply chains;
- 255,000 households benefitting from improved water supply;
- 2,720 schools and clinics benefitting from improved water supply and sanitation facilities and support to operation and maintenance; and
- 3,000 staff/people from National, Provincial and local Government agencies (district and commune), mass organizations and private sanitation suppliers benefitting from capacity building programs.

Disbursement-Linked Indicators (DLIs)

46. The DLIs designed for this Program derive directly from the results framework, so the Program will disburse against achievement of Program outputs and outcomes. The disbursement model proposes three DLI groups, linked to the three key results areas, over five disbursement periods. The DLIs are broadly outlined below, with details explained in Annex 3. DLIs have been prioritized from the indicators described above, based upon their importance for successful implementation and the need to incentivize improvements within the Government program.

47. Incentivizing implementation of new approaches in hygiene and sanitation demand and supply is a key issue, as is the rapid scale up of basic services. Achievement of changes in sanitation and hand washing point coverage will be measured; however, there are significant risks in linking disbursement to behavior change as this is a complex, costly and long-term process. DLIs are therefore focused on measuring tangible indicators which can be objectively measured and verified. The midterm review will attempt to identify the impacts of the Program on actual behavior change.

48. Transparency in planning and reporting needs to be improved to encourage participation and to build strong institutions. Strengthening capacity is crucial to effective implementation. DLI 3.1 (*Number of Annual Program Plans and Reports disclosed*) is a proxy for institutional capacity building and strengthening. Other indicators are supported through the Program Action Plan and Technical Assistance as described in the next section. The underlying definitions used in the DLIs are given in Annex 2.

<i>DLI</i>	
1 Behavior change and infrastructure	1.1 Number of Behavior Change Communication Plans implemented by Participating Provinces ³⁰
	1.2 Number of new Communes achieving Commune-Wide Sanitation in the Participating Provinces
	1.3 Number of new or rehabilitated Functioning Water Supply Connections to households in the Participating Provinces
2 Sustainability of infrastructure	2.1 Number of households in the Participating Provinces with Sustainable Water Systems
	2.2 Number of Communes in the Participating Provinces, which have achieved Commune-Wide Sanitation two calendar years (CY) ago, where all public kindergarten, primary and secondary schools and health centers maintain Hygienic Status
3 Capacity for implementation	3.1 Number of Annual Program Plans and Program Reports disclosed
	3.2 Number of approved Annual Capacity Development Plans implemented

³⁰ BCC plan is the plan developed at the central and provincial level which has been reviewed by MoH, MARD and the Bank in consultation with UNICEF. The BCC Plan includes demand generation and supply for hygiene and sanitation.

D. Key Capacity Building and Systems Strengthening Activities

49. In light of the challenges identified in the NTP3, the Program is designed to improve implementation in these 21 provinces by using a combination of design support during preparation, results-based disbursements to incentivize performance, and TA during implementation. The key capacity building activities, which will be delivered according to an Approved Annual Capacity Development Plan (Box 4 below) are described here and further details are given in Annex 1.

Support during preparation

50. **Hygiene and sanitation.** The development of the hygiene and sanitation aspects of the Program requires the integration of some new elements not included under NTP3. Additional support was therefore provided during preparation. The World Bank team worked in close partnership and collaboration with UNICEF to engage national and international specialists to inform the Program design and build Government capacity. This support included training led by the London School of Hygiene and Tropical Medicine (LSHTM), on behavior-centered design for representatives from VIHEMA, MARD and the Provincial Centers for Preventative Medicine at the Provincial level. Technical Assistance included sharing knowledge from the ongoing interventions being piloted within Vietnam (for example, poor household rebates and commune-level financial rewards by East Meets West; and One Stop Shop supply chains and BCC toolkits developed by the Netherlands Development Organisation (SNV) and WSP) in addition to new formative research to identify an overall approach to be implemented under the Program. This support also included bringing in good practices from international children’s television networks, looking specifically at targeting children aged 2-8 and their caregivers. Key insights from the formative research and the approach developed are outlined in the Program design and detailed in Annex 1, and have informed the development of the Feasibility Study and the Program Operational Manual (POM).

Box 4. Annual Capacity Development Plan

Capacity development will be delivered in accordance with an annual plan, developed by each PPC in discussion with provincial implementing agencies and MARD, and incentivized through the DLIs.

The plan includes Capacity Building in its widest sense, including the following main sections:

- (a) Technical assistance for: (i) program management; (ii) improved sustainability of water supply systems; (iii) increased capacity to promote hygiene behavior change and provide sustainable sanitation services; and (iv) verification of results and external audit;
- (b) Policy development;
- (c) Support for EM consultation and active participation; and
- (d) Poverty targeting.

At a minimum, the plan should specify for each section:

- (a) topics; (b) objectives and how they link to results areas and DLIs; (c) delivery modality and intended outputs; (d) target audience (profile projected attendance and location); (e) timeline for development and implementation of activities; and (f) budget and resources assigned for each activity.

51. Ongoing support is being provided to VIHEMA by UNICEF and WSP to develop guidelines for the monitoring and support regarding efforts to achieve ODF status in villages and communes. These ODF guidelines have close links to the Commune-Wide Sanitation concept used under the PforR Programs in the Red River Delta and proposed in the NM-CH regions. CWS uses the same concept of improved latrine coverage as the ODF guidelines and is an incremental step

towards eliminating open defecation in Vietnam. As these ODF guidelines develop and start to be integrated into the future Government program it is intended that this RB-SupRSWS Program would be aligned where possible.

52. In addition, early implementation support to scale up existing pilot methods is being executed through the NM and CH Poverty Reduction Projects jointly with UNICEF and WSP. These approaches will pilot the application of some of the approaches planned to be integrated under RB-SupRSWS including the following: (a) hygiene and sanitation messaging through Infant and Young Child Feeding (IYCF) practices initiatives with women's groups; (b) participatory hygiene and sanitation promotion including CATS, participatory WASH planning, and engaging the Commune Development Board under the poverty reduction project in monitoring; and (c) training Commune Facilitators in BCC approaches.

53. **Water supply sustainability.** Assistance is also being provided to project preparation for the development of approaches to improve the sustainability of water supply systems, with the intention to work further in coordination with the national technical working group that is established to promote sustainable operation and maintenance of water supply systems. This includes sharing of lessons learned and ongoing TA between the Red River Delta and NM-CH Provinces on the development of more cost effective designs and adoption of design standards more appropriate to highly rural areas.

54. In addition, a Bank water supply specialist has worked with NCERWASS to identify some approaches which may increase sustainability of schemes. Screening criteria have been developed for identification of schemes, including minimum levels of demand and willingness to pay, assessment of historical and projected variability in water sources due to climate change, requiring operation and plans to be developed, and management models identified. Extensions from existing schemes and moving from shared schemes to metered household connections to increase financial viability are being prioritized wherever possible.

55. **Poverty targeting.** The Provinces included in the Program are the poorest regions of Vietnam with the highest share of ethnic minority groups. However, there are variations within each province and ethnic minorities are significantly poorer than their Kinh neighbors. During Program development, the team considered the potential risk that Provinces would choose to work in communes immediately adjacent to Provincial and District centers, which are both richer and have smaller populations of ethnic minorities, thereby limiting the impact of the intervention. The Program team has worked with the Poverty Global Practice to map poverty, sanitation coverage and ethnic minorities, and to identify how poverty targeting could be improved under the Program. The review highlighted that in the Northern Mountains the communes outside of provincial towns and cities are fairly homogenous and all have a high level of poverty and percentage of ethnic minorities. The poverty targeting in the Central Highlands is more complicated as the distribution of ethnic minorities is more variable and the difference between the provincial towns and surrounding districts is less marked. However, targeting Commune-Wide Sanitation means that the Program is primarily intervening in communes where the sanitation coverage is low, which is closely linked to higher rates of poverty and larger ethnic minority populations. It has been agreed that the Program will exclude the districts containing the Provincial city/town and urban District towns in both target regions; this is detailed in the POM.

56. **Gender.** Gender-sensitive design and implementation are critical. Experience from similar interventions indicated that typically in the program’s target areas women are responsible for care of children and the household; however, men tend to control resources and decision making. Therefore, women are expected to be the main beneficiaries, but the Program will need to engage with male household heads in order to be effective. Care should be taken to also consider which groups may be the most vulnerable, for example female-headed households would tend to have less access to resources and may need to be prioritized for support. Gender issues should be considered in each EM group, as women and men may have different roles – for example some groups are more strongly matriarchal. General consultation with relevant stakeholders at central, provincial and district levels (with the participation of the Women’s Union) has been conducted and yielded their positive support for the proposed program. More specific gender consultation will be conducted during the program execution through the implementation of the community engagement plan. In summary, gender will be taken into account in the formative research, program implementation, communication, targeted TA and M&E during implementation.

Incentivizing improvements through the DLIs

57. DLIs are used to incentivize improved management and quality of implementation, rather than focusing only on infrastructure delivery. Capacity building, quality BCC interventions, planning, reporting, and increased transparency are all incentivized through the DLIs.

58. To encourage cost-efficiency, disbursement amounts are based on fixed unit prices for each DLI, so any cost-savings achieved during the design and construction process will represent additional funding which can be used to finance further investments. One challenge faced in the NM-CH regions is the high unit costs for water supply schemes. During preparation, Bank specialists worked with NCERWASS to identify appropriate design standards and associated unit costs for small and rehabilitated schemes in these areas. Limits on *per capita* costs are being used through the DLIs to incentivize the Provinces to prioritize areas where schemes can be rehabilitated and extended and identify more cost effective designs for new construction.

59. The DLI framework contains specific incentives for the delivery of water supply services to be sustained over time. Some funds will be disbursed only when sustainability of the water supply systems has been achieved. The Program also promotes the concept of commune-wide sanitation, seeking to achieve high coverage of household and institutional sanitation in a commune, which will maximize health impacts.

Technical Assistance

60. The Program will be supported by a number of activities designed to address weaknesses and gaps identified during Program preparation including relevant actions in the PAP. The analysis which led to the identification of these activities is laid out in the Technical, Environmental and Social Systems Assessment and the Integrated Fiduciary Assessment. The proposed activities will be implemented through the same implementing arrangement as the overall Program. The TA is incentivized under DLI 3.2 for which an Approved Annual Capacity Development Plan must be

verified as implemented in order to qualify for disbursement. The TA includes four sets of activities, each managed by the responsible implementing agency:

- NTP-SO: Program management: (a) Planning, Monitoring and Evaluation and (b) Supporting Improved Environmental, Social and Fiduciary Systems;
- NCERWASS with UNICEF through the operation and maintenance working group: Improved Sustainability of Water Supply Systems;
- VIHEMA: Increased Capacity to Promote Hygienic Behavior Change and Provide Sustainable Sanitation Services; and
- SAV: Verification of Program Results and External Audit of the Program.

61. Each one of these activities will include capacity building to support immediate implementation and corresponding policy development to support long-term improvements. Details are given in Annex 1 under the Program description. CEMA will provide support in guiding development and implementation, specifically relating to support to ethnic minority staff involved in Program implementation.

62. In addition, WSP will provide Technical Assistance to support implementation. The scope of this assistance was also informed by earlier TA to VIHEMA and the formative research and will include the following:³¹

- Development of a BCC campaign toolkit, including mass-media TV commercials, as well as toolkits for community events and inter-personal communications through household and village meetings;
- Support for early testing of the business models for the supply chain (one-stop-shop providers and adaptations of that model) in a few provinces. This support will then transition to provincial level support for aiding replication – and this supply-side support might also include product development for low-cost aspirational sanitation options;
- Support to VIHEMA and PPCs in organizing the first round of advocacy activities in the Provinces for sanitation; and
- Capacity building support for development of the BCC provincial plans, demand creation through CATS, behavior change and other packages. This support would aim to train regional institutes under MoH and pools of provincial master trainers, as well as fostering participatory learning activities and cross-provincial learning visits.

III. PROGRAM IMPLEMENTATION

A. Institutional and Implementation Arrangements

63. The program will be implemented through the systems established for NTP3 which are expected to be continued with minimal changes under the successor program. Institutional arrangements are described below. The key change recommended for the implementation of the

³¹ The scope of work will be confirmed following formative research and approval of the Concept Note for this TA

RB-SupRSWS Program is a significantly greater involvement of CEMA and MoET. This involvement would be both as part of the steering committees and advising and supporting Program implementation:

64. As national “program owner,” MARD will coordinate the implementation of the Program, through a national steering committee comprising MARD, MoH, MoET, CEMA, the Ministry of Planning and Investment (MPI) and MoF. Fully empowered teams will be established nationally in MARD and VIHEMA in order to monitor and support implementation in all Provinces under the Program.

65. At the central level, VIHEMA will be the technical lead for the sanitation and hygiene promotion activities. NCERWASS will lead activities relating to water supply. A strong coordination mechanism will be needed in order to promote integrated water and sanitation projects to support hygiene practices.

66. PPCs will lead Provincial-level steering committees for coordination and supervision comprising DoH, PCERWASS, the Department of Education and Training (DoET), the Department of Planning and Investment (DPI), the Department of Finance (DoF) and CEMA. PCERWASS will be the “program owner” at the Provincial level.

67. Independent Verification Agent (IVA); The IVA role is to provide independent confirmation of the results reported by the provinces through MARD. State Audit of Vietnam (SAV) was selected to verify Program results using protocols agreed with the Bank. This choice is based on SAV’s role as a constitutional body with both the independence and the mandate to conduct NTP audits. SAV has good management capacity and can sub-contract verification works for which it does not have the technical expertise in-house. SAV is the IVA under the RWSS PforR and has performed satisfactorily; it has subcontracted the physical verification of sanitation and water supply connections to a specialist firm. SAV provided adequate oversight of the survey teams and reporting process.

68. The Women’s Union, potentially other mass organizations, village health workers and similar groups will be critical for implementation of the hygiene promotion components. These groups will be incorporated into the institutional structure of implementation to assist in community mobilization. The Women’s Union will also be engaged to support grievance redress channels. These routes are also potential channels for the effective engagement of EM groups in implementation.

69. **Progress Reviews.** The Government and the Bank have a shared interest in seeing the Program succeed and the successful experience be put to broader use within NTP3 and the successor national program for rural water supply and sanitation. To that end, both parties agree to have an annual meeting at the management level to review progress, identify and propose remedies for any weaknesses, and identify and propose modalities for scaling up successes beyond NM-CH. In addition to regular implementation support missions, annual reviews will be critical for early identification of problems and opportunities within the PforR. The midterm review, expected to be held in mid-2018, will be an opportunity to review the Government framework and potentially integrate new DLIs from the agreed results framework.

70. The midterm review will take stock of the BCC interventions. The investments in BCC for hygiene and sanitation promotion will be rolled out progressively in the Program area. The midterm review will be a chance to quantify the impacts of the new hygiene and sanitation approaches being introduced and confirm whether to scale them up. This will be done through a comprehensive evaluation which uses structured observations and field work to quantify observed behavior change compared to similar communes outside the Program area, matched on the basis of poverty, population density, ethnicity etc. The midterm review will also be an opportunity to review the definitions and approaches used (e.g., integrating support to individual household level systems in addition to household connections).

71. During the midterm review an institutional assessment will also be completed to assess the quality and impact of the capacity building plans being implemented. This will be in addition to the annual review through the verification.

72. The midterm review will be an opportunity to review the DLIs and ensure they are in line with developments in the national sector. Reallocation of disbursement amounts between the DLIs and/or cancellation of amounts can also be considered at the time of the midterm review. In addition, the midterm review will allow measurement of the practice of key hygiene behaviors changed under the Program that are not included in the DLIs due to the operational difficulties in measuring them, as outlined under Section II C above.

B. Results Monitoring and Evaluation

73. The Program will strengthen the NTP's existing M&E system through which the provinces will both plan their investment program and track their results. Results reporting will take place on an annual cycle linked to the national planning and budgeting process and the reports will be made publicly available.

74. The M&E system will be strengthened through the TA to improve community monitoring and strengthen the MoH at the local levels. This will improve the efficiency and therefore cost-effectiveness, timeliness and accuracy of the collection, and monitoring of information related to rural water supply and sanitation and facilitate reporting on the results achieved under the Program.

75. The Program will require several of the results indicators to be disaggregated by gender and some by Ethnic Minority status (Annex 2). This will facilitate Ethnic Minority and gender-related planning and management of the Program.

C. Disbursement Arrangements and Verification Protocols

76. Funds will pass from the central level to the Provincial People's Committees (PPC) in the 21 recipient provinces. Fund allocations will be made on the basis of provincial plans and within the framework of NTP3 and the successor program. These funds will be used to finance NTP3 and the successor program, including water supply, sanitation and hygiene promotion. It will be the responsibility of the PPCs in each of the 21 recipient provinces to plan investments and allocate

funding to the appropriate technical departments at that level in accordance with the inter-ministerial guidelines. For National level activities, funding for the Program will be allocated by the MoF to the related ministries. The amount of funds allocated to different ministries under the Program will be based on the anticipated funds required to achieve the DLI targets as well as the amounts corresponding to the DLI results that are verified as completed.

77. MARD will support the provinces to measure progress appropriately using the existing M&E system and will collate the results to assess progress in achieving the DLIs. The results across the Program region will be aggregated as the basis for meeting the DLIs. Once satisfied with the accuracy of the reporting, MARD will present evidence of the DLI achievement to the SAV, which, as the IVA, is tasked with verifying the results.

78. In order to validate the disbursement request submitted by MARD, SAV will verify all DLIs. The results reported by MARD as achieved under the Program will be verified through a paper audit and physical inspection that tests the accuracy and quality of results claimed. In accordance with good audit practice, physical verification will take place against a sampling framework and frequency. On the basis of this, the IVA will prepare a Results Verification Report which will be shared with MARD and the World Bank. A key use of the Results Verification Report will be to determine the amount of the eligible disbursement to be made based on the results achieved. If the Bank finds that the disbursement request meets the terms of the Financing Agreement, the Bank will disburse the corresponding funds to the MoF. Further details on the verification process for each DLI are included in Annex 3.

Advances

79. The Borrower has informed the Bank that advances will be needed. Advances up to 25 percent of total Program financing (“advance”) could be made by the Bank to MoF. After consulting the provinces, MARD and MoF will jointly determine how much of an advance will be requested. When the DLI(s) against which an advance has been disbursed are achieved, the amount of the advance will be deducted (recovered) from the total amount due to be disbursed under such DLI(s). The advance amount recovered by the Bank is then available for additional advances (“revolving advance”). The Bank requires that the borrower refund any advances (or portion of advances) if the DLIs have not been met (or have been only partially met) by the Closing Date, promptly upon notice thereof by the Bank.

80. If the Bank establishes after the Closing Date that the Withdrawn Financing Balance exceeds the total amount paid for Program Expenditures, exclusive of any such amounts financed by any other financier or by the Bank under any other loan, credit or grant, the Borrower shall, promptly upon notice from the Bank, refund to the Bank such excess amount of the Withdrawn Financing Balance. The Bank shall then cancel the refunded amount of the Withdrawn Financing Balance.

IV. ASSESSMENT SUMMARY

81. The PforR lending instrument uses four assessments undertaken by the Bank as the basis for appraising the Program. These are: (a) a Technical Assessment that also includes, *inter alia*,

the economic evaluation; (b) a Fiduciary Systems Assessment; (c) an Environmental and Social Systems Assessment; and (d) an Integrated Risk Assessment.

82. One major requirement of the assessment process is to measure the Government's program against the requirements of a PforR that are laid out in the applicable Bank's operational policies. Where the assessments reveal areas requiring strengthening in the Government's program, the Program Action Plan addresses the issues concerned. This section reports highlights from the Assessment Summaries (included as Annexes 4, 5, 6 and 7 of this document), and then describes the Program Action Plan (included as Annex 8).

A. Technical (including Program economic evaluation)

83. The technical assessment identified the NTP3 to be a technically sound program delivering rural water supply and domestic sanitation investments with a reasonable probability of providing sustained services to poor households. This capacity is expected to be taken forward with minimal changes for the successor program. The following paragraphs describe the main topics of the technical assessment.

84. **Water supply.** There is a high level of failure in water supply systems in the Northern Mountains and Central Highlands regions where sustainability is a critical issue due to the lack of local technical expertise, payment capacity of households for Operation and Maintenance (O&M) and appropriate management models, seasonal water sources that result in water scarcity during the dry season, and lack of provincial funds to cover operation and maintenance costs. Surveys (led by NCERWASS) have been completed of a sample of water supply schemes, identifying current status. The *per capita* costs in many of the target Provinces are very high, due in part to over design, but also due to the logistical costs of working in remote and mountainous areas. The 2016-2020 Mid Term Plans have been developed and are available – including both rehabilitation and new construction.

85. **Sanitation.** There are a number of concerns relating to sanitation investments which mainly support hardware capital investment with insufficient focus on creating demand for sanitation except in selected provinces where such support is being provided through the TA from UNICEF, WSP or other Development Partners. There is little systematic support for the development of the sanitation and hygiene supply chain. Maintenance of sanitation facilities in schools and health clinics is poor and there is no proper management system in place to ensure the O&M. Hygiene promotion and behavior change communication is limited in scope and poorly funded under NTP3, as the regulations and guidelines in place limit the type of activities, the resources that can be allocated, and the financing mechanisms available (which do not allow for output based delivery or incentives). Capacity and resources are limited for hygiene and sanitation promotion, and technical knowledge on sanitation is weak at the community level. MoH understands that achieving sustained behavior change is a significant challenge. Outside of NTP3, VIHEMA is developing and piloting other approaches to sanitation and hygiene including Community Approaches to Total Sanitation and behavior change communication, with the support of East Meets West (EMW) rebates and commune-level incentives, but in general, the pilots remain small scale. There is a need to develop innovative financing mechanisms for sanitation under the proposed Program and this is being supported through the TA under the Program.

86. **Institutional capacity.** At the central level, NCERWASS will need to provide additional support to the provinces to ensure that improved water supply and small scale water supply systems are sustainable through the newly established working group that aims to improve operation and maintenance of water supply systems supported by UNICEF. VIHEMA has good technical capacity in the rural sanitation and hygiene sector that is strengthened with the technical assistance of UNICEF and WSP; however, it is still constrained by lack of human resources to provide guidance and management of rural sanitation programs at the provincial level.

87. At the Provincial level the PPC is critical in ensuring that activities under the Program are properly resourced. The technical capacity of PCERWASS and DoH/Centre for Preventive Medicine (CPM) is generally good and some experience of BCC and sanitation promotion approaches exists. However, in general, soft investments such as hygiene promotion are not prioritized and capacity is much lower.

88. Measures are necessary to enable institutions to deliver cutting edge behavior change; improve planning, M&E and reporting; and augment procurement and financial management practices, particularly at the provincial level.

89. **Expenditure framework.** Analysis conducted during preparation concludes that the GoV has in place budget and expenditure management systems and practices that, with some well-recognized difficulties, support the NTP in reaching its expected results. The Program in the 21 provinces of the Northern Mountains and Central Highlands regions shares most of the characteristics of the national program. Difficulties have been identified in particular areas, including that of the level of expenditures, allocation to non-structural investments, and their transparency and effectiveness. The results-based approach under the Program mitigates some of these difficulties identified in the NTP.

90. **Economic analysis.** Public funds are essential for scaling up and regulating water supply and sanitation services, especially in rural locations with low effective coverage (where both markets and consumer demand are currently weak) and a high proportion of ethnic minority and poor households. The existence of private benefits from water supply and sanitation services

Box 5. Health Benefits of Water and Sanitation Interventions

Contaminated water and lack of sanitation lead to the transmission of pathogens through feces. Diseases transmitted *via* the fecal pathway are diarrheal disease, enteric infection, hepatitis A and E, poliomyelitis, helminthes, trachoma, and adenoviruses (conjunctivitis). Poor personal hygiene causes fungal skin infections, such as ringworm and scabies. Lack of hand washing is associated with respiratory infections. Inadequate hand hygiene during childbirth is linked to infection and neonatal mortality.

Children under age five years are especially vulnerable to infection. Regular exposure to environments with high fecal loads causes enteropathy, compromises nutritional status, and appears to lead to long-term consequences, such as stunting and slowed cognitive development.

Water and sanitation services have a large array of welfare and development benefits, including: reduced burden of disease, increased productivity, convenience and time savings, social, educational – due to improved school attendance and improved health, reuse, water access, and other benefits. Studies have found relatively linear relationships between reducing open defecation and malnutrition; significant reductions in open defecation are required to have a detectable effect on child height. Global studies indicate Benefit Cost ratios of 3-5 for low-cost water supply and sanitation technology. The cost per healthy life year gained for interventions in two regions are below the GDP of countries in these regions, indicating a cost-effective use of health resources.

provides an avenue to mobilize private sector and household financial resources for sustaining the services. Poor sanitation has been estimated to cost Vietnam at least 1.3 percent of the Gross Domestic Product. The health, convenience and time savings of closer and better quality water supply are well recognized (Box 5 above), leading to economic benefits that are greater than the costs of supply. For sanitation, the economic returns have been estimated at between 2 and 9.7 per VND invested in rural Vietnam. According to the economic analysis, for pit latrines, the benefit cost ratio (BCR) based on actual latrine use varied from 3.2 in Quang Nam to 9.7 in Vinh Long (average BCR across seven rural sites with this technology was 6.2). For septic tanks the BCR was lower, from 2.1 in Quang Nam to 4.7 in Hue (average BCR across six rural sites with this technology was 3.7). In addition to the health and time saving benefits included, improved latrines are also associated with improved environment, comfort/convenience, and dignity/status (especially for women). Additional details on the economic analysis are available in the Technical Assessment.

91. Overall, the technical assessment confirmed the strategic relevance of the Program, that the technical approach is sound, and the Borrower has adequate institutional capacity to implement it.

B. Fiduciary Systems

92. **Financial Management.** The Bank has assessed the NTP's financial management arrangements and found that they provide a reasonable assurance that the financing proceeds will be used for intended purposes, with due attention to the principles of economy, efficiency, effectiveness, transparency and accountability. The MoF recognizes the need to secure Program funds in a special deposit account, in the State Treasury at the provincial level, to manage proper budget allocation, execution and reporting of the provinces. MoF's approach is contained in the Government's Project Outline,³² which is pending approval by the Prime Minister.

93. At the provincial level there is a risk of inaccurate recording of transactions or errors in financial statements as a significant amount of transactions in sanitation and hygiene promotion are incurred at the community level. This risk is mitigated by assigning PCERWASS to prepare consolidated provincial program financial statements, and DoH to be responsible for all advances and spending regarding sanitation and hygiene promotion activities in the province, including activities conducted by the Women's Union, district health centers and village health workers.

94. While internal controls exist and cover critical areas in PCERWASS, DoH and DoET, the risk of inadequate internal control of NTP is assessed as Substantial, and the introduction of an Internal Audit function is required. Similar to the RWSS PforR arrangements, the MARD Inspectorate will perform this function. SAV will carry out an annual audit of the Program Financial Statements. Allocations of funding for sanitation and communication will need to be increased and there is a Program Action Plan to require timely and appropriate budget allocation by PPCs.

³² The Project Outline is the official document the Government of Vietnam uses to define the key characteristics of an investment project. For Official Development Assistance (ODA) projects it requires the approval of the Prime Minister.

95. **Procurement.** Procurement under the proposed Program mostly includes civil works of small and medium size and associated consulting services for such works. There are no large contracts valued at or above Operational Procurement Review Committee (OPRC) thresholds under the Program. It is envisaged that more than 90 percent of the Program's expenditures will be subject to mandatory open competitive bidding due to the effectiveness of the new Procurement Law and Decree. The procurement rules and procedures applicable to the Program, therefore, are considered to promote transparency, economy and efficiency for the Program.

96. The team identified three gaps have been addressed through an action in the Program Action Plan that was agreed with the Government prior to Credit negotiations: (a) prevalent rejection of bids due to bid prices exceeding pre-bid cost estimates and minor, non-substantive deviations; (b) awarding of contracts to dependent State-Owned Enterprises (SOEs); and (c) non-application of Bank debarment/suspension lists which may result in unacceptable contract awards to Bank debarred/suspended firms or individuals.

97. In addition to the above, there are a number of other weaknesses that are assessed to possibly impact the timeliness, cost-effectiveness and competitiveness of Program procurement. These include: (a) a segregated and fragmented approach to procurement planning; (b) low cost estimates for consulting services due to the use of Government cost norms; (c) subjective application of technical scoring criteria in bid evaluation; and (d) delayed construction due to shortage of funds or delayed allocation of budget or delayed payments. These weaknesses will be addressed through capacity support; a clear POM; close support, monitoring and supervision by MARD / VIHEMA (MoH) and Program provinces; and strict inspection and audit by the MPI Inspectorate / provincial inspectorates and SAV.

98. **Anti-Corruption.** The Bank has assessed the capacity of Program institutions to implement the Bank's Guidelines on Preventing and Combating Fraud and Corruption in Program-for-Results Financing ("Anti-Corruption Guidelines," or ACGs). The assessment identified three particular areas of concern. First, whether the Government's two parallel complaints reporting systems would capture the information on the handling of fraud and corruption allegations in the Program. Aggregating information from these complaints systems and reporting to the Bank on actions taken in response to complaints on the Program is included in the Program Action Plan. Second, the current mechanisms for citizen feedback and complaints regarding the Program need to be strengthened to encourage citizen participation. In part, this requires better institutional responsiveness to that participation, particularly by evaluating and, if appropriate, acting on anonymous complaints. Third, whether Vietnam's Procurement Law was effective in debarring firms that committed prohibited acts and, if so, whether that debarment was adequately shared with other jurisdictions in Vietnam and whether the provincial implementing bodies will be able to effectively apply the Bank's debarment list. Procedures for reporting on the application of debarment procedures and lists and periodic supervision or audits can help to address these concerns. By addressing these concerns through the Program Action Plan the effectiveness of Program management will reduce fraud and corruption risks.

C. Environmental and Social Systems

99. Given the scope of the Program, the types and modest scale of individual investments, the geographic focus, and previous central Government experience with Bank projects, no significant adverse impacts on the environment or on affected people are anticipated.

100. **Environmental Systems.** The investments under the Program are expected to have many positive environmental and public health impacts in target areas as a result of improved hygiene behavior, and increased and sustained access to sanitation and rural water supply. The potential adverse environmental effects of Program activities are relatively minor, generally well known and understood by implementing authorities, and include: construction-related impacts; impacts on aquatic life related to the development of natural springs for water supply; and operational-related impacts such as potential human and environmental exposure to waste streams from facilities resulting from poor waste management practices. It is expected that these effects will be manageable with known and demonstrated mitigation measures. There are a number of protected areas in the Central Highlands and the Northern Mountains regions; however, the Program will not work in protected areas and, as a result, no significant impacts to these critical natural habitats or cultural resource assets are expected.

101. It is currently estimated that approximately 40 percent of the planned connections under the Program will be from new schemes, amounting to approximately 25,000 new connections in the CH. This would result in a maximum abstraction of approximately 3.6 million cubic meters (m³)/year of groundwater – which is less than 0.2 percent of the total exploitable volume of groundwater of 2 billion m³/year in the CH. Although ground water activities related to the Program are not expected to exacerbate the over-exploitation of groundwater in the Central Highlands, careful planning will be required, particularly in the Central Highlands to ensure the sustainability of water supply relating to fluctuating groundwater levels caused by other sectors such as agriculture.

102. Institutional arrangements for environmental management, including environmental impact assessment, are mandated and established at all levels of Government. However, a common problem is the ineffective implementation of these requirements and responsibilities due to lack of institutional capacity and financial resources. To address this concern, an environmental capacity building program will be rolled out for the implementing agencies to better implement environmental management. The capacity building program will focus on improving the Government's environmental management, including in the areas of: implementation and oversight of the environmental assessment system within the Program; planning, site selection and technical design of water supply systems; improving the quality of Environmental Protection Commitments or Environmental Protection Plans (EPCs/EPPs); screening of environmental effects and public consultation; and sampling and monitoring of water quality.

103. The impacts from the Program in terms of water quality and quantity are expected to be marginal: increased abstractions are minimal and sanitation investments are low density and decentralized. However, the Program is working across a number of international river basins and

OP7.50 on International Waterways has been triggered under the Program and Lao PDR and Cambodia have been notified.³³

104. **Social Systems.** The Program is also expected to have significant positive impacts on social conditions in the target areas, especially for Ethnic Minorities, by improving hygiene behavior and by increasing access to hygienic water and improved sanitation. Potential adverse social effects and risks under this Program are related to: (a) the need for land acquisition and compensation required for some small civil works construction and inadequate voluntary land donation procedures; (b) the need to ensure an appropriate and inclusive approach to working with ethnic minority communities and other marginalized groups; (c) the lack of transparency and accountability including for grievances and grievance feedback under the Program; and (d) ensuring the sustainability of Program investments through changes to individual and community behaviors.

105. Communities and individuals who believe that they are adversely affected as a result of a Bank supported PforR operation, as defined by the applicable policy and procedures, may submit complaints to the existing program grievance redress mechanism or the World Bank's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address pertinent concerns. Affected communities and individuals may submit their complaint to the World Bank's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of World Bank non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and World Bank Management has been given an opportunity to respond. Information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), is given under <http://www.worldbank.org/GRS>. Information on how to submit complaints to the World Bank's Inspection Panel is given under www.inspectionpanel.org. This information will also be included as part of the publicized channels for complaints as required in the PAP.

106. In addition, the authorities will implement measures to ensure that social sustainability issues are considered an essential element of Program design and implementation. Measures would include: conducting social screening to maximize project benefits and minimize adverse impact to local communities especially on land acquisition; developing a voluntary donation guideline applicable to the Program's activities; incorporating the Women's Union and similar groups into the institutional structure of implementation in order to assist in promoting gender-sensitive activities; social development measures including local sourcing of labor and disabled access to facilities. Social accountability will also be improved through the provision of improved public information *via* an extension of the web-based M&E system being developed under the RWSS PforR.

107. To ensure an inclusive approach with adequate participation and consultation, MARD and the participating Provinces have jointly develop guidelines to ensure the effective participation of

³³ The impact of the Program was originally assessed for 19 provinces, however during negotiations, the Government of Vietnam requested the inclusion of two additional provinces in the Program; Ninh Thuan and Binh Thuan. The Bank agreed to the inclusion of these two additional provinces. As there are no transboundary rivers in Binh Thuan and Ninh Thuan provinces, and no change to the nature of Program investments, the scope of the Program investments and the transboundary impact profile of the Program was adequately reflected in the notifications sent to Cambodia and Lao PDR prior to the addition of the two provinces.

and consultation with local people, including EMs and vulnerable groups. The guidelines will fully operationalize existing Vietnamese Legislation with respect to EMs through a process of free, prior, and informed consultations. This has been included as an action in the Program Action Plan and as a requirement under the Annual Program Plan (DLI 3.1).

108. **Consultation on the Environmental and Social Systems Assessment (ESSA).** Consultation has been completed through the RWSS Partnership during the preparation of the ESSA. This consultation highlighted: (a) that land law regulations are new and support will be needed in implementation; (b) the need to adapt communication materials to local languages and beliefs and support implementation over a longer time period; and (c) the challenges for sustainability of water supply schemes. These issues are being addressed through the design of the Program.

D. Integrated Risk Assessment Summary

Risk	Rating
Technical	Substantial
Fiduciary	Substantial
Environmental and Social	Moderate
Disbursement Linked Indicator	Moderate
Other (<i>Lack of institutional capacity for implementation and sustainability</i>)	High
Overall Risk	Substantial

109. The Integrated Risk Framework (Annex 7) provides details of the risk analysis and proposed mitigation measures. In one area, the risk is rated “High” as summarized below.

110. *Lack of institutional capacity for implementation and sustainability.* The project would involve three ministries: MoH, MARD and MoET at the central and provincial levels. The coordination required between the three ministries and their provincial offices could potentially result in delays and a lack of clear roles and responsibilities. Coordinating interventions in 21 Provinces will require significant investment of time and effort. MARD is managing NTP3, which has reporting and monitoring procedures in place nationally. MoH/VIHEMA will support sanitation interventions in 21 provinces. Reluctance to invest in soft activities and competing budget priorities mean that investment is not allocated for hygiene promotion at the provincial level or to VIHEMA at the central level. Institutional and community infrastructure is not maintained properly and funds are not available for future repairs and replacement.

111. The Program will work through the existing NTP3 arrangements, which are expected to continue under the successor program. The key changes would be the greater involvement of CEMA and MoET in guiding the program activities, and a dedicated and empowered team within VIHEMA, which will support implementation and enhance capacity. NCERWASS would also be supported to have a strengthened role in quality control of water supply scheme design and construction by the PCERWASS in each province.

112. DLI disbursement places greater weight – through DLI allocations – on critical interventions (e.g., sanitation investments and hygiene promotion) to incentivize investments into sanitation and hygiene promotion which are typically underfunded, and actions to support effective implementation such as implementation of capacity building plans and transparent planning and reporting.

Overall Risk Rating Explanation

113. The overall risk is rated “Substantial,” given that the rating is expected to reflect risks prior to the mitigating activities contemplated under the Program and documented in this Program Appraisal Document. Although the PforR lending instrument is new both to the Client and the Bank, the NTP program that it supports has a ten-year history of increasingly robust performance, with international donors playing a significant and on-going role in that development. Satisfied with the fiduciary performance and NTP2 service delivery, Australia, Denmark, and the United Kingdom have provided budget support of NTP3. Lessons gained from the Bank-supported RRD-RWSSP and the RWSS PforR have also been brought into the Program development. This depth of experience informs the Program and significantly reduces the overall risk. The more challenging part of NTP history – that of under-investment in hygiene and sanitation – will have explicit support from the DLI structure in the results-based approach. Following the end of the NTP3 program period the Government support to the activities under NTP3 will be continued for the period 2016-2020 with the Ministry of Agriculture and Rural Development (MARD) as the lead agency. The components of the current NTP3 will be transferred to the NTP for New Rural Area.

E. Program Action Plan

114. An evidence-based approach will be taken to scaling up successful innovative behavior change interventions. The Program Action Plan contains the key actions that will be taken in the course of Program implementation. These actions are included in Annex 8 and summarized below:

- The Participating Provinces will enhance transparency by maintaining databases on: (i) complaints³⁴ and responses to those complaints; and (ii) beneficiary feedback to implementing agencies and responses to such feedback. The information will be aggregated at the national level by MARD and will be reported to the World Bank on an annual basis. MARD will make public the channels for submitting complaints under the Program, including the World Bank’s Grievance Redress Service.
- all proposals for detailed designs, construction supervision and bids for civil works, whether below or above cost estimates, shall be evaluated by Commune People’s Committees (CPC); proposals and bids shall not be rejected only on the basis of minor, non-substantive deviations;

³⁴ Relating to public consultation / corruption / fiduciary / procurement/ Program implementation.

- SOEs³⁵ dependent on Program ministries/provinces/departments will not be allowed to participate; and
- firms and individuals on the local, national, or World Bank debarment/suspension lists will not be allowed to participate.³⁶
- Annual plans and budgets will be approved at all levels with timely transfer of funds to the Province level. PPCs will make timely and appropriate budget allocations, including adequate allocations to sanitation and communication as indicated in the relevant inter-ministry guidance. This action should specifically address the under-allocation of funds to sanitation and IEC activities.
- MARD and the participating Provinces will jointly develop and implement guidelines to ensure the effective participation of and consultation with local people, including EMs and vulnerable groups. The guidelines, to be implemented by participating provinces, shall fully operationalize existing Vietnamese legislation with respect to EMs through a process of free, prior, and informed consultations.
- The GoV and the Program implementing agencies will implement the BCC component of the Program as per the Program Operational Manual.

115. The Program Action Plan will be monitored through regular supervision missions and verified through integration with the annual reports under DLI 3.1.

Execution of the Program Action Plan and Program Operational Manual

116. The implementation of the Program Action Plan (PAP) actions will require central Government orders that direct and guide ministries, provinces, and their lower-level institutions in how to implement the actions. The actions will be executed through instructions contained in the Program Operational Manual. The POM is required by the Government to complement existing NTP Manuals and will play an instructional role and has the PAP embedded in it. The POM sets forth: (a) the Vietnamese regulations and laws that will govern the various aspects of the Program; and (b) the supplemental provisions necessary to address the gaps identified in the PAP.

117. The Program Action Plan was included in the Project Outline approved by the Prime Minister prior to negotiations. MARD has also approved the Program Operational Manual

118. Each of the 21 Participating Province will therefore be required to follow the actions of the PAP and put in place the necessary arrangements described in the POM.

119. The POM includes the following sections:

Introduction to the Program; Objectives and guiding principles; Organization and implementation; Program Action Plan; Water supply and safety; Sanitation and hygiene; Capacity building and

³⁵ SOEs may participate if they can establish that they meet all of the following four criteria, namely that they are: (a) legally autonomous, (b) financially autonomous, (c) operating under commercial law, or (d) not a dependent agency of the implementing Ministry or Department.

³⁶ The national debarment list can be found at <http://muasamcong.mpi.gov.vn/>, the World Bank debarment list at <http://web.worldbank.org/external/default/main?theSitePK=84266&contentMDK=64069844&menuPK=116730&pagePK=64148989&piPK=64148984>, and the temporary suspension list at <https://clientconnection.worldbank.org>.

policy support; Procurement; Financial management; Governance and anti-corruption; Environment management; Social aspects; Annual Program Plans and Program Reports; Monitoring and evaluation; Verification; and Definitions.

120. The GoV has agreed to follow the Bank's anti-corruption guidelines that apply to all PforR lending operations. Key arrangements for the implementation of these guidelines, including at the provincial level, have been included in the Program Operational Manual. This will set out the steps that GoV will take to: (a) report on allegations of fraud and corruption in the Program and how they are handled; (b) apply the World Bank's debarment list to the Program; and (c) assist any World Bank investigation under the anti-corruption guidelines by ensuring cooperation from those involved in the Program, including ensuring that these participants will be obligated to cooperate with the Bank. As noted above, items (a) and (b) are folded into actions in the PAP and will be covenanted in the legal agreements through the POM. In relation to item (c) a covenant has not been included since the Government has submitted to IDA, evidence of a written communication from a competent central Government authority to the relevant provincial authorities which sets out the obligations of those authorized to cooperate with any investigations under the Program, including any investigations that may be necessary by the World Bank's Integrity Vice-Presidency. The Bank will monitor the arrangements for the implementation of the Anti-corruption Guidelines, taking into account the experience of the existing PforR operations in Vietnam, and consider updates to the POM, as appropriate.

Annex 1: Detailed Program Description

National Target Program for Rural Water Supply and Sanitation

121. The Government of Vietnam gives high priority to development of rural water supply and sanitation. The National Rural Clean Water Supply and Sanitation Strategy to 2020 (developed in 2000 and updated in 2011) has set the overall vision and goals for the sector. The key principles of the strategy include community participation, sustainability and cost recovery. The sector strategy also emphasizes the focus on poverty, ethnic minority groups and remote areas. The GoV recognizes that improving access to sanitation is a priority and has formally committed to eliminating OD in Vietnam by 2025. In the short term, the focus is to target poor communities where water and sanitation coverage is low and malnutrition is high. Improving hygiene practices has been a long term goal of the GoV. Since 2001, rural water supply and sanitation have been financed through a dedicated National Target Program in three phases. The second RWSS NTP ran from 2006 to 2010. NTP2 upgraded water services for 5.4 million people and sanitation services for 6.8 million people. To date NTP3 has achieved 82 percent coverage of hygienic water (40 percent meeting water quality standard QCVN 02-BYT) and 60 percent coverage of hygienic latrines. However, the level of achievement across the provinces is highly variable, with almost all low-performing provinces being in the mountainous and poor areas.

122. Following the end of the NTP3 program period the Government support to the activities under NTP3 will be continued for the period 2016-2020 with the Ministry of Agriculture and Rural Development (MARD) as the lead agency. The components of the current NTP3 will be transferred to the NTP for New Rural Area that has been developed by MARD.

The Results-based Scaling up Rural Sanitation and Water Supply Program

123. The IDA-supported Program is a results-based regional slice of the NTP3, and successor program, which will be implemented in 21 geographically clustered provinces in the Central Highland and Northern Mountain regions³⁷ covering the poorest and most vulnerable groups in the country. The Program is expected to contribute to improving hygiene behaviors and increasing sustainable access to water and sanitation through a total investment of US\$200 million as an IDA credit over five years. GoV and beneficiary contributions to achieving Program results are estimated to be at least US\$25.5 million.

124. The Program uses a set of DLIs to create incentives for: (a) investments in behavior change communication and supply chain support for household sanitation and hygiene; and (b) improvements to support sustained service delivery. The Program will be coordinated, monitored and evaluated at the national level, but implementation will be the responsibility of the provincial level of Government. Provinces will develop their own plans to achieve the agreed targets in the most effective and cost-efficient manner possible including selecting priority areas for investment and choosing appropriate arrangements for implementation. The Program will include TA incentivized through DLI 3.2 aimed at strengthening institutional capacity for implementation and

³⁷ The provinces covered are: Dak Lak, Dak Nong, Gia Lai, Kon Tum, Lam Dong, Bac Can, Bac Giang, Cao Bang, Dien Bien, Ha Giang, Hoa Binh, Lai Chau, Lang Son, Lao Cai, Phu Tho, Son La, Thai Nguyen, Tuyen Quang, Yen Bai, Binh Thuan and Ninh Thuan.

long-term sustainability. This TA will include the main areas for strengthening in technical, environmental, social and fiduciary aspects as identified through the assessments.

#	<i>DLI</i>	<i>Target for 2016-2020</i>	<i>Total Disbursement (US\$ million)</i>
1 Behavior change and infrastructure	1.1 Number of Behavior Change Communication Plans implemented by Participating Provinces	21 BCC plans per year	20
	1.2 Number of new Communes achieving Commune-Wide Sanitation in the Participating Provinces ³⁸	680	47
	1.3 Number of new or rehabilitated Functioning Water Supply Connections to households in the Participating Provinces	255,000	73
2 Sustainability of infrastructure	2.1 Number of households in the Participating Provinces with Sustainable Water Systems.	105,000	25
	2.2 Number of Communes in the Participating Provinces, which have achieved Commune-Wide Sanitation two CY ago, where all public kindergarten, primary and secondary schools and health centers maintain Hygienic Status	340	15
3 Capacity for implementation	3.1 Number of Annual Program Plans and Program Reports disclosed	43 plans/ reports per year	5
	3.2 Number of approved Annual Capacity Development Plans implemented	21 plans implemented per year	15

125. Specific communes and districts targeted for intervention will be developed during project preparation and will be detailed in the annual plans. The Program Operational Manual lays out the approach for selecting target areas. Certain criteria have been **agreed** to ensure that the Program reaches poor ethnic minority areas; the Program will include only those communes not yet meeting Commune-Wide Sanitation (CWS) and will exclude districts containing the Provincial city/town and urban District towns in both target regions. Working across 680 communes means that the Program will reach around 30 percent of the communes across the target Provinces.

126. **Sanitation and Hygiene.** Reaching the CWS targets requires a significant increase in the coverage of improved latrines. Currently the coverage of latrines in each Province ranges from 50-90 percent; however, these include any kind of latrine, including unimproved pig feeding latrines, bridge latrines, and bucket latrines, which are common and, like open defecation, pose a threat to public health and stunting of under-five-year-old children.³⁹ To reach the DLI targets, each Province needs to both increase the coverage of latrines and ensure that existing latrines are

³⁸ Commune-Wide Sanitation defined as: (a) 70% of households have an improved latrine; (b) 80% of households have dedicated (fixed) hand washing points, with soap (or soap substitute) and water available; and (c) All schools and health clinics have functional water supply, hygienic sanitation and hand washing facilities.

³⁹ Quattri et al. 2014. Investing in the Next Generation: Children grow taller, and smarter, in rural, mountainous villages of Vietnam where community members use improved sanitation.

significantly upgraded to safely contain feces and provide the required public health benefits. The changes required are significantly greater than the current increase in latrine coverage being realized under the NTP3 (e.g., in 2013 the increase in hygienic latrine coverage in the Northern Mountains was 3 Percent).⁴⁰

127. In order to realize this scaling up in sanitation coverage, the effectiveness of current sanitation and hygiene promotion needs to be improved. Current approaches include didactic health-based IEC and sanitation subsidies for “demonstration” latrines for poor households. Upfront subsidies for latrines have been noted to suppress demand in the rest of the community and DoH officials note the difficulties in using materials in Vietnamese in ethnic minority areas. Some successes have been noted with CATS, supported by UNICEF, and with reward systems, implemented by East Meets West. These are described further in the Technical Assessment.

128. The proposed Program would support both demand generation and the supply chain strengthening for sanitation and hygiene. The approaches will fully utilize the existing Government structure, and avoid building in new roles and resources which cannot be sustained in the future. Previous interventions have struggled to move away from traditional didactic health messaging approaches. Therefore, in order to successfully implement the program, the capacity of Village Health Workers and/or mass unions will need to be developed to use interactive approaches, which do not rely on health messages. The aim of the Program is to develop a tool kit which brings mass media quality materials to the local level for “fool proof” implementation. These will need to be carefully designed and packaged with prescribed implementation. For example, the toolkit might include “emotional demonstrations,” such as skits, short films and commercials. The toolkit would need to be adapted (including on language and imagery) to be meaningful to different ethnic minority groups.

129. Through separate TA in parallel to the Program, VIHEMA will work with a creative agency on the design of an Umbrella branded campaign covering both demand generation and supply for hygiene and sanitation. The campaign is informed by the ongoing formative research. Key triggers identified through the framing workshop and formative research to date have been the importance of “good manners,” respect for the elderly and a focus on education and not being “left behind.” Key barriers are access difficulties and long periods spent in the fields which limit touch points. Sources of opportunity for interventions are the reliance on informal credit networks, strong community networks and the importance of traditional leadership structures. The campaign will use social pressure through motivations of affiliation and disgust as levers for change and will work through well-established channels, such as clinics, schools, improved inter-personal communication by village health workers, community events at the commune level, mass media, and social media at the provincial and district levels.

130. The campaign will be supervised by VIHEMA under the program and implemented by the DoH, with support from mass unions. At the central level, VIHEMA would conduct advocacy to raise the national and local profile of sanitation and hygiene. Capacity building would be supported at the Provincial level to cascade training down the DoH structure. Existing district level communication teams would be trained and provided with films, commercials and other materials

⁴⁰ NTP Monitoring data (2013)

to complete a semi-regular road show as part of their ongoing work. A sustainable level for this activity is estimated as two to four days per month.

131. The Women's Union in the village would take on the role of promoting the supply side and would be paid on a commission basis for sales of latrine and hand washing materials. These focal points would provide information on latrine options, aggregate orders for sanitation materials, link to transport providers and suppliers and manage ring loans (revolving funds). Different business models will be applied based on the experience piloted in certain provinces, such as Dien Bien, Lao Cai, Kon Tum and Hoa Binh, and adapted to local conditions, for example strengthening the existing sanitation markets and promoting One Stop Shop models. Both low-cost and aspirational latrine designs developed by VIHEMA, with the TA from UNICEF, would be promoted.

132. The commune and village health workers would be responsible for supporting demand side interventions. It should be noted that Government staff cannot be paid on commission. They would therefore be incentivized through reward mechanisms based on achievements under the Program.

133. In order to maximize the reach of the Program, the existing interventions by Government, NGOs and other development partners will be leveraged. Specific examples include:

- Preliminary feedback from the NM and CH poverty reduction project teams indicates that there is great potential for synergy in communes where the projects and Program overlap. Commune-level Community Facilitators are being supported under the projects and typically already have strong facilitation skill-sets and regularly visit villages in the commune. While the health system remains responsible for sanitation, the Commune Facilitators could be integrated into the Program training and take a role in community triggering and follow up. In addition, the Common Interest Group at the commune and/or village level could be leveraged to train communities further on latrine construction and, on the basis of community demand, support the increase in sanitation coverage, for example through poor household partial grant support, or aggregating material transport costs. Initial interventions are being supported by WSP and UNICEF as described earlier.
- UNICEF is planning to support VIHEMA to continue working in seven of the target provinces and also expand the existing program of community mobilization using CATS into the 12 remaining target provinces in 2015 and 2016. Work implemented would dovetail with the Program.
- There are a number of local and international NGOs working in the target area using different interventions. These NGOs meet regularly through the Sanitation Working Group in Hanoi, but have had limited coordination on the ground. VIHEMA is working with these groups to ensure their efforts can be leveraged to achieve commune-wide sanitation across as wide an area as possible.

134. In parallel to driving demand, targeted support will be provided to the poorest households through innovative financing. The approaches will aim to improve the delivery of existing subsidy systems, for example using rebates and rewards in place of subsidies, and strengthen the use of microfinance sanitation loans through stronger collaboration with VBSP. The role of the Women's Unions to manage ring loans will be explored further.

135. Identifying and incentivizing local champions is critical for success. The RB-SupRSWS Program would cascade the results-based approach down to front line staff and participating communes as far as possible, with rewards and recognition for successful work. The incentives scheme would build upon the current TA under the RWSS PforR.

136. This campaign would be rolled out progressively in each Province, during which time the approaches would be refined and implementation capacity would be strengthened. At the midterm review an evaluation would then be carried out to assess the impact and cost effectiveness and inform the development of the new approaches introduced. This evaluation would focus on observed behavior change, improved hygiene practices, as opposed to the more tangible infrastructure, and inputs measured through the DLIs. The evaluation would support advocacy on scaling-up these new approaches and mainstreaming them into the successor program to the NTP3.

137. Basic infrastructure in schools and clinics would also be supported. MoET is currently not a major actor under NTP3 in the target regions. The proposed Program would increase the involvement of MoET, under the hygiene and sanitation promotion activities. Schools would be a major focal point for promotion interventions, both through activities with children during the school day and reaching households through engaging parents in school campaigns. MoET would also be supported to ensure that operation and maintenance of school facilities is improved. MoET and VIHEMA will develop policies and guidelines as needed on operation and maintenance of sanitation facilities, and sanitation and hygiene promotion in schools. MoET will be responsible for the O&M of water supply in schools with the support of PCERWASS.

138. The close links between sanitation, hygiene and stunting highlight the importance of close coordination between these sectors to improve nutrition among children in the first 1000 days. The RB-SupRSWS program would therefore mainstream hand washing into *antenatal* and *neonatal* care, targeting pregnant women in parallel with supporting the scale up of existing successful programs for combating malnutrition. The integration of the activities will be at the health clinic through nutrition consultation and outreach activities by village health workers where the hand washing messages and other nutrition specific intervention messages are integrated. The Institute for Nutrition will coordinate with VIHEMA on implementation.

139. **Water supply.** In isolated communities in the Northern Mountains people are largely reliant on gravity fed spring systems and rainwater collection. In the Central Highlands communities typically rely on groundwater. In many cases populations are too dispersed for a typical centralized water treatment plant and piped network to be cost effective. Two types of schemes are envisaged to be included under this Program:

- *Small community-managed schemes* – covering single villages and approximately 20-100 households: it is anticipated that the majority of the water supplies will have a simple design and treatment technologies will be basic and able to be maintained by community representatives, for example; protected springs, protected open wells, shallow/medium depth boreholes with electric pumps, slow filtration tanks for surface water and rainwater tanks.

- *Multi village PCERWASS- or private sector-managed schemes* – covering multiple village schemes with up to 2,000 households. These would comprise more typical centralized water treatment and piped networks. Water schemes which deliver water through a tap on the household plot, or within five minutes’ collection time from the household, reduce health concerns from high to low.⁴¹

140. The RB-SupRSWS Program will support: (a) completely new water supply schemes; (b) extensions from existing schemes; (c) moving from shared systems – for example shared tanks and stand posts or hand pumps – to individual household connection; and (d) rehabilitation of water supply systems which are currently not functioning. This wide range of options allows the provinces to respond to the local requirements and identify the most cost-effective approach to reach the Program targets.

141. Criteria and principles for designing rural water supplies are mainly based on the existing water and sanitation standards in Vietnam, incorporating the work to develop appropriate rural water standards currently being undertaken by NCERWASS. The technical assessment identified issues relating to high unit cost relating to overdesign. Recommendations have been on appropriate design standards and, based on this, reasonable ranges of *per capita* costs. The technologies chosen will be appropriate and robust, and will include basic treatment as required. A range of applicable technologies have been identified, including simple groundwater and spring collection and treatment systems and recommendations on minimum storage and other issues to respond to local conditions. The selection of surface water or groundwater is based on the quality and availability of water resources at each site. The criteria for technology selection will include the cost of operation and maintenance.

142. Additional screening criteria have been developed by NCERWASS in Program implementation, including minimum levels of demand and willingness to pay, assessment of historical and projected variability in water sources due to climate change, and requiring operational plans to be developed and management models identified. The Program will use a demand-responsive approach in which participating communities are fully involved in making decisions about water and sanitation facilities, including the level of demand and the willingness to pay.

143. The inclusion of support to individual household water supply (e.g., water filters) has been considered through project preparation. However, ultimately it was agreed that the Program should focus on small- to medium-sized centralized piped networks. The need for new and rehabilitated small- and medium-sized piped schemes in poor rural areas is significantly higher than available financing and the program aims to support the Government’s focus on rehabilitation and extension of existing schemes. This will be reviewed at the midterm review following the completion of pilot programs being completed near to the Program area.

144. Sustainability of water supply schemes *post*-construction should also be supported and monitored, including fee collection, completed maintenance, water quality, and minimum standards for community management. These issues will be considered from scheme identification

⁴¹ Domestic Water Quantity, Service, Level and Health, World Health Organization 2003.

as described above. Additional support is needed to develop sustainable management models through professionalization of the schemes and support to community capacity building for operation and maintenance. Some Provinces are already developing effective practices – including provision of tool kits and technical backstopping support. This support would incorporate and adapt the work to develop operation and maintenance models currently being undertaken by NCERWASS including under the existing RWSS PforR. Parallel TA is also being provided by WSP, which is mainly focusing on sanitation but which may also include a component on how to amalgamate smaller water service providers across a District or Province in order to benefit from economies of scale in private sector management. Tariffs should take into account affordability levels for users, in addition to cost recovery. The strengthening of sustainable management of water supply systems will be supported in coordination with the recently-formed working group on strengthening operation and maintenance of water systems in underdeveloped provinces with the joint leadership of NCERWASS and UNICEF.

Capacity Building and implementation support

145. The Program will be supported by a number of activities designed to address gaps identified during Program preparation. The analysis which led to the identification of these activities is laid out in the Technical, Environmental and Social Systems and the Integrated Fiduciary Assessments.

146. The proposed activities will be implemented through the same implementing arrangements as the overall Program. The TA is incentivized under DLI 3.2 for which an Approved Annual Capacity Development Plan must be verified as implemented in order to qualify for disbursement. The TA includes four sets of activities, each managed by the responsible implementing agency:

- NTP-SO: Program management: (a) Planning, Monitoring and Evaluation and (ii) Supporting Improved Environmental, Social and Fiduciary Systems;
- NCERWASS with UNICEF through the operation and maintenance working group: Improved Sustainability of Water Supply Systems;
- VIHEMA: Increased Capacity to Promote Hygienic Behavior Change and Provide Sustainable Sanitation Services; and
- SAV: Verification of Program Results and External Audit of the Program.

147. Each one of these activities will have capacity building activities to support immediate implementation and corresponding Policy development to support long-term improvements.

Program Management

148. *Planning, Monitoring and Evaluation.* Improved planning, monitoring and evaluation practices is fundamental to implementing the results-based approach. Although central-level agencies have experience with application of the PforR instrument, the agencies at the provincial level in the Central Highlands and the Northern Mountains do not. Implementing a new results-based culture in the 21 provinces will require considerable support in relation to planning and implementation. The spirit of this Program is to encourage strategic and rational planning of

investments with a view to achieving rapid progress at scale without compromising sustainability or equity. Provinces are required to prepare annual Program plans, based on sound baseline information, which will be used for results forecasting and to determine annual investment requirements. In summary this component will include the following activities:

- a) Support for the Development of Annual Program Plans, which are a component of the DLIs. Plans have to include the information indicated in Annex 2 in order to become the central instrument for strategic planning and budgeting. Training on planning will be provided every year during the three months previous to the finalization of the annual plan.
- b) Strengthening inter-sectoral collaboration including between the education and health sectors; between health and sanitation promotion and financing opportunities; and between hardware investments with hygiene promotion activities.
- c) Improving the use of M&E tools to ensure data is adequately collected and processed in order to measure progress and inform planning. The proposed Program would support the development of an improved M&E system, linking to the work to develop data collection systems and an open source IT portal under the RWSS PforR in the Red River Delta. The M&E system will be strengthened and capacity built through TA to improve data collection and processing including building on the ICT platform being developed under the RWSS PforR.
- d) Peer learning: the implementing agencies of the 21 provinces will be supported to share experience and good practice throughout Program implementation.

149. *Improved Social Management Practices:* Under the Annual Capacity Development Plan activities to support Ethnic Minority participation and Poverty targeting would be included as separate sections in order to increase the focus of all agencies on these two issues. Support to EM participation will be implemented through adaption and application of guidelines included in the POM, to ensure participation and consultation in every step of the Program activities, including planning, sub-project design and implementation, compensation, resettlement and rehabilitation measures in land acquisition. A number of potential routes to engage with EM groups need to be assessed, including through the Women's Union, village health workers, traditional leadership structures and so on. Poverty targeting will identify the areas with high concentrations of poverty and how these could best be served under the program; for example supporting supply chains for sanitation products. In addition the following issues will be covered:

- a) Adaptation and application of the program of voluntary donation (land or other assets) guideline included in the POM. A voluntary donation guideline would be developed for donation of land to support small-scale community infrastructure where the impacts are minor.
- b) Support to provincial implementing agencies to establish an effective beneficiary communication mechanism to inform beneficiaries their rights, roles and responsibilities as related to the Program. This activity will publicize the existing channels for submitting complaints under the program, including the Grievance Redress Service of the World Bank. This activity will develop a means to provide timely feedback and complaints regarding the Program to agencies in the 21 implementing provinces through formalizing the process for acceptance, review and investigation of anonymous complaints at the provincial level; and improving citizen

and bidder knowledge and access to information about rights and processes for making complaints about concerns with the Program. Activities will link to the short message service (SMS) beneficiary feedback system being developed under the ongoing RWSS PforR.

- c) Improving gender awareness and mainstreaming gender in the Program activities: these activities will identify both how gender impacts on Program implementation and how the Program can negatively impacts on gender roles. The activities will aim to identify how to mainstream these issues.

150. *Improved Environmental Management Practices.* These activities will provide assistance to strengthen compliance with existing environmental laws and regulations. Specific activities are as described below:

- Environmental management capacity will be strengthened through specific training at the provincial and district levels. Training will cover: the environmental screening of projects; improving the quality of EPCs/EPPs and incorporating recommendations and mitigation measures for site selection, engineering design as well as bidding documents and contracts and during preparation, construction and operation; and promoting participatory approaches during preparation and construction to encourage the public's involvement in identifying and addressing environmental issues related to subprojects. The (provincial) Department of Natural Resources and the Environment (DoNRE)'s capacity to carry out environmental awareness campaigns at the local level will also be strengthened.
- Develop expertise for the monitoring and inspection agencies to enforce environmental compliance responsibilities of sub-project owners through Program participation. Training will be provided to strengthen the participation and capacity of local environmental authorities in complying with the existing environmental laws and regulations including the Law on Environmental Protection as well as for Provincial Project Management Unit (PPMU) engineers and construction supervisors to monitor contractor's environmental compliance.

151. *Improved Procurement Practices:* The key aims of these activities are to improve procurement oversight at the provincial (provincial inspectorate and DPI) and national levels (state audit and public procurement agency) in addition to supporting the Provinces to apply the new procurement regulations. Other improvements in procurement practices include:

- a) Establishing a procurement filing and record keeping system. The system may include a computer-based system and furniture for hard copies. In order to establish the system the agencies may need to procure office material and appropriate software;
- b) Improving reporting and monitoring systems and provision of training as needed. The system may include a database to record the procurement process, bidding information and contract award as well as a clear set of procurement performance indicators;
- c) Providing procurement training, to improve knowledge of how to apply new regulations for competitive procurement, at the provincial level (PCERWASS and DoH) provided by the Public Procurement Agency through its Training Center; and

- d) Capacity building for contract management. This will include training and assistance to develop operational manuals for contract management.

152. *Improved Financial Management Practices.* This section will include installing accounting software and training accounting staff to record Program transactions, prepare Program financial statements, and prepare management reports for planning and budget monitoring, and creating and effectively using a Program financial management manual.

Improved sustainability of water supply systems

153. Under the results-based instrument GoV will manage the technical aspects of procuring water supply schemes and services using their own procurement systems. While the national systems are robust there is a significant need for support to improve water supply scheme sustainability. Activities of this component will include:

- a) Assessments of reasons for existing scheme failure, building on previous experience, lessons learned, best practices and identifying critical issues.
- b) Developing suitable management models, maintenance protocols and strategies adapted to the different contexts and scale of services in the NM-CH regions. This would include: (i) using participatory planning, designing and implementation that develops ownership among target communities on water supply systems; (ii) setting up institutional arrangement with necessary skill and capacity to manage the systems; (iii) promoting appropriate technologies that would ensure affordable operation and maintenance management; and (iv) exploring the scope for private sector participation to support service delivery of amalgamations of small water supply schemes at the Provincial level.

Increased capacity to promote hygiene behavior change and provide sustainable sanitation services

154. The scope of works outlined below assumes that the separate, but linked UNICEF and WSP TA moves ahead which would closely complement the proposed RB-SupRSWS technical assistance. This TA component will seek to strengthen rural hygiene and sanitation in the 21 provinces as follows:

- a) Strengthening of national, provincial and local agencies involved in the Program to develop their capacity to plan, implement and manage new approaches in BCC and supply chain development for sanitation and hygiene. This will include training on budgeting and annual planning for BCC. The UNICEF and WSP TA will complement this work through the following expected outcomes: (i) increased Government capacity at different levels to deliver evidence-based behavior change communication and demand creation interventions for sanitation and hygiene; (ii) increased Government and private sector capacity to deliver low-cost, aspirational sanitation and hygiene products and services to rural households; (iii) increased awareness and capacities of provincial decision makers and implementing agencies to prioritize, plan and monitor sustainable sanitation and hygiene program; and (iv) deepened knowledge and ability for adaptive learning for service delivery approaches for rural sanitation and hygiene.

- b) Support will be provided for the 21 provinces to build the capacity of the private sector including local builders, manufacturers and suppliers of sanitation and hygiene products and services, in order to supply a menu of affordable and appropriate household sanitation and hand washing hardware options and services. The technical knowledge of the provinces on low-cost latrine options at the community level will be developed and support will be provided to provincial business coordinators and Provincial CPMs to proof test business models and make inputs to product design, including market research, design, prototyping and testing. Linked to these activities, the UNICEF and WSP TA will strengthen the supply-side through small-scale piloting and support to provincial implementers as well as the design and marketing of new sanitation products and proof of concept of different business models for existing marketable solutions such as one-stop-shop enterprises.
 - c) Technical assistance to review the sanitation standards, design codes, management and maintenance of facilities for public institutions. This will be a participatory process and take into account issues of menstrual hygiene management, disabled access and increasing use by young children, building on work completed to date with the support of UNICEF on child friendly sanitation. Support to improve menstrual hygiene management will be complemented by the WSP TA which will carry out a situational analysis and promote other measures for girl-friendly sanitation.
 - d) Support to improving the capacity of MoET, DoET and school staff to improve maintenance of school WASH infrastructure.
- Strengthening existing community approaches to total sanitation (CATS) with: (i) robust community mobilization approaches; (ii) strengthening supply chain with affordable latrine options; (iii) improving lending/ micro-financing system from VBSP for latrine construction; (iv) establishing community monitoring group to support continued use of latrines; and (v) developing community resolutions to have commitment of households to stop open defecation.

155. *Verification of Program Results and External Audit of the Program.* This component of TA will provide assistance in the verification of the Program results and in the external audit of the Program. It will build on the verification and auditing support provided under the RWSS PforR through the following activities:

- a) Verifying the program results to trigger the corresponding disbursements. This will be carried out through hiring a consultancy firm to assist the independent verification agency in this task. Verification of achievement of results will be communicated to the Bank to trigger the corresponding disbursements.
- b) Supporting independent audit of Program annual financial statements. The PforR audit will be performed by State Audit of Vietnam for all of the provinces' financial statements on annual basis. Due to the results-based approach of the PforR program, some limited TA is needed to support the State Audit of Vietnam to understand the financial implementation arrangements of the Program and to provide them with the resources needed to be able to perform the full scope of financial audit in accordance with international auditing standards in the 21 provinces of the CH and NM during the five-year Program.

156. *Policy.* The Government will develop policies and directives to guide implementation by participating agencies and provinces and inform enhancement and further development of existing NTP3 Guidelines for implementation under the successor program. The Program would support the costs of policy development including the costs of supporting studies, stakeholder dialogue, and TA in the form of advisory services from national or international experts. Proposed policy areas for development, and current progress, are as follows:

- a) Participation of the private sector in sanitation activities, including capacity building for sanitation marketing and supply, and collaborating with Government agencies to coordinate achievements in commune-wide sanitation;
- b) Adoption of innovative financing mechanisms for sanitation which promote demand; for example rebates, loans, savings schemes, or similar;
- c) Ensuring adequate funding for BCC campaigns and staff at the provincial, district, commune, and local level;
- d) Increasing the number of commune-level IEC collaborators and the budget for allowances above the current limitations approved for NTP3;
- e) Guidance on commune-wide sanitation linking to the ongoing policy development by VIHEMA, supported by UNICEF and WSP – including definitions, rationale, objectives, targets, mechanisms, key responsibilities, and verification processes;
- f) School WASH Policy including WASH design standards which take into account gender sensitivity – including menstrual hygiene management, disabled access, operations and maintenance, financing guidelines for operations and maintenance and consumables such as soap, behavior change and hygiene promotion. UNICEF, as part of its "child-friendly" schools campaign in Vietnam, has worked with MoET over a number of years to design better toilet facilities. One output of this collaboration was the "Standard Latrines for kindergarten, primary and high schools" issued by the MoET in 2008. The same year UNICEF supported NCERWASS on an Assessment of water supply equipment and sanitation for children with disabilities in schools, however provisions for children with disabilities were not included into the MoET decision. This policy and work will be the starting point for further development;
- g) Guidelines on consistent implementation of pro-poor support;
- h) Guidance on the role of PCERWASS in supporting institutional capacity development at the commune levels; including minimum requirements for community management of schemes; and
- i) A water price framework, which would support allocation of funds for water price compensation, prioritizing water supply schemes in mountainous and remote areas.

Institutional Arrangements

157. The program will rely on the existing NTP3 implementation and management arrangements, which are expected to continue under the successor program. Particular features at central and provincial levels are as follows:

Central Level

158. MARD is in charge of NTP3 and is the lead agency taking responsibility for implementation of the RB-SupRSWS program. MARD will coordinate Program implementation under the guidance of a national steering committee consisting of MARD, MoH, MoET, Commission for Ethnic and Minority Affairs (CEMA), Ministry of Planning and Investment (MPI), and MoF. An existing unit within the MARD NTP-SO and the Water Resources Department would be responsible for overall monitoring, reporting and ensuring fund flow mechanisms.

159. During implementation, the NTP Standing Office will act as the supporting agency, providing guidance to provinces in preparing plans, monitoring and compiling the Program results and providing TA for the 21 provinces. NTP-SO and the Water Resources Directorate (WRD) will support the development of the annual Program reports and plans at the central level and in the 21 provinces. NTP-SO and the WRD will also be responsible for ensuring that arrangements are in place for monitoring and reporting progress against the Disbursement Linked Indicators. NTP-SO and the WRD will also report on progress made against the Program Action Plan.

160. NCERWASS is the technical lead for water supply. NCERWASS will be responsible for coordination as well as supporting provinces in planning and in monitoring and evaluating results relating to water supply which will feed in to the ICT M&E platform being developed through the RWSS PforR. NCERWASS will also assign provincial level staff to engage in capacity building activities; provide guidance to PCERWASS in developing budget estimates, technical designs and annual plans related to the provision of water supply for schools, clinics and households under the program; and provide information on Program monitoring to MARD.

161. The Ministry of Health (MoH) is responsible for management of health, focusing on guiding and disseminating the standards on water quality for drinking and domestic uses, directing sanitation implementation and developing public and household sanitation programs in rural areas. VIHEMA under MoH will be the technical lead for the sanitation and the behavior change activities. An existing unit within VIHEMA will be responsible for overall design, management, coordination and monitoring of sanitation and hygiene promotion activities at the central level as well as technical support to the Provincial level. At the central level VIHEMA will be responsible for procuring and implementing development of BCC strategies and related capacity building requirements, a national media and advocacy campaign and policy review for all issues relating to sanitation. VIHEMA will also be responsible for arranging the required technical support for provincial level implementation of community-approaches for rural sanitation, BCC activities and capacity building to support market-based approaches. This is expected to require inputs from international experts. Provincial level support includes: mobilizing regional institutes under MoH-public health to support provincial level capacity building; assigning provincial level staff to engage in capacity building activities; guiding the development of budget estimates and annual plans related to the sanitation and hygiene promotion activities for schools, clinics and households under the Program; supervising the status of implementation of activities related to sanitation and hygiene promotion; and providing information on Program monitoring to MARD. VIHEMA will

be responsible for supporting provinces in planning and in monitoring and evaluating results relating to behavior change and sanitation which will feed into the ICT M&E platform being developed through the RWSS PforR. VIHEMA will also coordinate with the NIN on nutrition-related aspects of the Program.

162. The Independent Verification Agent (IVA) will be responsible for completing a verification of the results achieved against the DLI targets on the basis of which funds will be disbursed. State Audit of Vietnam (SAV) has acted as the IVA for the ongoing RWSS PforR and financial auditor for the PforR and the whole NTP. SAV will be assigned as the IVA and the financial auditor for this Program.

163. The Ministry of Education and Training (MoET) will support activities in schools. This will include support for the development and promulgation of policies relevant to the Program, including ensuring that suitable operation and maintenance of the water supply and sanitation facilities at schools are put in place, assigning staff to engage in capacity building activities and the implementation support to schools in their implementation of hygiene BCC activities, guiding on the development of budget estimates and annual plans for activities falling under the MoET's mandate; supervising the status of implementation of these activities in schools; and providing information on program monitoring to NCERWASS/VIHEMA as required.

164. The Commission for Ethnic and Minority Affairs (CEMA) will have an advisory role and will support the Program to develop interventions which are sensitive to the requirements and diversity of different ethnic groups in Vietnam. CEMA will have a critical role through their representation on the national and provincial steering committees. In line with their mandate, they will provide guidance on the training being provided, review hygiene promotion tools to ensure that they are appropriate, guide activities in schools and monitor and evaluate community level activities to ensure that engagement of ethnic minority groups is effective. CEMA will also help the team to foster the development of ethnic minority staff engaged directly in Program implementation, at the Provincial, District and Commune Government levels in addition to Health Workers and through the Women's Union. CEMA will take a lead role in development of policy issues related to ethnic minority groups and will ensure the Program integrates relevant research completed by national and international institutions;

Provincial Level

165. The Provincial People's Committee (PPC) will lead Provincial level steering committees for coordination and supervision comprising DoH, PCERWASS, DoET, DPI, DoF and CEMA.

166. The PPCs will assign responsibilities for developing the Program Plans for RWSS. Program Plans are a key component of the Disbursement-Linked Indicators and must have content specific information on access to water and sanitation in the province, mapping of socio-economic data, and projection of investments for the next five year period on a yearly bases. The information contained in the Program plans needs to be updated periodically, based on progress during implementation and information on key project indicators.

167. DARD is the lead agency at the provincial level and is in charge of general reporting, information gathering and assessment, including reporting on annual results and coordinating all the monitoring activities required to deliver the Program. In addition, this agency is also responsible for conducting training activities for capacity enhancement, communication, construction investment of water supply facilities and rural environmental sanitation.

168. During the implementation of the program, PCERWASS is responsible for the design, implementation, supervision and monitoring of water supply schemes in communities and in institutions.

169. DoH is responsible for guiding and executing all hygiene and sanitation activities under the Program. DOH will also have a key role to play in monitoring water quality. The Health workers at the village and commune level will participate in the monitoring process.

170. DoET is responsible for sanitation in schools and will work closely with PCERWASS on providing water in schools as well as supporting schools to operate and maintain water and sanitation facilities.

171. Local networks of health workers, the Women's Union and Commune leaders will be instrumental in program implementation, specifically on implementation of the hygiene and sanitation promotion activities.

Independent Verification Agent

172. The IVA role is to provide independent confirmation of the results reported by MARD.

173. The choice for the IVA role is the State Audit of Vietnam (SAV), an agency with the demonstrated capacity and independence to undertake the verification role in a timely and efficient manner. SAV is well known to the Bank through involvement in auditing Bank-financed sub-projects and as the beneficiary of technical assistance in an on-going program of institutional strengthening. SAV serves primarily as a financial auditor, but in recent years has gained experience in performance auditing. SAV has also developed experience of verification in its role as IVA under the RWSS PforR. Recognizing that SAV will need to engage specialized technical skills in order to carry out the IVA role, funding will be provided for that purpose.

174. SAV is experienced in developing sampling frames that provide a high degree of comfort on the validity of the overall results. Due to their institutional stature within Vietnam, they are guaranteed access without hindrance to any level of Government. The definitions under which the evaluation work will take place are those summarized above.

Fund Flow

175. Funds from the Bank will flow into the NTP and the successor NTP following the Government financial mechanism. Funds will be allocated to the implementing agencies by central and local Government to implement the Program activities in accordance with the country Law on State Budget.

176. At the central level, the implementing agencies that will receive Program funds from MoF for implementation of the Program are: MARD (including NTP-SO, WRD, NCERWASS and the Inspectorate); MoH (VIHEMA); MoET; SAV and CEMA. At provincial level, Program funds will be allocated directly to PCERWAS, DoH and DoET. DoH will be responsible for providing funds advances and managing overall spending for the implementation of sanitation and hygiene promotion activities by other entities such as the District Health Centers, Commune and Village Health Workers and local Women's Union representatives.

177. The Program funds will be transferred by MoF to provinces using the State Treasury accounts system. All funds transfers from MoF to the provinces are expected to be grants through an on-granting mechanism, although some minimal on-lending may take place. PCERWASS, the provincial agency who is assigned by PPC to act as provincial NTP standing office, will open a special deposit account at provincial State Treasury to receive the total amount allocated by MoF to the province. Other implementing agencies (DoH and DoET) will open sub-accounts at the provincial State Treasury to receive the respective amount of fund transferred by PCERWASS in accordance with the budget allocation made by the PPC. The allocation procedure of budgets to provinces will follow the standard Government systems. The MPI will indicate the total NTP, and successor program, budget allocated to the 21 provinces including the World Bank funding. These funds, together with provincial funds, will be allocated to implementing agencies by the PPCs (with support of PCERWASSs, DoHs and DoETs) as planned and agreed with the inter-ministry guidance to achieve the expected DLIs in the budgeted period. The funds flow mechanisms will be further detailed in the POM.

Annex 2: Results Framework Matrix

The Results Framework is shown in Table A2.1. It should be read in conjunction with the following definitions:

178. “Behavior Change Communication Plan” means an annual plan prepared by each Participating Province, and furnished to the Recipient’s Ministry of Health, MARD and the Association for review, aimed at promoting hygiene and sanitation, including: (i) an overall strategy for demand generation and supply chain support for the first three years of Program implementation; (ii) planned activities on an annual basis at the national, provincial, district, commune and village level; (iii) the link between the planned activities, the Program results, the DLIs and the overall strategy; (iv) the target audience for the planned activities; (iv) the delivery modality; (v) the timeline for the delivery of the planned activities; and (vi) the financial resources assigned for the planned activities.

179. “Annual Program Plan” means a plan, in form and substance acceptable to the Association, to be prepared and approved by each Participating Province and MARD on annual basis, setting forth the status of water supply and sanitation services in the respective province including, among other things, information on access to water supply and sanitation services, water quality data, poverty data, ethnic minority data, and a projected five-year investment plan, the Annual Capacity Development Plan and the annual Behavior Change Communication Plan; as such plan may be amended from time to time with the prior written agreement of the Association.

180. “Commune-Wide Sanitation” means a Commune which has achieved the following criteria with regard to sanitation services: (a) at least 70 percent of households in the Commune have an Improved Latrine; (b) at least 80 percent of households in the Commune have dedicated hand washing points (as described in the POM); and (c) 100 percent of public kindergartens, primary and secondary schools, and health clinics in the Commune have Hygienic Status.

181. “Annual Capacity Development Plan” means an annual plan prepared by each Participating Province and furnished to MARD and the Association for review, aimed at providing capacity building support to the Participating Province, including: (i) the topic for capacity building; (ii) the objective of the support in relation to Program results areas and DLIs; (iii) the intended outputs; (iii) the target audience for the activity; (iv) the delivery modality; (v) the timeline for the delivery of the activity; and (vi) the financial resources assigned for the activity.

182. “Functioning Water Supply Connections” means water supply connections which reliably provide clean water, as described in the POM.

183. “Hygienic Status” means the status of public kindergartens, primary and secondary schools, and health clinics, which have clean water (as defined by the applicable Recipient’s standards set forth in the POM), water for hand washing (as defined by the applicable Recipient’s standards set forth in the POM), and hygienic sanitation facilities (as defined by Recipient’s Ministry of Health Circular QCVN 01: 2011/BYT).

184. “Improved Latrine” means a latrine that hygienically isolates human excreta from human contact and meets the criteria set forth in the POM.

185. “Program Report” Participating Provinces prepare an annual Program Report on progress against the DLIs, Program Action Plan compliance, financial management and social aspects of the Program. The Program Report will be disclosed to the public.

186. “Consolidated Program Report” is an annual report produced by MARD consolidating the information included in the annual Program Reports produced from the Participating Provinces. The Program Report produced by MARD will also include information on progress made on the PDO and Intermediate Results Indicators in the Results Framework as well as the Program Action Plan. This report will be also disclosed to the public.

187. “Sustainable Water Systems” means those which, two years after the start of operation (defined as the month in which the first water is supplied, billed and paid for by customer households), satisfy the following characteristics: (a) provide clean water, as defined by the applicable Recipient’s standards; (b) the system is operating under a recognized management model; (c) At least 80 percent of the number of planned system connections are Functioning Water Supply Connections; and (d) the operating revenues are sufficient to cover the operation and immediate maintenance costs; all as set forth in the POM.

188. “Non-Revenue Water” means the difference in percentage between the volume of water that enters the distribution system and the volume that is billed to customers. It is measured on a monthly basis.

Table A2.1: Results Framework
(Targets are for each year/period and not cumulative)

Results Indicators	Core	DLI	Unit	Baseline	Targets					Period	Data source	Data collection
					Yr 1	Yr 2	Yr 3	Yr 4	Yr 5			
Program Development Objective: <i>To improve hygiene behavior, increase and sustain access to rural sanitation and water supply in rural areas in the Participating Provinces.</i>												
PDO Indicator 1: Direct Program Beneficiaries ⁴² (Disaggregated by; % female, % female headed households and % EM household)	X		Number	0	400,000	1,200,000	1,500,000	1,000,000	1,000,000	annual	Annual verification of results	MARD, IVA
PDO Indicator 2: Households with access to sustainable water supply services (gender disaggregated by head of household)		X	Number	0	0	0	0	25,000	80,000	annual	Annual verification of results	MARD, IVA
PDO Indicator 3: Communes achieving commune-wide sanitation		X	Number	0	50	150	200	140	140	annual	Annual verification of results	MARD, IVA
PDO Indicator 4: Communes where schools and health clinics have maintained hygienic status		X	Number	0	0	0	45	125	170	annual	Annual verification of results	MARD, IVA
PDO Indicator 5: New approaches for BCC and supply chain activities are included in the successor program to the NTP3			No/Yes	No	No	No	No	Yes	Yes	annual	Mid Term Review Evaluation	MARD
Intermediate Results Area 1: <i>Key hygienic behaviors changed amongst the population and increased access to basic services</i>												

⁴² Direct program beneficiaries; not those targeted by mass media campaigns, disaggregated by gender and Ethnic Minority. Assuming that each commune includes ten villages each with a population of 200 households.

Intermediate Results Indicator 1: Development and implementation of behavior change communication (BCC) plans; at the provincial, district, and commune level		X	Provinces	0	21	21	21	21	21	annual	Annual verification of results	MARD, IVA
Intermediate Results Indicator 2: Schools reached through targeted BCC campaigns			Number	0	100	300	400	280	280	annual	Progress reports	MoET
Intermediate Results Indicator 3: Clinics with antenatal programs which are covered by BCC			Number (cumulative – activities repeated each year)	0	25	75	100	70	70	annual	Document review	MoH
Intermediate Results Indicator 4: National BCC program is launched			Yes / No	No	No	No	Yes	Yes	Yes	annual	Progress reports	MoH
Intermediate Results indicator 5: Increase in hand washing with soap after using the latrine increased among the target population compared to non-program communes			%	0	0	0	30	20	20	Mid-term review	Mid Term Review Evaluation	MoH
Intermediate Results Area 2: Adequate water and sanitation infrastructure is in place and in working condition												
Intermediate Results Indicator 6: New and rehabilitated functioning household water supply connections (FWSC) (gender disaggregated)	X	X	Number	0	0	25,000	80,000	90,000	60,000	annual	Annual verification of results	MARD, IVA

Intermediate Results Indicator 7: Schools and health centers with new and rehabilitated water supply and sanitation facilities			Number	0	200	600	800	560	560	annual	Progress reports, Technical field visits	MARD
Intermediate Results Area 3: <i>Improved capacity for program implementation</i>												
Intermediate Results Indicator 8: Annual Program Plans and Reports disclosed		X	Number	0	43	43	43	43	43	annual	Annual verification of results	MARD, IVA
Intermediate Results Indicator 9: Reports on beneficiary feedback received and feedback has been used			Number of Provinces with Beneficiary feedback reports produced and used	0	5	10	15	21	21	annual	IT M&E platform, Progress reports	MARD
Intermediate results indicator 10: Approved Annual Capacity Development Plan for Provinces implemented		X	Number of provinces which have implemented the approved plan	0	21	21	21	21	21	annual	Annual verification of results	MARD, IVA
Intermediate results indicator 11: Systems are in place and being used to monitor and support sustainability of commune-wide sanitation			Number of communes with systems in place to monitor sustainability	0	0	0	34	94	128	annual	Field visits	MARD

Annex 3: Disbursement Linked Indicators, Disbursement Arrangements and Verification Protocols

Table A3.1: Disbursement-Linked Indicator Matrix (Targets are for each year/period and not cumulative)

	Total DLI Allocation (Million US\$)	As % of Total Financing Amount	DLI Baseline	Timeline for DLI achievement				
				Year or Period 1	Year or Period 2	Year or Period 3	Year or Period 4	Year or Period 5
DLI 1: Behavior change and infrastructure								
1.1 Number of Behavior Change Communication Plans implemented by Participating Provinces	20	10	0	21	21	21	21	21
1.2 Number of new Communes achieving Commune-Wide Sanitation in the Participating Provinces	47	23.5	0	50	150	200	140	140
1.3 Number of new or rehabilitated Functioning Water Supply Connections to households in the Participating Provinces	73	36.5	0	0	25,000	80,000	90,000	60,000
Allocated amount:	140	70						
DLI 2 Sustainability of infrastructure								
2.1 Number of households in the Participating Provinces with Sustainable Water Systems	25	12.5	0	0	0	0	25,000	80,000
2.2 Number of Communes in the Participating Provinces, which have achieved Commune-Wide Sanitation two CY ago, where all public kindergarten, primary and secondary schools and health centers maintain Hygienic Status	15	7.5	0	0	0	45	125	170
Allocated amount:	40	20						
DLI 3 Planning and reporting								
3.1 Number of Annual Program Plans and Program Reports disclosed	5	2.5	0	43	43	43	43	43

3.2 Number of approved Annual Capacity Development Plans implemented	15	7.5	0	21	21	21	21	21
<i>Allocated amount:</i>	<i>20</i>	<i>10</i>						
Total Financing Allocated:	200							

Table A3.2. DLI Verification Protocol Table

#	DLI	Definition ⁴³ / Description of achievement	Scalability of Disbursements (Yes/No)	Protocol to evaluate achievement of the DLI and data/result verification		
				Data source/ agency	Verification Entity	Procedure ⁴⁴
1	1.1 Number of Behavior Change Communication Plans implemented by Participating Provinces	<p>Payments will be made each year in proportion to the achievements. Each Province will have developed and <i>substantially implemented</i> an approved plan in each given year</p> <p>The BCC plan is defined as the plan developed at the central and provincial level which has been reviewed by MoH, MARD and the World Bank team. The BCC Plan includes demand generation and supply for hygiene and sanitation</p>	Yes	MARD, MoH, PPC	SAV	<p>VIHEMA will be responsible for reviewing and approving the annual BCC plans for each Province and confirming that they meet minimum requirements.</p> <p>Implementation will be verified by; (i) Desk review of meeting records, contracts, and events records (ii) Focus group discussions with target audience</p> <p>Quality and impact of BCC will be assessed through an evaluation at the mid-term review, but will not be linked to disbursement.</p>
	1.2 Number of new Communes achieving Commune-Wide Sanitation in the Participating Provinces	<p>Payments will be made in proportion to the achievements. Each commune targeted will pass or fail in a given year. There is no payment for partial achievement; however communes can be resubmitted each year until all indicators are reached.</p> <p>Communes which already meet these criteria at the start of the program will not be eligible. Communes will need to be classified as rural at the start of the program. All communes within the district which contains the Provincial capital will be excluded</p>	Yes	PCERWASS and DoH	SAV	<p>Physical inspection of all facilities in 100% of clinics and schools in the commune.</p> <p>Random inspection of not less than 5% of households across each eligible commune to check coverage of domestic sanitation and hand washing points.</p> <p>Communes which did not pass all indicators will have only the failed indicators reassessed in subsequent submissions.</p>
	1.3 Number of new or rehabilitated Functioning Water Supply Connections to households in the Participating Provinces	<p>Payments will be made in proportion to the achievements. Interventions can combine extensions, rehabilitated and new water supply connections.</p>	Yes	PCERWASS	SAV	<p>Water quality checks and operational data for 100% of water supply systems</p> <p>Sampling through physical inspection of not less than 5% of household connections per scheme in all schemes.</p>

⁴³ Additional definitions are given below.

⁴⁴ Actual sampling methodology and size may be subject to modification

		Criteria laid in the POM need to be confirmed by NCERWASS for the water supply scheme to be eligible.				Water supply connections which are submitted in one year may not be resubmitted in subsequent years;
2	2.1 Number of households in the Participating Provinces with Sustainable Water Systems	Payments will be made in proportion to the achievements. Connections submitted will need to have been installed or rehabilitated under the Program	Yes	PCERWASS	SAV	Water quality checks, management and operational data for 100% of water supply systems. Interviews with system owners and operators. Sampling through physical inspection of not less than 5% of connections per scheme in all schemes.
	2.2 Number of Communes in the Participating Provinces, which have achieved Commune-Wide Sanitation two CY ago, where all public kindergarten, primary and secondary schools and health centers maintain Hygienic Status	Payments will be made in proportion to the achievements. Communes submitted will need to have reached commune-wide sanitation under the Program.	Yes	PCERWASS and DoH	SAV	Physical inspection of all facilities in clinics and schools in the commune.
3	3.1 Number of Annual Program Plans and Program Reports disclosed	All the annual targets have to be achieved each year to trigger the corresponding payment. This DLI is a pre-condition for disbursement from other indicators. Includes: (a) a set of twenty one Annual Plans (one Annual Plan for each Participating Province), which will include information on planned works, both hardware and software; and (b) a set of twenty two Program Reports (one for each Participating Province and one consolidated Program Report from MARD), which will include information on Program implementation progress. Annual Program Plans and Reports will be disclosed to the public both on Government websites and at the local level through commune level noticeboards and meetings.	No	MARD, MoH, PPC	SAV	Review of websites and sample survey of communes to confirm disclosure and determine accuracy of the data contained in the plans and reports. Appropriate review of PAP through focus groups and household questionnaires applied to affected households. Review disclosed reports against requirements laid out in the POM
	3.2 Number of approved Annual Capacity Development Plans implemented	Payments will be made in proportion to achievements. Each Province will have developed and <i>substantially implemented</i> an approved plan in each given year	Yes	MARD, MoH, PPC	SAV	MARD will be responsible for reviewing and approving the annual Capacity Development plans for each Province and confirming that they meet minimum requirements. Implementation will be verified by; (i) Desk review of workshop and training records (ii) Focus group discussions with target audience (iii) Key informant interviews Quality and impact of capacity building will be assessed through an institutional assessment at the mid-term review, but will not be linked to disbursement.

Table A3.3 Bank Disbursement Table

(A full description of the DLI/Disbursement mechanism under the Program is included below)

#	DLI	Bank financing allocated to the DLI (US\$ million)	Of which Financing available for		Deadline for DLI Achievement	Minimum DLI value to be achieved to trigger disbursements of Bank Financing	Target DLI value(s) for Bank disbursements purposes	Determination of Financing Amount to be disbursed against achieved and verified DLI value(s)
			Prior results	Advances				
1	1.1 Number of Behavior Change Communication Plans implemented by Participating Provinces	20	0	20	Results will be verified annually and reported in the month of July	>0 ⁴⁵	21 plans implemented in each year	Payments will be made in proportion to the achievements.
	1.2 Number of new Communes achieving Commune-Wide Sanitation in the Participating Provinces	47	0	47			680 communes	Payments will be made in proportion to the achievements.
	1.3 Number of new or rehabilitated Functioning Water Supply Connections to households in the Participating Provinces	73	0	73			255,000 FWSC	Payments will be made in proportion to the achievements.
2	2.1 Number of households in the Participating Provinces with Sustainable Water Systems	25	0	25	Results will be verified annually and reported in the month of July	>0 ⁴⁶	105,000 households	Payments will be made in proportion to the achievements.
	2.2 Number of Communes in the Participating Provinces, which have achieved Commune-Wide Sanitation two CY ago, where all public kindergarten, primary and secondary schools and health centers maintain Hygienic Status	15	0	15			340 communes	Payments will be made in proportion to the achievements.
3	3.1 Number of Annual Program Plans and Program Reports disclosed	5	0	5	Results will be verified annually and reported in the month of July	43 plans/reports per year	43 plans disclosed in each year	All the annual targets have to be achieved each year to trigger the corresponding payment.
	3.2 Number of approved Annual Capacity Development Plans implemented	15	0	15			>0 ⁴⁷	21 plans implemented in each year

⁴⁵ Disbursements will be triggered for any value greater than zero because DLI1 is scalable and proportional to the targets achieved. Details on the disbursement mechanism are presented in the second row of the last column of the table.

⁴⁶ Ibid

⁴⁷ Ibid

Disbursement Mechanism

- DLIs and associated amounts of financing are described in Table A3.4. The Program has seven DLIs, grouped into three results areas, each of which is measured through the achievement of one Program result.
- DLI 1 Behavior Change and Infrastructure relates to the delivery of behavior change communication and infrastructure and for Period 1 consists of developing and delivering behavior change communication and reaching commune-wide sanitation; for Periods 2-5 it consists of: developing and delivering behavior change communication, reaching commune-wide sanitation and functioning water supply connections. DLI 2 Sustainability of infrastructure relates to the sustainability of the infrastructure constructed under the program and is measured two years after implementation starts; there are therefore no deliverables for Periods 1-2. Period 3 consists of ensuring that the institutional infrastructure constructed in Period 1 is well maintained. Periods 4-5 consist of: (a) ensuring that the institutional infrastructure constructed in Periods 2-3 is well maintained; and (b) ensuring that the water supply connections installed in Periods 2-3 are part of sustainable water supply schemes. DLI 3 Planning and reporting is a measure of effective oversight and management of the Program. Transparent planning and reporting is measured under DLI3.1. Similarly to the RWSS PforR, these improved plans and the reports serve as a proxy for institutional strengthening. The reports and plans, which have to be approved by the World Bank, are also disclosed to the public which will promote transparency in the Program. Implementation of Approved Annual Capacity Development plans is measured under DLI3.2.
- Table A3.1 shows the target results for each Program period.
- The Program provinces are the poorest in Vietnam and are heavily reliant on funds from the central level. In order to incentivise achievement, targets are typically progressively more ambitious over the implementation period. Allocations have been made to support a positive cash flow, assuming that the full advance is taken in year 1 and that full achievement of results is realized.
- The disbursement for each DLI is not linked. All DLIs except DLI3.1 are scalable and the disbursement for all DLIs except DLI3.1 is proportional to the total value allocated to the DLI, outlined in Table A3.4 below. DLI 3.1 is not scalable as it needs to be fully met to make the borrower be eligible for the specified financing disbursement in any given period.

Table A3.4: Annual allocation for 100% achievement in the period

	<i>Total DLI Allocation (Million US\$)</i>	<i>Advance</i>	<i>Scalable</i>	<i>Verification</i>
DLI 1: Behavior change and infrastructure				
1.1 Number of Behavior Change Communication Plans implemented by Participating Provinces	20	Yes	Yes; by Province	IVA
1.2 Number of new Communes achieving Commune-Wide Sanitation in the Participating Provinces	47	Yes	Yes; by Commune	IVA
1.3 Number of new or rehabilitated Functioning Water Supply Connections to households in the Participating Provinces	73	Yes	Yes; by FWSC	IVA
Allocated amount:	<i>140</i>			
DLI 2 Sustainability of infrastructure				
2.1 Number of households in the Participating Provinces with Sustainable Water Systems	25	Yes	Yes; by household	IVA
2.2 Number of Communes in the Participating Provinces, which have achieved Commune-Wide Sanitation two CY ago, where all public kindergarten, primary and secondary schools and health centers maintain Hygienic Status	15	Yes	Yes; by commune	IVA
<i>Allocated amount:</i>	<i>40</i>			
DLI 3 Planning and reporting				
3.1 Number of Annual Program Plans and Program Reports disclosed	5	Yes	No	IVA
3.2 Number of approved Annual Capacity Development Plans implemented	15	Yes	Yes; by Province	IVA
<i>Allocated amount:</i>	<i>20</i>			

- ***Underachievement of targets.*** Where results are lower than the target, disbursement will be made in proportion to the extent of achievement of the target.
- If one or more targets under DLI 1.1, 3.1 or 3.2 are not achieved in a particular period, the corresponding disbursement amount for that period cannot be carried over to subsequent periods. However, such undisbursed amounts may be reallocated later to other DLIs for further fund utilization.
- ***Overachievement of targets.*** For DLI 1.1, 3.1 and 3.2 the annual targets cannot be over achieved (as these DLIs relate to *annual* plans or reports).
- For DLIs 1.2, 1.3, 2.1 and 2.2, overachievement is possible. Outputs/outcomes exceeding the target for that period will be considered as results achieved in the current period. The value of the disbursement for a given period will be taken as the product of the Disbursement-Linked Result (DLR) unit price and the fraction of the overall DLR target that has been achieved during the period, and will be disbursed in the current year. As an example, if the Borrower is verified by SAV to have achieved Commune-Wide Sanitation (DLI1.2) in 55

communes in Period 1 against a target of 50, disbursement will be calculated as: $(55/680) \times \text{US\$}47,000,000 = \text{US\$}3,801,471$.

Data Collection and Reporting and the IVA

- Provinces will take two steps to meet DLI reporting requirements. First, they will make use of the existing national M&E system with data collection and checking carried out in line with national requirements. Second, assisted by MARD, they will need to develop and implement protocols for collecting information on sustainability and hygienic behavior change. This implies developing the capacity to assess whether water supply systems and commune-wide sanitation meet the criteria for sustainability as well as assessing the behavior of the target population on hygiene issues including hand washing at key times and the use of toilets.
- MARD, as part of its duties under the Program, will undertake the initial evaluation of provincial performance. Based on that evaluation, MARD will determine which outputs and outcomes to aggregate into the Program results to be measured against the DLIs. The disbursement request will be based on MARD's aggregated monitoring report, after verification by the IVA.
- An IVA will be responsible for verifying the MARD-reported results. The IVA will assess the aggregated regional output and outcome report on a sample survey basis. The IVA will provide a report to MARD containing details of its survey findings and its opinion on the actual results achieved in the period. This report will be transmitted to the World Bank together with the disbursement request from MARD.

Annex 4: Summary Technical Assessment

Purpose of the Technical Assessment (TA)

189. The technical assessment for the Results-based Scaling Up Rural Sanitation and Water Supply Program (the “Program”) should provide reasonable assurance that the Government program has a strong strategic rationale, including the justification for public financing, is technically sound, has an appropriate expenditure framework and suitable Monitoring and evaluation capacity.

190. In preparing the technical assessment the assessment teams have reviewed data on the NTP3 and associated projects and programs, have met with all related Government Ministries and held a central workshop with representatives from the initial 19 provinces. In addition the teams have completed field visits to Dien Bien, Dak Lak, Lai Chau, Hoa Binh and Yen Bai provinces. The assessments were used to provide inputs for developing the provisional Integrated Risk Assessment and Program Action Plan. The Assessment also benefited from the Joint Annual Review of NTP3 completed by the Australian Department of Foreign Affairs and Trade (DFAT) and the National Target Program Standing Office (NTP-SO) and the 2013 survey of water supply systems, completed by National Centre for Rural Water Supply and Sanitation (NCERWASS).

Strategic Relevance

191. Vietnam has an impressive record on economic growth and poverty reduction over the past twenty five years. However, poverty rates remain high and access to basic services are extremely low in many rural provinces, and especially in mountainous, remote and Ethnic Minority areas. In these areas, achieving universal and sustainable access to hygienic water and sanitation facilities remains a major challenge. The GoV recognizes that improving access to sanitation is a priority and has formally committed to eliminating open defecation (OD) by 2025.

192. While the overall rate of poverty for the country in 2012 was 9.6 percent (with an additional 6.6 percent classified as near poor),⁴⁸ this figure masks regional differences. The poverty rate for the remote Northern Mountains and Central Highlands regions is significantly higher at 23.8 percent and 17.8 percent, respectively.⁴⁹ There is a considerable difference in the poverty level between the Kinh/Hoa majority and ethnic minorities groups (EMs). Average income among EM households is only equal to one sixth of the national average. According to the 2014 Vietnam Taking Stock report, 41 percent of EM children below the age of five are stunted compared to the rural average of 25 percent. Across the NM and CH regions, and specifically for EMs, who make up 50 percent of the population in the NM-CH, the rates for sanitation and safe water access are among the lowest in the country. These regions have the highest morbidity rates in Vietnam for diarrhea⁵⁰ and parasitic infections.⁵¹ Collective health gains through high levels of improved sanitation coverage are critical to addressing these problems.

⁴⁸ Assessed against a threshold of 570 thousand Dong for rural areas.

⁴⁹ General Statistics Office data for 2012.

⁵⁰ Department of Preventive Medicine – 2009.

⁵¹ WHO 2007.

193. From an environmental and social perspective, improving hygiene and sanitary conditions in rural populations will reduce disease incidence and improve the quality of life of the rural population. By targeting sanitation in marginalized EM communities, the operation will foster social inclusion. From an economic perspective, sanitation is a sound investment in support of a return to strong and inclusive growth for the country. Support to the NTP3 and successor program is therefore considered to be highly strategic intervention.

Institutional Context

194. The institutional framework is well established at the central level. However significant support needs to be provided to the 21⁵² target provinces in order to facilitate implementation.

195. At the Central level the key institutions are NTP-SO, NCERWASS and the Vietnam Health Environment Management Agency (VIHEMA). NTP-SO leads the National Target Program implementation and has good capacity for implementation; it is reliant on NCERWASS and VIHEMA for technical expertise. NCERWASS has good technical capacity in water supply and wastewater management and is relatively well resourced; however they have struggled in supporting Provinces to ensure sustainability of investments, as described later. VIHEMA has good technical capacity in the rural sanitation and hygiene sector; however, it is still constrained by lack of human resources to provide guidance and management of rural sanitation programs to the provincial level.

196. In addition under the PforR instrument an Independent Verification Agent is required to complete the annual verification of results and an independent audit of the Program. The State Audit of Vietnam (SAV) was selected to verify Program results using protocols agreed with the Bank. SAV is the auditor of the NTP3 and the ongoing RRWS PforR. However the annual audit coverage of overall NTP3 approximately 25 out of Vietnam's 63 provinces and additional capacity will therefore be required to ensure full scope audit on 21/21 provinces for this Program.

197. These four key institutions have gained experience in implementing Program-for-Results through the Results-Based Rural Water Supply and Sanitation under the National Target Program (P127435). These institutions are also currently being supported by TA under that same program to improve governance and develop guidelines and procedures for rural water supply design, management, community mobilization and incentives for hygiene and sanitation promotion.

198. MoET and CEMA are also critical organizations; MoET for implementation of interventions in schools and CEMA for advice on working with Ethnic Minorities. Additional efforts need to be made to ensure that these two Ministries are fully engaged.

⁵² During negotiations, the GoV requested the inclusion of two additional provinces in the Program; Ninh Thuan and Binh Thuan. The Bank agreed to the inclusion of these two additional provinces. Following this agreement, the Bank carried out a further desk-based technical assessment of Ninh Thuan and Binh Thuan. The technical aspects of the Program, including the benefits and risks of the Program to Ninh Thuan and Binh Thuan provinces, were found to be consistent with those identified through the findings of the initial assessment of the 19 original provinces. The technical recommendations and the risk rating of this assessment are therefore considered to be appropriate for all of the provinces under the Program including Ninh Thuan and Binh Thuan.

199. At the Provincial level the PPC is critical in ensuring that activities under the Program are properly resourced. Technical capacity of PCERWASS and DoH is generally good in terms of infrastructure provision. However water supply schemes are sometimes over designed and issues related to long term scheme sustainability are not properly considered. Support to infrastructure sustainability is often weak. In general, investments for less tangible activities – such as preventive maintenance, sanitation and hygiene promotion – are not prioritized and capacity is much lower. DoH in some provinces has experience in conducting different types of behavior change communication and sanitation promotion approaches, for example working with UNICEF and WSP.

Expenditure Framework

200. The Government has in place budget and expenditure management systems and practices that support the NTP in reaching its expected results. However, spending on IEC is minimal. Around US\$50k/year is allocated for recurrent costs for each Province, of which communication activities make up a small fraction. In addition the activities and expenditure on hygiene promotion activities are limited under NTP3. Decision 366/QD-TTg, which established the NTP3 limits the budget for communication, capacity building and all other soft investment across the 64 Provinces to US\$95 million (less than 10 percent of the total budget) for the entire NTP3 period nationwide. Circular 04/2013/TTLT dated January 16, 2013 provides a guideline for using the Government budget under NTP3 and does not allow for new approaches in hygiene and sanitation promotion. These two documents will expire at the end of 2015.

201. Key issues to be addressed within the Program design and agreements include: (a) reducing delays in budget approval, (b) better linking annual budgeting and planning process to multi-year plans and overall targets, increasing the current limited spending on software, specifically hygiene and sanitation promotion activities, and O&M components to increase effectiveness and sustainability of services, and (c) financing mechanisms to reach the poor. Improvements are planned and expected through various measures taken by the Government, which will be enhanced through the PforR Program.

Technical Soundness of Investments

202. **Sanitation and hygiene promotion.** Sanitation investments mainly support capital investment for institutional facilities and subsidized demonstration latrines for households. There is insufficient focus on creating demand for sanitation. Sanitation facilities in schools and clinics are often poorly maintained. Although households who received the demonstration latrines have largely used the latrines provided, they had little impact on coverage. A number of health staff as well as village leaders feel that fund allocation should be diverted from building model latrines to other more effective methods.⁵³ There is little systematic support to the development of the sanitation and hygiene supply chain and technical knowledge of low-cost latrine options is often low at community level. There appear to be few local champions for sanitation and hygiene. Hygiene promotion and behavior change communication is limited in scope under NTP3. Hygiene and sanitation promotion is led through the Village Health Worker network, which is established in almost all villages, but has limited technical capacity and resources. Allocation of funds to

⁵³ Rural Sanitation Sector Capacity Assessment Report, Vietnam 2014.

hygiene and sanitation promotion has often been limited as hardware is prioritized. MoH is well aware of the importance of IEC but also understand that achieving sustained behavior change is a significant challenge.

203. Outside of NTP3, VIHEMA is developing and piloting other approaches to promotion but in general, the pilots remain small scale or are in the preliminary stages. CLTS has been the only demand creation method applied at large scale in Vietnam, with positive results. There has been a sharp increase in the number of provinces applying CLTS, from five provinces in 2009 to 20 provinces in 2013. CLTS has proved to be effective in most researched provinces, in terms of accelerating latrine coverage, cost-effective community engagement, and as a process that is applicable across a variety of regional, social and geographic contexts. However the effectiveness of CLTS has been evaluated mainly in an environment where latrine subsidies were available and the standard CLTS process used in Vietnam has not worked well in ethnic minority groups. Special approaches need to be developed based on research into motivations underlying their hygiene and sanitation-related behaviors, and in some cases their human excreta-reuse practices linked to livelihood activities. UNICEF is currently providing support for an adapted form of CLTS in seven Provinces, Community Approaches to Total Sanitation (CATS). This approach has had marked success across a number of communes by expanding CLTS to incorporate other aspects. CATS is based on community triggering using CLTS which works of ideas of shame and disgust, and then adds follow-up promotion events – including School Led Total Sanitation (SLTS) work in schools, hygiene promotion, support to sanitation marketing including the supply chain and improving construction quality of latrines.

204. In Hoa Binh, the Province is using NTP3 funds to invest in new supply chain approaches. Two supply chain models have been identified and will be implemented over the coming months:

- *One stop shop (OSS) model.* Working with existing local retailers, the model would seek to improve the offer of standardized designs and technologies at different prices with supporting materials. The OSS could offer associated services including transport/home delivery to reduce purchase and transport costs and difficulty, installation services, and other services (consulting on improved latrine types, product choice, use and maintenance, warranty).
- *Medium Scale Off-Site Concrete ring production and installation by producers.* In this model, the local producer buys materials, fabricates concrete rings at a workshop, transports the concrete rings to the customer's household, and potentially installs the latrine. The producer could provide: (a) both the concrete ring and installation service or (b) just the concrete rings, and then the customers could hire the mason to install the concrete rings together with constructing other parts of the latrine. As there are now local producers of concrete rings for water projects, this model could be adopted more easily. The local producer could be offered some technical instructions on latrine concrete ring construction. Promotion of this new service would be needed for customer buy-in.

205. Mobile hygiene promotion teams based at the Provincial level have been attempted in at least one province, but have not been sustained due to the high overheads and long distances.

206. In light of the assessment, a range of approaches are needed under the Program for sanitation and hygiene promotion covering demand generation and supply and considering

innovative financing methods. The proposed Program would also need to increase the involvement of Ministry of Education and Training (MoET) with respect to sanitation and hygiene promotion activities. The proposed Program would mainstream hand washing into antenatal and neonatal care, through close coordination with the National Institute for Nutrition (NIN).

207. Ethnic minorities have typically been a challenging group for hygiene and sanitation promotion to reach. Application of different approaches has typically been limited by the relative prosperity and accessibility of different groups. UNICEF has had, a positive response with their CATS method in the relatively more prosperous and proximate Thai communities as well as some success in more remote Hmong communities. Communication and technologies need to be adapted to the local context; however, the main motivations and beliefs relating to sanitation are not widely different.⁵⁴ Communication needs delivered using the local language, using familiar imagery and through trusted figures in the community; existing traditional governance structures will become important.

208. **Water supply.** There is a high level of failure in water supply systems in the NM-CH due to the lack of local technical expertise and appropriate management models, seasonal water sources that result in water scarcity during the dry season, and lack of funds to cover operation and maintenance costs. Surveys have been completed for water supply schemes across 53 cities and Provinces, led by NCERWASS, identifying current status. This survey identified that overall only 33 percent of water supply schemes were operating sustainably and more than 26 percent of schemes were either entirely out of use or were operating poorly. These figures are worse for the NM-CH where 15-23 percent of schemes are operating sustainably and 33-48 percent of schemes were either entirely out of use or were operating poorly. The key reasons identified for scheme failure are the following:⁵⁵

- Investment preparation: Low staff capacity; incomplete or poor quality surveys; water resources were not properly surveyed or future changes not properly estimated; design appraisal did not incorporate whole life costs;
- Construction: Poor construction supervision; schemes were not completed;
- Operation and maintenance: Routine repair and rehabilitation of schemes is not completed by local Government; technical capacity for community management of schemes is low, no Government funds are available for O&M and water tariff rates do not cover operating costs;
- Management: PCERWASS run schemes are typically well managed, however smaller schemes managed by community organizations are typically weak and are not provided with backstopping support by PCERWASS; and
- Damage to schemes located in complex topography, or constant impacts by natural disasters, flood, landslide.

209. The 2016-2020 Mid Term Plans have been developed and are available – including both rehabilitation and new construction. The per capita costs in many of the target Provinces are very high, due in part to over design, but also due to the logistical costs of working in remote and mountainous areas. However the technical assessment identified that much more cost effective

⁵⁴ Rheinlander et al., 2010. Hygiene and sanitation among Ethnic Minorities in Northern Vietnam: Does government promotion match community priorities?

⁵⁵ Solutions for improved performance of operation and management of rural piped water schemes, NCERWASS, December 05, 2014

approaches can be introduced by extending and rehabilitating existing schemes. In addition moving from shared water points to household connections may significantly improve revenue generation.

210. NCERWASS and the PCERWASSs have some experience with household level water systems (household wells, water filters, etc.) to target the poorest and lowest density rural areas. In addition DFAT has had some success in initial pilots distributing and supporting use of water filters in Vinh Phuc. However there are some limitations in this approach as it requires a high level of community mobilization and support to supply chains into these remote areas.

Results Framework, Monitoring and Evaluation

211. Currently monitoring, evaluation and reporting is completed on a quarterly basis under the auspices of the RWSS NTP. However, compliance with communication and reporting regulations in implementing agencies has often been poor and reported information and data through NTP3 was inconsistent with data reported by MOH. Similarly, water quality data is collected regularly across the two regions, but data is often incomplete and sometimes does not reflect the actual service quality. To date no reliable information is available on the actual practice of behaviors – including hand washing and open defecation. Scheme sustainability is also not monitored, apart from periodic surveys. The focus of the results framework on infrastructure limits the sustainability of any intervention and it is difficult to access quality M&E data for planning and budgeting purposes. The proposed Program would support the development of an improved M&E system, linking to the work to develop data collection systems and an open source IT portal under the RWSS PforR in the Red River Delta.

Economic Analysis

212. Public funds are essential for scaling up and regulating water supply and sanitation services, especially in rural locations with low effective coverage (where both markets and consumer demand are currently weak) and a high proportion of ethnic minority and poor households. The existence of private benefits from water supply and sanitation services provides an avenue to mobilize private sector and household financial resources for sustaining the services. Poor sanitation has been estimated to cost Vietnam at least 1.3 percent of the Gross Domestic Product. Although cost-benefit studies on water supply are not available for Vietnam, the health, convenience and time savings of closer and better quality water supply are well recognized, leading to economic benefits that are greater than the costs of supply. For sanitation (pit latrine), the economic returns have been estimated at between 2 and 9.7 per VND invested in rural Vietnam. According to the economic analysis, for pit latrines, the BCR based on actual latrine use varied from 3.2 in Quang Nam to 9.7 in Vinh Long (average across 7 rural sites with this technology had a BCR of 6.2). For septic tanks the BCR was lower, from 2.1 in Quang Nam to 4.7 in Hue (average across 6 rural sites with this technology had a BCR of 3.7). In addition to the health and time saving benefits included, improved latrines are also associated with improved environment, comfort/convenience, and dignity/status (especially for women).

Recommendations

213. The following recommendations are made for program design and are detailed in the POM:
- Under water supply activities, the Program should support both new connections (new schemes, extensions from existing schemes and moving from shared to individual household connection) and the rehabilitation of schemes which are currently not functional or functioning in a limited capacity;
 - Greater priority should be given to improving mechanisms and financing for O&M and software;
 - BCC approaches for hygiene and sanitation should be developed building upon the work completed to date and expanding the successful interventions already piloted. This would cover both demand generation and supply chain support; The development and delivery of the Behavior Change Communication and Supply chain strengthening activities are included in the PAP as well as under the DLIs.
 - Technical assistance covering the three critical areas of BCC approaches for hygiene and sanitation, water scheme sustainability and maintenance of public sanitation facilities, should be provided during program implementation. The implementation of technical assistance and capacity building should be incentivized through the DLIs.

Program Action Plan. In addition to the recommendations above, the following action are included in the Program Action Plan (PAP):

214. GoV and the Program implementing agencies will implement the BCC component of the Program as per the Program Operational Manual.

Annex 5: Summary Fiduciary Systems Assessment

Purpose of Fiduciary Systems Assessment

215. The Program fiduciary systems should provide reasonable assurance that the financing proceeds will be used for intended purposes, with due attention to the principles of economy, efficiency, effectiveness, transparency, and accountability. The Assessment of Program fiduciary systems integrates findings in three areas:

- The **Program procurement systems** were assessed to determine the degree to which the planning, bidding, evaluation, contract award and contract administration arrangements and practices provide a reasonable assurance that the Program will achieve intended results through its procurement processes and procedures;
- The **Program financial management systems** were assessed to determine the degree to which the relevant planning, budgeting, accounting, internal controls, funds flow, financial reporting and auditing arrangements provide a reasonable assurance on the appropriate use of Program funds and safeguarding of its assets; and
- The **Program governance systems** were assessed to determine how the risks of fraud and corruption were handled, including the use of complaint mechanisms, and how such risks are managed and mitigated in light of the Government's commitments under the Guidelines on Preventing and Combating Fraud and Corruption in Program-for-Results Financing (Anti-Corruption Guidelines or ACGs).

216. The Fiduciary Systems Assessment (FA) has been prepared based on interviews and analysis at the national level – NTP Standing Office under MARD, MoF and MPI –and the provincial level.

217. The assessment was initially carried out in 19 provinces, however during negotiations, the GoV requested the inclusion of two additional provinces in the Program; Ninh Thuan and Binh Thuan. The Bank agreed to the inclusion of these two additional provinces. Following this agreement, the Bank carried out a further desk-based assessment of the fiduciary systems in Ninh Thuan and Binh Thuan. The findings of the desk-based assessment of Ninh Thuan and Binh Thuan were found to be consistent with the findings of the initial assessment of the 19 original provinces. The fiduciary recommendations, including those relating to the Program Action Plan and the risk rating of this assessment are therefore considered to be appropriate for all of the provinces under the Program including Ninh Thuan and Binh Thuan.

Procurement

218. Procurement under NTPs is governed by national procurement laws and regulations. Specifically, the procurement done before April 2006 was governed by, in turn, Decrees 88/1999/ND-CP dated September 1, 1999; Decree 14/2000/ND-CP dated May 5, 2000 and then Decree 66/2003/ND-CP dated June 12, 2003. The procurement implemented after April 2006 has been subject to the Procurement Law No. 61/2005/QH11 dated November 29, 2005, Law

No. 38/2009/QH12 on Amendments to the Procurement Law dated June 19, 2009 and subsequent implementing Decrees (including Decree No. 111/2006/ND-CP, dated September 29, 2006; Decree No. 58/2008/ND-CP dated May 5, 2008; and Decree No.85/2008/ND-CP dated October 15, 2009). The new Public Procurement Law No.43/2013/QH13 (approved by National Assembly on November 26, 2013, and became effective on July 1, 2014); and Decree No. 63/2014/ND-CP (dated June 26, 2014 became effective on August 15, 2014) will govern all procurement activities under the concerned Program.

219. Legally, procurement complaints are handled in accordance with the procedures stated in Decree No. 63/2014/ND-CP dated June 26, 2014. These procedures require complaints to be duly signed and stamped by a legitimate representative of the complaining bidder (anonymous complaints are not considered); for complaints related to contract award, the complainant has to deposit a fee which would not be returned if the complaint is not substantiated. Complaints are handled by procuring entities or project owners and appeals are reviewed by a competent agency – normally the Provincial People’s Committee (PPC). This procedure seems to be rather rigid and discouraging of complaints.

220. Procurement under the proposed Program mostly includes civil works of small- and medium-size (upgrading or new construction of water supply system and providing of sanitation facilities less than US\$10 million) and associated consulting services (capacity building, communication campaign, detailed designs, construction supervision, etc.) for such works. There are no large contracts valued at or above Operational Procurement Review Committee (OPRC) thresholds under the Program. As stated above, Program procurement will be carried out in accordance with Vietnam’s procurement laws and regulations. Specific procurement methods that would be applicable to the Program include open competitive bidding, direct contracting and shopping. It is envisaged that more than 90 percent of the Program’s expenditures will be subject to mandatory open competitive bidding due to the effectiveness of the new Procurement Law and Decree. The procurement rules and procedures applicable to the Program, therefore, are considered to promote transparency, economy and efficiency for the Program.

221. The team identified three specific areas during the assessment of the procurement cycle that could, directly or indirectly, compromise the efficient achievement of Program objectives: (a) prevalent rejection of bids due to bid prices exceeding pre-bid cost estimates and minor, non-substantive deviations; (b) award of contracts to dependent State-Owned Enterprises (SOEs); and (c) non-application of Bank debarment/suspension lists which may result in unacceptable contract awards to Bank debarred/suspended firms or individuals. Corresponding Program actions to address these gaps have been agreed with the Government. To strengthen the Program’s procurement implementation capacity, several crucial measures should be adopted including additional staffing, intensive training and hiring of qualified procurement/contract management support consultants.

222. In addition to the above, there are a number of other weaknesses that are assessed to possibly impact the timeliness, cost-effectiveness and competitiveness of Program procurement. These include: (a) a segregated and fragmented approach to procurement planning; (b) low cost estimates for consulting services due to the use of Government cost norms; (c) subjective application of technical scoring criteria in bid evaluation; and (d) delayed construction due to

shortage of funds or delayed allocation of budget or delayed payments. These weaknesses will be addressed through capacity support to participating provinces in procurement activities; the development of a detailed, clear and practical POM by MARD / VIHEMA (MOH); close support, monitoring and supervision by MARD / VIHEMA (MoH) and Program provinces; and strict inspection and audit by MPI Inspectorate / provincial inspectorates and State Audit of Vietnam (SAV). The Bank will provide assistance and support to the Program procurement implementation, and will also closely monitor the defined indicators of Program procurement performance. The overall procurement risk is assessed as Substantial, and could be reduced to Moderate after mitigation.

Financial Management

223. **Budget formulation and allocation.** The principal law governing budget management is the revised State Budget Law approved by the National Assembly in 2002 which came into force for the 2004 budget year. This revised Law has strengthened the legal platform for budget management. It clarifies the powers and responsibilities of stakeholders participating in the budget process and strengthens decentralization by providing greater budgetary powers to Provincial People's Councils and Provincial People's Committees.

224. In NTP3, PCERWASS, assigned by PPC to be provincial NTP Standing Office, prepares a five-year financial plan for the NTP which forms part of the overall provincial plan. On the basis of the five-year plan, PCERWASS coordinates with DOH and DOET to prepare annual budget proposal for NTP implementation in the province, comprising of budget for rural water supply, rural sanitation and communication. This annual budget proposal will be reviewed by the provincial Department of Finance (DoF) and the provincial DPI, and approved by PPC before being submitted to the NTP Standing Office as the basis for the NTP budget allocation for the coming year. In parallel, DoH also reports to VIHEMA on the proposed budget for the rural sanitation and communication. This first process of provincial budget proposal is demand based.

225. The budget allocation from the central Government, however, is based on the availability of funds. NTPSO, after receiving budget proposal from all provinces, with call for a joint meeting among line ministries – MARD, MoH and MoET. The consolidated NTP3 annual budget proposal submitted by NTPSO to MPI is detailed by province and by sub-project (water supply, sanitation and communication), with substantial cut down from provincial budget proposals based on limited availability of fund informed by MPI in regular budget formulation process. Normally, the approved annual budget allocation is only around 30 to 50 percent of the province's proposed amount.

226. Once budget reconciliation has been completed at the national level, the MPI informs each province of the amount of NTP funding allocated to them. Upon receiving the annual budget allocation, the PPC revises the initial plan to accord with available resources. As long as the chosen activities fall within the scope of the annual plan presented to MPI, the allocation of the budgeted resources is at PPC discretion, without any further intervention from the central government.

227. This full decentralization of budget allocation to PPC created a practice in NTP3, especially in the low income provinces in NM-CH, that: (a) almost all NTP funds are allocated by PPCs to

water supply component while sanitation and communication do not usually receive adequate priority and resources; and (b) the implementation of investment is mostly assigned to district and commune government instead of provincial technical agencies as PCERWASS and DoH, leading to poor performance in both investment and operation of water supply schemes and low quality communication activities. For this Program, the earlier differences between provincial budget proposals and centrally provided funds will be addressed through an improved provincial planning process, complemented by a national inter-ministry (MARD, MoH and MoET) guidance based on annual Program entitled withdrawal that have a high degree of certainty. There is a Program Action Plan to require timely and appropriate budget allocation by PPCs, including adequate allocation to sanitation and communication as indicated in inter-ministry guidance. Implementation arrangement with main focus on PCERWASS and DoH for provincial activities will be provided in the Program detailed outline and Feasibility Study.

228. **Fund flow.** NTP funds flow from Government Budget to the ultimate beneficiaries through the State Treasury system, in parallel to the budget allocation. Based on the revised plan approved by the PPC, implementing units conduct NTP activities. After expenditures are incurred and work completed, contractors/suppliers send supporting documents and request for payment to implementing units. Implementing units review and transfer to provincial State Treasury to verify and make payments to contractors/ suppliers. NTP funds flow from the National State Treasury to provincial State Treasury. The MoF recognizes the need to secure Program fund in a special deposit account in State Treasury at provincial level, to manage proper budget allocation, execution and reporting of the provinces. Funds transferred from MOF to provinces are performance-based, resulted from the amount the provinces are entitled to request for advance and the amount reimbursed for DLIs achieved and verified. Funds transferred from provincial main deposit account to sub-accounts of implementing agencies follow the same principles.

229. **Internal control, financial reporting and audit.** In terms of accounting and financial reporting, the capacity of provincial State Treasury and each implementing agency (PCERWASS and DoH) is expected to be adequate as the Treasury Budget and Management Information System (TABMIS)⁵⁶ is fully implemented. However, there remains a risk of mis-recording of transactions or mis-presentation of financial statements overall at provincial level where significant amount of transactions in sanitation and hygiene promotions is incurred at communities. This risk is mitigated by assigning PCERWASS to prepare consolidated provincial program financial statements, and DOH to be responsible for all advances and spending of sanitation and hygiene promotion activities in the province, including activities conducted by Woman Union, district health centers and village health workers. In addition clear and comprehensive guidance will need to be provided in the Operational Manual and training will be provided by the coordinating agency. Reconciliation of main account and sub-account statements is done with provincial State Treasury quarterly. At Central level, NTPSO will consolidate financial statements for the whole Program (provinces, MARD and MOH) and get them audited by State Audit of Vietnam (SAV). This process has been done annually by NTPSO and SAV for the ongoing Bank financed RRWS PforR under NTP3.

230. Internal controls exist in PCERWASS, DOH and DOET, covering critical areas such as segregation of duties, work acceptance and payments, asset count, cash reconciliation and advance

⁵⁶ TABMIS is a computerized system used by State Treasury to record public expenditures, including NTP.

management. There is, however, no manual issued for the investment owners/spending units as guidance for them to manage their funds. With significant increase in volume of sanitation and hygiene promotion by adding this Program fund to NTP3 and successor program, an operation manual is required to guide the agencies in implementing soft activities, including cost norms, advance and advance clearance, work acceptance, filing of records and reporting of expenditures. Reporting of budget execution by PPCs to NTPSO is done annually, however, with limited reconciliation and follow-up by NTPSO. At provinces, while there are many inspection missions covering various areas, there are risks of these overlapping, yet leaving some areas uncovered. The risk of inadequate internal control of NTP is assessed as Substantial, and the introduction of an Internal Audit function is required. MARD Inspectorate is currently performing Internal Audit function for the ongoing RWSS PforR, with capacity strengthened by independent consulting firm recruited by NTPSO using DFAT TA Grant. The Inspectorate is requested to perform internal audit function for this Program as well.

231. The scope and frequency of external audit, which is performed by State Audit of Vietnam also needs to be increased. SAV Audit Division 5 is financial auditor of NTP3 and the ongoing RRWS PforR. As required by the Bank, SAV performed audit for 8/8 provinces of the PforR and submitted audit report to the Bank on time for the financial year 2013. The audit coverage of overall NTP3, however, is 20 – 25/63 provinces annually. Agreement on annual audit TOR needs to be reached between NTPSO and SAV to ensure full scope audit on 21/21 provinces for this Program. SAV will be included as an implementing agency of this Program to receive fund from MOF to support this annual audit work.

Governance

232. The 2005 Anti-Corruption Law and the 2011 Laws on Complaints and on Denunciation entitle citizens to submit complaints on fraud and corruption (among other concerns) to the government People's Committee at the appropriate level. A complaints handling system will receive, record, and provide necessary investigative actions where it is deemed legitimate. The assessment also identified a parallel complaints "system" in the Government Inspectorate (GI) offices under line ministries and departments at the central and provincial level. The GI's main functions are to investigate allegations of fraud and corruption in their respective sectors.

233. Under the Program, complaints of all kinds, which could include allegations of fraud or corruption, should be submitted in writing to the Provincial or District People's Committee (PC), as well as the supervising Departments of Agriculture and Rural Development (DARD) and of Health (DOH), or through the implementing agencies (PCERWASS and Centre for Preventive Medicine (CPM)). Where crimes are alleged, allegations will be passed to the local police and prosecutors for handling. In addition to the written complaints channel, any citizen may also attend Meeting Sessions with PC/Department leaders, held at least monthly, to raise issues of fraud and corruption. Although government offices are not required to handle anonymous complaints, all these agencies maintain the practice of accepting, recording, and giving these complaints some consideration when they contain credible evidence of fraud and corruption.

234. In addition to this system for handling complaints, citizens can also submit fraud and corruption allegations to the Inspectorate Office of National Ministries or Provincial Departments

of Agriculture and Rural Development and of Health under this Program. The inspectors reserve the right to stop construction for investigation if they find evidence of fraud and corruption. Similar to the government system above, the Inspectorate will pass allegations on to the police and prosecutor once crimes are alleged. Both of these parallel complaints handling systems contain a reporting mechanism that can capture information on the number, type and handling of fraud and corruption allegations. Information on sanctions and debarment is reported through the Provincial People's Committee (PPC), to the Provincial Department of Planning and Investment and up to the Ministry of Planning and Investment to prepare the National Debarment List.

235. While this multiple-entry complaints system provides a number of options for citizens, it can also be confusing and result in complaints being passed around agencies or lost in the transfer process making it difficult for citizens to follow up on their complaints. No recent significant fraud and corruption cases were reported during the assessment. In recent years, participating provinces have mostly received and recorded complaints regarding the quality of service delivery or the household contribution requirements.

236. The Government will improve reporting systems and establish a database in order to strengthen the framework for complaints handling and combat fraud and corruption under the Program. The Government has confirmed its commitment to the implementation of the Guidelines on Preventing and Combating Fraud and Corruption in Program-for-Results Financing and will require the application of World Bank suspension and debarment lists that will be made readily available to participating entities. These actions will be reviewed during Program supervision. In addition, the Government will oblige all Program participants to cooperate with Bank investigations through issuing an executive order to participating entities on the Bank's investigative rights and the Anti-Corruption Guidelines.

237. Over recent years, the Bank has received several complaints related to fraud, corruption and collusion in water sector projects in Vietnam. The Bank has substantiated three cases of fraud and corruption resulting in the debarment of international and local firms and individuals. While it has not been possible to substantiate all the complaints, in each instance the Bank has worked with the client to review and resolve issues, mitigate risks and strengthen systems where necessary. Despite progress in water program governance, it is acknowledged that some weaknesses remain in the sector.

Recommendations

238. In assessing the performance of the fiduciary systems under which the Program operates, the Bank identified a number of weaknesses and gaps which will be addressed during implementation of the Program through the TAs and the Program Action Plan respectively. This will result in Program fiduciary systems that provide reasonable assurance that the Program expenditures will be used appropriately to achieve their intended purpose. Key indicators of fiduciary performance have been identified and compiled to form a reference framework to be monitored over the life of the program. These specific indicators, for both financial management and procurement, will be measured periodically and compared to an initial baseline to assess the extent of improvement in the program's fiduciary performance.

Program Action Plan Actions. In addition to the recommendations above, the following actions are included in the Program Action Plan (PAP):

- **Procurement.** In accordance with the results of Fiduciary System Assessment presented above, it is recommended that the following Program Action Plan be agreed with the Government prior to the Credit negotiations and subsequently be implemented during the Program:
 - All proposals for detailed designs, construction supervision and bids for civil works, whether below or above cost estimates, shall be evaluated; proposals and bids shall not be rejected only on the basis of minor, non-substantive deviations.
 - State-Owned Enterprises dependent on Program ministries/ provinces/ departments will not be allowed to participate.
 - Firms and individuals on the local, national or Bank debarment/suspension lists will not be allowed to participate.
- **Financial Management.** Action to require timely and appropriate budget allocation by PPCs, including adequate allocation to sanitation and communication as indicated in inter-ministry guidance.
- **Governance.** A database will be set up and maintained by NTP SO to aggregate and report on the complaints (on public consultation /corruption /fiduciary/ procurement/ Program implementation) and feedback received by the Program, as well as how they are handled (investigated, mitigated and sanctioned). The information will be collected from each relevant PC and respective PCERWASS/DoH/DoET, VIHEMA, as well as from concerned GIs under MARD, MoH, MPI, MoF, and will be done at least annually.

Fiduciary Risk Ratings. The fiduciary systems assessment identifies risks and proposed mitigation measures. Prior to the mitigation measures being taken, Program risk is assessed “Substantial”. During preparation the Bank assessed all available options: dated covenants, capacity building, Disbursement-Linked Indicators (DLIs) and Program design revisions, to help mitigate these risks. The results of the assessment and recommendations are reflected in the technical assistance program and the Program’s integrated action plan.

Annex 6: Summary Environmental and Social Systems Assessment

Purpose of Environmental and Social Systems Assessment

239. The purpose of this Environmental and Social Systems Assessment (ESSA) is to:
- Document the environmental and social management procedures, standards and institutional responsibilities that will apply to the Program;
 - Evaluate the institutional capacity to manage the likely environmental and social effects in accordance with Vietnam's own requirements under the proposed Program;
 - Assess the consistency of the borrower's systems with core principles and attributes defined in the Program-for-Results Guidance Note on Environmental and Social Assessment; and
 - Recommend specific actions for improving counterpart capacity during implementation to ensure consistency with World Bank principles.
240. Key findings of this assessment have been used to improve environmental and social management outcomes of the Program through specific actions under the overall Program Action Plan (PAP), as well as through TA and capacity building activities to be implemented under the Program. The action plan will be discussed and agreed with the GoV and will be incorporated as relevant into legally binding agreements under the conditions of the new financing.
241. In preparing the assessment, the assessment teams have reviewed data on the NTP3, associated projects and programs and have met with all related Government Ministries and representatives from the 21⁵⁷ provinces. In addition the teams have completed field visits and held consultations with five provinces.

Environmental Benefits and Risks

242. The investments under the proposed RB-SupRSWS Program are expected to have many positive environmental and public health impacts in target areas as a result of improved hygiene behavior, increased and sustained access to sanitation and rural water supply and significantly reduced open defecation. If interventions and facilities are well designed and properly managed and maintained, such benefits are expected to be significant and long lasting. The Program will also support important improvements and strengthening of institutional capacity to implement environmental aspects of the government program.
243. The anticipated adverse environmental effects of this Program are not expected to be significant considering: (a) the small scale of physical investments; (b) that the proposed works would take place in or very close to established villages; (c) the limited geographic footprint of planned works; and (d) that mitigation measures are known, including principally that proper care and oversight is undertaken during construction.

⁵⁷ During negotiations, the GoV requested the inclusion of two additional provinces in the Program; Ninh Thuan and Binh Thuan. The Bank agreed to the inclusion of these two additional provinces. Following this agreement, the Bank carried out a further desk-based environmental and social assessment of Ninh Thuan and Binh Thuan. The environmental and social aspects of the Program, including the benefits and risks of the Program to Ninh Thuan and Binh Thuan provinces, were found to be consistent with those identified through the findings of the initial assessment of the 19 original provinces. The environmental and social recommendations and the risk rating of this assessment are therefore considered to be appropriate for all of the provinces under the Program including Ninh Thuan and Binh Thuan.

244. Potential adverse environmental effects of Program activities include: (a) the risk that the Program will be impacted by falling groundwater levels where water is abstracted through wells, at some places in the Central Highlands such as Dak Lak where availability of water has been an issue; (b) construction related impacts such as dust, noise and solid waste management from construction sites, loss of vegetation at construction sites, management of hazardous construction materials, and public and worker safety; (c) the development of natural springs for water supply may affect aquatic life in the existing water bodies, particularly downstream of the works; and (d) operational-related impacts such as potential human and environmental exposure to waste streams from facilities (e.g., sludge and septage) resulting from poor waste management practices. The Program is not expected to contribute to the overexploitation of groundwater in the Central Highlands given the focus on rehabilitation of water supply schemes; abstraction is marginal compared to the project abstraction; less than 0.2 percent of the total groundwater resources available. The project will not finance bulk water supply; there will not be any construction or rehabilitation of dams under this project.

245. The potential adverse effects are generally well known and understood by the implementing authorities. It is expected that these effects will be manageable with well-established mitigation measures. There are a number of protected areas in NM-CH, however the Program will not work in protected areas and as a result, no significant impacts to these critical natural habitats or cultural resource assets are expected. The geographic footprint, scale, and volume of facilities constructed under the Program will be small and therefore any adverse impacts are expected to be limited, however, in some cases, if not properly managed and mitigated, such adverse effects may be relevant locally and efforts need to be put in place to ensure such effects are avoided or minimized.

246. Surface runoff totals 44 and 68 billion m³/year for the NM and the CH regions respectively, however flows are seasonal. During the 6-7 month dry season, runoff is only 15 to 30 percent of this total. This results in water courses which typically have very low water levels in the dry season but which rise very quickly in the rainy season. The water supply schemes to be financed under the project are anticipated to include a maximum of 255,000 household connections spread over the 21 target provinces, the majority of which will be rehabilitated water supply schemes. The total abstraction is anticipated to be, not more than, 20 million m³/year or 0.02 percent of the surface water resources available. The impact will therefore be minimal in terms of abstraction and will not cause any appreciable harm; however the works will be in a number of different transboundary river basins; the Ky Cung-Bang Giang, the Ca, Red River-Thai Binh, Ma-Chu, Sre Pok and Se San. In all apart from the Ky Cung-Bang Giang river basin Vietnam is the lowest downstream riparian. The World Bank policy on International Waterways (OP7.50) has been triggered and Lao PDR and Cambodia have been notified under the Program. China has not been notified as the work on the Ky Cung-Bang Giang basin will be small scale rehabilitation only and any new works in the Red River Basin will be only on tributaries which lie completely within Vietnam.

247. Given the seasonal pressures on water resources, especially on ground water resources in the Central Highlands, water related activities will need to be carefully planned to ensure the sustainability of water supply. Incremental impacts of the program will be monitored by NCERWASS with the support of MoNRE.

248. The Bank's Climate and Disaster Risks Screening Tool has been used to identify climate and disaster risks related to the proposed Program. The risk ratings for the sanitation component are low, both currently and in the future. The risk ratings for the water supply component are currently low, although there is potential that they might become moderate in the future.

249. Currently there are limited or no systems in place to manage safe de-sludging of public facilities; septic tanks at schools and clinics are either sealed or are emptied and the sludge used by farmers. Some Provinces have de-sludging services, but these are typically only at the Provincial center and other urbanized areas. School facilities in particular are often quickly overloaded leading to the latrines being abandoned. Improvements in operation and maintenance of public facilities need to be supported under the Program.

250. Institutional arrangements for environmental management, including Environmental Impact Assessment (EIA), are mandated and established at all levels of government. However, a common problem is the ineffective implementation of these requirements and responsibilities due to lack of awareness, institutional capacity and resources. Compliance with the regulation, follow-up and monitoring of implementation of Environmental Protection Commitments (EPCs), which have recently transitioned to Environmental Protection Plans (EPPs) under the 2014 Law on Environmental Protection, is not always sufficient. It is not likely that any of the RB-SupRSWS activities will be required to prepare full EIAs as physical investments will be mostly community-based or located within existing schools or clinics. In most cases, EPP will be applied to rural water supply schemes and District People's Committees (DPCs) will be the approval authority.

251. The Ministry of Health (MoH) has a well-established system for rural drinking water quality monitoring, and has technical capacity at the central, provincial and district levels for exercising this mandate. However a lack of available budget means that rural drinking water quality is rarely monitored as planned.

252. Social Benefits and Risks. The Program is expected to have significant positive impacts on social conditions in the target areas, especially for Ethnic Minorities. Improving hygiene behavior and increasing the accessibility of improved sanitation and clean water will improve individual and community health, bring economic welfare gains and improve safety and security for women and girls. The Program will also support the construction of sanitation facilities in public places such schools which will improve school attendance, especially for girls. Improvements to transparency and accountability will strengthen governance, community participation and beneficiary feedback.

253. Following the introduction of the new land law the legal framework for land acquisition is expected to be sufficiently rigorous for the majority of cases, with the exception of voluntary land donation. In addition there are existing systems for handling complaints, however these are fragmented and are not transparent – as discussed in the Fiduciary Systems Assessments. Given the scope of the proposed Program, the types and modest scale of individual investments, the geographic focus, and previous central government experience with Bank projects, no significant adverse social impacts on affected people are anticipated. Potential adverse social effects and risks under this Program include: (a) inadequate land acquisition and compensation practices including

for voluntary land donation relating to the small scale civil works construction under the Program; (b) a lack of appropriate, inclusive and participatory operational procedures and approaches to working with Ethnic Minority communities and other marginalized groups that consider local beliefs, preferences, attitudes, knowledge and practices; (c) a lack of transparency and accountability including for grievances and grievance feedback under the Program; and (d) ensuring the sustainability of Program investments which, to a great extent, rely on social acceptability of water and sanitation technology and changes to individual and community hygiene behaviors by target communities.

Environmental Recommendations. The following measures are recommended related to environmental management:

254. **Recommendation 1.** Capacity building is required at a number of levels including national (NCERWASS, MoH, DoET), provincial (DARD, DoH, PCERWASS), district (District PC), commune (Commune PC) to facilitate proactive environmental management. Lessons should be incorporated from relevant projects and programs in Vietnam including the Australian Department of Foreign Affairs and Trade (DFAT) supported capacity building program under the RWSS PforR. Technical Assistance will be provided under the program to strengthen environmental management capacity, particular areas of focus include:

- Strengthening environmental screening of subprojects with simple criteria to determine environmental eligibility of subprojects;
- Strengthening the incorporation of environmental considerations into planning and preparation of subprojects. Check lists should be developed for design consultants to use to incorporate environmental considerations into the siting and engineering of subproject components.
- Supporting provincial government staff to improve the quality of EPCs/EPPs and incorporate environmental recommendations into site selection, engineering design, preparation of bidding and contractual documents, construction and operation;
- The Program will recruit a qualified Environmental Consultant to design and implement environmental management capacity building activities for PCERWASSs in the first year. From year 2, the responsibility will be handed over to one staff of SO or NCERWASS who is appointed to be responsible for environmental aspects of the program.

255. **Recommendation 2.** The Operational Manual of the proposed program should include detail description on the environmental procedures that subprojects will have to follow, and technical guidance for implementation:

- Environmental screening form to exclude subprojects located within or affect critical natural habitats or has cultural values;
- Environmental check list for use during engineering design;
- Details of dangerous construction materials that may not be used under the Program (such as Fibrocement which has been linked cancer);
- Key potential environmental impacts associated with physical investments in rural water supply and sanitation as well as measures for addressing these potential impacts; ECOPs for inclusion into bidding documents and construction contracts, and some type-specific environmental solutions and mitigation measures;

- Environmental and children friendly design solutions for sanitation investments; and
- Guidance on environmental monitoring, supervision and reporting.

256. **Recommendation 3.** Strengthen the environmental supervision during the construction phase. Construction supervisors should be assigned the task of monitoring environmental compliance of contractors in their contracts to ensure that potential adverse environmental impacts are avoided or minimized during the construction phase. Community monitoring could also be used to enhance contractor environmental performance. Through the capacity building program, TA will be used to build environmental supervision for PPMU engineers and construction supervisors.

257. **Recommendation 4.** The communications plan and strategy for the Program should include advice on faecal sludge management, environmental and water source protection, management of wastewater end-users.

258. **Recommendation 5.** Promote community participation into subproject planning, implementation, monitoring, supervision, maintenance to enhance sustainability of the works. This can be achieved by combining environmental issues into Community Engagement Guidelines as mentioned in Social Recommendations and Program Action Plan.

Social Recommendations. The following measures are recommended related to social management:

259. **Recommendation 1.** Social screening should be conducted to maximize project benefits and minimize adverse impact to local communities especially on land acquisition. Specific information on social screening processes to be used under the Program is included in the Program Operational Manual in order to make it a condition for Program negotiation. If land acquisition is unavoidable, provinces should ensure that people affected by loss of land and assets will be compensated so that they are no worse off than before that loss. Investments that cause physical relocation should be restricted to only those limited cases that are absolutely necessary for the implementation of the Program. The provision in 2013 Land Law on using independent land appraiser should be followed with appropriate Monitoring and Evaluation (M&E) system of participating provinces.

260. **Recommendation 2.** Voluntary land donation guidelines will be developed at the program level and adopted by participating provinces to guide the application of this practice in the Program's activities. Voluntary donation should only be used to support small-scale community infrastructure where the impacts are minor and where there are alternative options for the location of infrastructure.⁵⁸ The guidelines will ensure that potential land donors make decisions that are based on informed consent and their own choice. The guideline will be based on the recent voluntary land donation protocol (developed by EAP Regional Safeguard Secretariat) as well as other safeguard enhancement related works in Vietnam. The procedure for this is further detailed in the Program Operational Manual.

⁵⁸ Site specific infrastructure may lead to additional pressures on the donor from the community and Government and should therefore be precluded.

261. **Recommendation 3.** Participating Provinces will enhance transparency by maintaining databases on complaints/feedbacks and responses to those complaints/feedbacks. In addition, a database on the program's beneficiaries, disaggregated by gender and ethnicity should be maintained and monitored. Detailed guidelines for the grievance redress mechanism, based on established existing systems, are included in the Program Operational Manual.

262. **Recommendation 4.** The Program will develop community engagement guidelines (to be implemented by participating provinces) to enhance people's participation, especially for Ethnic Minorities to ensure their meaningful participation and consultation in every step of the Program implementation, including planning, sub-project design and implementation, compensation, resettlement and rehabilitation measures in land acquisition. The guideline will be community-driven, transparent, gender sensitive and in appropriate language. The Program design should ensure that BCC activities are adapted to specifically suit the EM's culture, language and practices. Given that the program will be implemented over a large geographic area with many different ethnic groups, specific guidance will be provided at the local level for each ethnic group. In addition, the guidelines shall fully operationalize existing Vietnamese Legislation with respect to Ethnic Minorities through a process of free, prior, and informed consultations. This is included as an action in the Program Action Plan.

263. **Recommendation 5.** The Women's Union and similar groups should be incorporated into the institutional structure of implementation in order to assist in promoting gender sensitive community mobilization, participation and grievance redress channels. The implementing agencies, particularly SO in MARD, are responsible to arrange adequate staff time to mainstream gender equality across the Program.

264. **Recommendation 6.** The Program should encourage the following social development measures: (i) ensuring unskilled (and to the extent feasible, skilled) labor is sourced locally; and (ii) ensuring access to the newly developed infrastructure for people with disabilities through more inclusive designs.

265. **Recommendation 7.** Interventions should be culturally appropriate given the diversity of ethnic groups living in the program areas. The Program Operational Manual provides outline guidelines and details to be adapted by each Province for implementing activities in areas with large Ethnic Minority populations.

Program Action Plan Actions. In addition to the recommendations above, the following action is included in the Program Action Plan (PAP):

266. MARD and the participating Provinces will jointly develop and implement guidelines to ensure the effective participation of and consultation with local people, including EMs and vulnerable groups. The guidelines will fully operationalize existing Vietnamese Legislation with respect to EMs through a process of free, prior, and informed consultations.

Environmental and Social Risk Ratings. Given the scope of the Program, its types and scale of investment, geographic focus, and previous experience with Bank projects of the central Government, the risk rating is 'moderate' from the environmental safeguards perspective and

‘substantial’ from the social safeguards perspective. Therefore, the overall Environmental and Social Risk as indicated in the Integrated Risk Assessment (included in Annex 7) is ‘moderate’.

Annex 7: Integrated Risk Assessment

PROGRAM RISKS			
2.1	Technical Risk	Rating:	Substantial
<p>Description: BCC and supply chain support involves introducing a wide range of new approaches across the 21 provinces. Effective adoption of these approaches will require a high level of capacity. Typically IEC activities are not adapted to EM groups languages and local culture.</p> <p>Institutional and community infrastructure is not maintained properly and funds are not available for future repairs and replacement.</p>		<p>Risk Management : Investment during project preparation to ensure international good practice is integrated into project design, including introducing innovative BCC approaches which use behavior centered design. Provide additional support during implementation, through WSP, for the effective application including locally based staff to support supervision and also supporting the development of tools which can be easily applied to prevent hygiene promoters reverting to health messaging.</p> <p>Ensure institutional sanitation designs are appropriate – for example using pit or compost latrines where water supply is intermittent – and provide Technical Assistance for MOET and MOH to develop improved management systems. Adapt water supply systems to local capacity as far as possible and support supply chains for water systems as well as sanitation.</p>	
		Resp: Client and Bank	Stage: preparation Due Date : not yet due Status: on going
2.2	Fiduciary Risk	Rating:	Substantial
<p>Description: Substantial delays in approving budgets and procurement plans: causing delay to Program activities in the first months of the current year. Low capacity in accounting and financial reporting of district and commune levels causing inaccuracy and delay to the Program financial statements. Absence of internal audit function for MARD and absence of annual external audit may cause irregularities and errors undetected or lately detected and resolved.</p>		<p>Risk Management: Program Action Plan (PAP) for timely budget approval and appropriate budget allocation by ministries and PPCs. MARD Inspectorate continues to play the role of Internal Audit for the Program. Ministry of Finance safeguards and monitor the Program fund using the established country system for budgeting and fund flow, and issue specific guidance to province to ensure appropriate</p>	

<p>Project appropriations often diverted: PPCs reallocated the Program funds to implementing agencies and activities different from the original allocation made by ministries. Priority is not given to sanitation and BCC. Low cost estimation resulting in underpriced contracts. Inadequate knowledge and capacity of procurement staff in implementing competitive bidding processes and applying new laws and decrees and infrequency of procurement oversight. Confusing multiple-entry complaint handling system may result in complaints being passed around agencies and lost in the transfer process, making it difficult for citizens to follow up on their complaints. Governance weaknesses remain in the water and health sectors in Vietnam: Over recent years, the Bank has received several complaints related to fraud, corruption and collusion in the water sector projects. Recent events in the health sector also raised concern about sector governance and corruption. However, investments at the Provincial level are dispersed and low cost in nature.</p>	<p>budget reallocation by PPCs. Regularly updating cost norms for civil works; and moving from fixed percentage norms for design and construction supervision services to market price-based cost estimation. More competitive bidding methods such as limited or open competitive bidding should be encouraged for contracts below the DC thresholds. Procurement planning should be effectively controlled to avoid unreasonable contract splitting and to promote combining works for bulk procurement where possible. This should include multi-year procurement planning. Regularly organize procurement training courses for procurement staff MPI Inspectorate engaged to conduct annual procurement audit. Government to improve their reporting systems and establish a database in order to strengthen the framework for complaints handling and combat fraud and corruption. Clear instructions to citizens on reporting mechanism need to be publicized. Appropriate coordination body for the Program should be assigned to consolidate and report on the complaints under the program. An executive order has been issued by the Government to entities participating in the Program to confirm the Bank’s investigative rights and application of the Anti-Corruption Guidelines. VIHEMA will be provided with additional support by specialists on procurement of BCC companies – including creative agencies, media purchasing etc.</p> <p>Additional measures will be outlined in the POM to address the risks identified in the FSA. These measures will take into consideration lessons learnt from the two PforRs in Vietnam.</p>			
<p>2.3 Environmental and Social Risk</p>	<p>Resp: Client and Bank</p>	<p>Stage: preparation and implementation</p>	<p>Due Date : not yet due</p>	<p>Status: on going</p>
<p>Rating:</p>	<p>Moderate</p>			

<p>Description:</p> <ul style="list-style-type: none"> • Working in areas with high numbers of ethnic minority groups, combined with top down drivers for behavior change may limit involvement of local groups in the decision making process for the project. • Land acquisition task is assigned to the CPC with no budget allocated and Voluntary donation is widely accepted. The abuse of land donation request may lead to forced donation of land (rather than voluntary). • Currently CEMA has a limited role in NTP3 – limiting the guidance they can provide on issues relating to Ethnic Minorities. • Staffing for environmental management at provincial and district authorities is inadequate both in terms of the number of staff and their qualifications. Full compliance with environmental regulations is challenging, both in the preparation of EPCs and the supervision and integration of requirements into contractual documents. 	<p>Risk Management:</p> <ul style="list-style-type: none"> • Specify minimum requirements for working with EMs in the PAP, require application of confidential feedback and grievance management mechanisms • Participating provinces will develop a voluntary donation (land or other assets) guideline applicable to the Program’s activities, based on guidance provided in the POM. • It is recommended that CEMA be part of the NTP3, and successor program, steering committee to ensure guidance is given on issues relating to ethnic minorities. • Provide Technical Assistance to strengthen environmental management capacity, including training during the supervision phase, and provide additional guidance in the POM 			
	Resp: Client	Stage: not yet due	Due Date : not yet due	Status: on going
2.4 Disbursement linked indicator risks	Rating:		Moderate	
<p>Description:</p> <ul style="list-style-type: none"> • DLIs are not able to capture the entire program complexity. • Surveys to provide a high level of confidence for actual (rather than self-reported) behavior change will be prohibitively expensive – requiring time intensive structured observations. • DLIs are structured to support adequate cash flow over the implementation period, in line with the Provinces capacity to pre finance investments. 	<p>Risk Management :</p> <ul style="list-style-type: none"> • DLIs are carefully discussed and agreed with implementing agencies to ensure payments reflect the investments completed and support its sustainability. Definitions will be used to capture program interventions as far as possible; for example integrating hand washing points into CWS and encapsulating a wide range of TA in the Capacity Development Plans. • Complete a full assessment of cash flow needs and financing sources to inform DLI allocations and phasing 			

	Resp: Bank and client	Stage: preparation	Due Date : not yet due	Status: ongoing
Other Risks (Optional)	Rating:	High		
Description: Lack of institutional capacity for implementation and sustainability: <ul style="list-style-type: none"> The project would involve three ministries, MoH, MARD and MoET at the central and provincial levels. The coordination required between the three ministries and their provincial offices could potentially result in delays and a lack of clear roles and responsibilities. Coordinating interventions in 21 Provinces will require significant investment of time and effort. Reluctance to invest in soft activities and competing budget priorities mean that investment is not allocated for hygiene promotion at the provincial level or to VIHEMA at the central level. 	Risk Management: <ul style="list-style-type: none"> In order to support coordination the project would build the capacity of existing steering committees for NTP3 composed of all relevant ministries and support these further under the successor program. The Financing Agreement will link disbursement to actions in specific sectors. DLI disbursement places greater weight – through DLI allocations - on delivery of behavior change interventions at the village level. 			
	Resp: client	Stage: preparation	Due Date : not yet due	Status: on going
OVERALL RISK RATING: Substantial				

Legend: L – Low

S – Substantial

M – Moderate

H – High

Annex 8: Program Action Plan

<p>1. Participating Provinces will enhance transparency by maintaining databases on (a) complaints (relating to public consultation / corruption / fiduciary / procurement/ Program implementation) and responses to those complaints; and (b) beneficiary feedback to implementing agencies and responses to such feedback. The information will be aggregated at the national level by MARD and will be reported to the Bank on an annual basis. MARD will make public the channels for submitting complaints under the Program, including the World Bank’s Grievance Redress Service.</p>			
DLI or Loan Covenant	Due date	Responsible party	Completion Measurement
Covenant	First report submitted to the Bank on December 2015 Following reports will be submitted annually.	MARD	Databases maintained and reports submitted
<p>2. Competitive Procurement applied as per the new Government regulations and in addition:</p> <p>(a) All proposals for detailed designs, construction supervision and bids for civil works, whether below or above cost estimates, shall be evaluated; proposals and bids shall not be rejected only on the basis of minor, non-substantive deviations.</p> <p>(b) State-Owned Enterprises dependent on Program ministries/provinces/departments will not be allowed to participate.</p> <p>(c) Firms and individuals on the local, national or Bank debarment/suspension lists will not be allowed to participate.</p>			
DLI or Loan Covenant	Due date	Responsible party	Completion Measurement
Covenant	(a) Ongoing; (b) Intermediate targets will be monitored every January 1 st ; and (c) and (d) Ongoing	MARD	Rules included in the Financing Agreement. Supervision and audits to establish actual performance.
<p>3. Annual Plans and budgets will be approved at all levels with timely transfer of funds to the Province level as allocated. PPCs allocate budget to implementing agencies in accordance with inter-ministerial guidance. This action should specifically address the under-allocation of funds to sanitation and IEC activities</p>			
DLI or Loan Covenant	Due date	Responsible party	Completion Measurement
Covenant	(a) Annually (Jan 1 st) (b) Annually (July 1 st) (c) Annually (July 1 st)	MARD	Financing Agreement. Supervision will review quality of the audit process.
<p>4. MARD and the participating Provinces will jointly develop and implement guidelines to ensure the effective participation of and consultation with local people, including EMs and vulnerable</p>			

groups. The guidelines will fully operationalize existing Vietnamese Legislation with respect to EMs through a process of free, prior, and informed consultations.			
DLI or Loan Covenant	Due date	Responsible party	Completion Measurement
Covenant	Action 4:	MARD	Financing Agreement. Supervision will review implementation quality. Verification
5. The GoV and the Program implementing agencies will implement the BCC component of the Program as per the Program Operational Manual.			
DLI or Loan Covenant	Due date	Responsible party	Completion Measurement
Covenant		MARD	Supervision will review implementation quality. Verification

Annex 9: Implementation Support Plan

267. Implementation support for the Program will be in the form of close support by the Bank team as well as TA provided by WSP through a separate TA agreement.

Bank team assistance

268. The RB-SupRSWS PforR operation in Vietnam will require considerable focused support from the Bank team, particularly during the early stages. One challenge will be to coordinate the actions agreed upon in the Program Action Plan with operational activity on the ground, ensuring that information flows effectively between central policy makers and provincial implementation agents. While channels of communication are generally good within Vietnam, there will be a significant flow of new information to provinces during the early stages of the Program relating to the PforR Program and the additional focus on sustainable water systems and hygiene/ sanitation promotion. At the provincial level implementation agents will need to make a rapid shift in the focus of their planning to ensure that available funding can be absorbed and results delivered in time and within expected budget envelopes. The team recognizes that the PforR mode of operation, which transfers performance risk to the implementing agents, lays down a challenge to change numerous operational practices and norms, particularly at the local level.

269. MARD will need to be supported to provide targeted technical support to Program provinces on how to make effective and sustainable investments in rural water supply and in sanitation and how to improve long term sustainability. MoH will also require ongoing support to introduce new approaches in the sanitation sector. The focus of Bank implementation support will be on implementation quality and on making the results-based incentive system work to its full potential. This will include: (a) reviewing implementation progress (including that of the Program Action Plan) and achievement of Program results and DLIs; (b) providing support on resolving emerging Program implementation issues and on building institutional capacity; (c) monitoring the adequacy of system performance, and monitoring compliance with legal agreements; (d) supporting the Government in monitoring changes in risks; and (e) ongoing technical support through the Water and Sanitation Program (WSP).

270. Key to effective implementation support will be the coordination of its timing with critical points in the timelines of planning and verification of results for payment requests to the World Bank. The first implementation support mission will take place as soon as possible after effectiveness to provide direct feedback on the quality of plans developed by the provinces and their likely acceptability. This will include review of the BCC plans and Annual Capacity Development plans under development as well as the designs for water supply schemes and planning for institutional sanitation. It is critical to have early involvement of technical staff in addition to the environmental, social and fiduciary teams. Subsequent implementation support may have a stronger emphasis on verification/M&E skills.

271. An outline of the implementation support required is given in the tables below.

Main focus of Implementation Support

<i>Time</i>	<i>Focus</i>	<i>Skills Needed</i>	<i>Resource Estimate</i>	<i>Partner Role</i>
<i>First twelve months</i>	Design of water supply schemes – including considerations of long term sustainability; development of capacity building plans; development of BCC plans; provincial and consolidated national planning; establishment of arrangements for independent verification; strengthening of the M&E system	Legal; governance; procurement; financial management; social (gender and ethnic minority) and environment; water supply specialist; sanitation marketing; hygiene promotion; monitoring and evaluation	2 implementation support missions plus 2 technical missions 2 x 12 people x 2 weeks = 48 weeks Plus 2 x 5 people x 1 week = 10 weeks <u>Total 58 person weeks over 12 months</u>	[TBC]
<i>12-48 months</i>	Reviewing implementation progress, cross checking linkage between provincial planning and results, providing support in case of disputes relating to verification (national-provincial or between GoV and IVA)	Legal; fiduciary; social (gender and ethnic minority) and environment; water supply specialist; sanitation marketing; hygiene promotion; monitoring and evaluation; economics and finance	2 implementation support missions per year plus midterm review 2 x 3 yrs x 8 people x 2 weeks = 96 weeks 2 x 12 people x 2 weeks = 24 weeks <u>Total 120 weeks over 36 months</u>	
<i>Other</i>	Independent audit/ assessment of verification of results	Independent technical expertise	2 people for 4 weeks <u>Total 8 weeks</u>	

Task Team Skills Mix Requirements for Implementation Support (entire Program life)

<i>Skills Needed</i>	<i>Number of Staff Weeks</i>	<i>Number of Trips</i>	<i>Comments</i>
<i>Legal</i>	6	<i>n/a</i>	
<i>Procurement</i>	10	<i>n/a</i>	
<i>Financial Management</i>	12	<i>n/a</i>	
<i>Governance</i>	8	<i>n/a</i>	
<i>Social– EM/Gender</i>	12	<i>n/a</i>	
<i>Environment</i>	12	<i>n/a</i>	
<i>M&E</i>	22	10	
<i>Water supply</i>	48	16	
<i>Sanitation marketing</i>	26	10	
<i>Hygiene promotion</i>	26	10	
<i>Economics and finance</i>	4	2	

Role of Partners in Program implementation

<i>Name</i>	<i>Institution/Country</i>	<i>Role</i>
<i>Claire Ireland</i>	<i>DFAT</i>	<i>Coordination with other NTP support activities</i>
<i>Lalit Mohan Patra</i>	<i>UNICEF</i>	<i>Coordination on Technical Assistance for the Program and through ongoing interventions in the Northern Mountains in Rural Sanitation, Hygiene and Community Water Supply</i>
<i>East Meets West / Plan / SNV / World Vision</i>	<i>NGOs</i>	<i>Coordination and sharing lessons learnt as part of ongoing interventions – primarily in the Northern Mountains</i>

WSP Technical Assistance

272. The TA from WSP will be provided through a separate TA agreement that will be implemented in parallel with the Program, closely complimenting it. The objective of this TA will be to strengthen the capacities of central, provincial and district agencies for implementation and for adaptive learning to incorporate innovations for rural sanitation and hygiene services in NM-CH regions. It will support innovations to improve the effectiveness of rural sanitation services in remote mountainous areas with high poverty rates and presence of ethnic minorities.

273. The expected outcomes of the TA include:

- Increased government capacity at different levels to deliver evidence-based behavior change communication and demand creation interventions for sanitation and hygiene
- Increased government and private sector capacity to deliver low-cost, aspirational sanitation and hygiene products and services to rural households
- Increased awareness and capacities of provincial decision makers and implementing agencies to prioritize, plan and monitor sustainable sanitation and hygiene programs
- Deepened knowledge and ability for adaptive learning for service delivery approaches for rural sanitation and hygiene

274. The TA will include mass media and behavior change communications, low-cost product development and business models, and introducing incentives and/or rewards within a government program to support poor households and achieve village level sanitation outcomes.