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Results-Based Rural Water Supply and Sanitation under the National Target Program, Vietnam

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The views and opinions expressed within this report are those of the authors and the Bank Information Center, and do not necessarily reflect the opinions of those who were interviewed during the development of this report.

List of abbreviations

APL	Adaptable Program Loan
BP	Bank Procedure
DARD	Department of Agriculture and Rural Development
DLI	Disbursement-Linked Indicator
DoET	Department of Education and Training
DoH	Department of Health
EIA	Environmental impact assessment
EMP	Environmental management plan
EMW	East Meets West Foundation
ESSA	Environmental and Social Systems Assessment
GoV	Government of Vietnam
IAD	Internal Audit Department
IDA	International Development Association
IEC	Information, Education and Communication
IEG	Independent Evaluation Group
IFI	International financial institution
IHSL	Improved household sanitary latrines
INT	Vice-Presidency for Integrity
IVA	Independent Verification Agent
MARD	Ministry of Agriculture and Rural Development
M&E	Monitoring and evaluation
MDGs	Millennium Development Goals
MoF	Ministry of Finance
MoH	Ministry of Health
MoNRE	Ministry of Natural Resources and Environment
MPI	Ministry of Planning and Investment
NCERWASS	National Center for Rural Water Supply and Sanitation
NGO	Non-governmental organization
NTP	National Target Program for Rural Water Supply and Sanitation
OM	Operational Manual
OP	Operational Policy
OPCS	Operations Policy and Country Services
PforR	Program-for-Results
PAD	Program Appraisal Document
PAP	Program Action Plan
PCERWASS	Provincial Center for Rural Water Supply and Sanitation
PPC	Provincial People's Committee
RRD-RWSS	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
TA	Technical Assistance
VBSP	Vietnam Bank for Social Policies

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1. Executive Summary

1.1 Overview

Program-for-Results or “PforR” is a new World Bank lending instrument launched in January 2012.¹ PforR is a “results-based” instrument, which means disbursements are tied to the achievement of outcomes rather than to up-front expenditures, as is the practice with traditional World Bank investment lending. To enable wider programmatic impact and greater borrower discretion as to how funds are used, PforR financing is provided to a borrower’s overall program budget, rather than linked to individual projects or transactions. Yet PforR is not subject to the usual World Bank “safeguards”, which aim to prevent and mitigate undue harm to people and their environment in the development process. PforR relies primarily on borrower systems to implement programs and manage social and environmental risks, but requires that borrowers comply with equivalent safeguard principles within an agreed period of time. While the model has potential to strengthen borrowers’ systems and provide direct incentives for results, it also has potential to expose communities to risks stemming from reduced sub-project-level oversight. This paper explores these tensions and captures early insights about the lending model through a case study of PforR financing in Vietnam.

1.2 Aims and method

The Bank is currently undertaking a review of PforR to identify how the new instrument can be improved and whether certain restrictions on the use of PforR can be lifted. Total PforR lending was limited to 5 percent of World Bank financing for the first two years of operation.² Additionally, PforR cannot currently be used to support programs which include activities that could be classified as “Category A”, i.e. activities that pose the risk of potentially significant and irreversible adverse impacts on the environment and/or affected people.³ To inform the Bank’s review of PforR, this paper offers an independent perspective of PforR through a case study of PforR lending in Vietnam for the Results-Based Rural Water Supply and Sanitation Program (Results-Based RWSS). The research aims to:

- examine the design, implementation, and monitoring of the risk management strategy, including the application and adequacy of safeguard principles consolidated in Operational Policy 9.00 and Bank Procedure 9.00 (OP and BP 9.00), which are specific to PforR;
- consider whether the risk categorization and representation of risks in the World Bank’s assessment of the Results-Based RWSS are appropriate;
- consider whether the Bank’s risk management strategy, including capacity building, sequencing of activities, transparency measures, monitoring and supervision for PforR is adequate for sub-projects.

¹ As of July 2014, a total of 18 PforR programs have been approved, including two in Vietnam, with an additional 14 proposed. The full list of approved and proposed PforR programs can be found on the World Bank website: <http://web.worldbank.org/WBSITE/EXTERNAL/PROJECTS/0,,contentMDK:23223752~menuPK:268725~pagePK:41367~piPK:51533~theSitePK:40941,00.html> (accessed July 2014).

² World Bank Operational and Country Services (2013), *Program-for-Results Two Year Review Concept Note*, p.3. <http://documents.worldbank.org/curated/en/2013/11/18662374/program-results-two-year-review-concept-note> (accessed July 2014).

³ World Bank (2013), *Program-for-Results: The World Bank’s Newest Financing Instrument*. http://siteresources.worldbank.org/PROJECTS/Resources/40940-1244163232994/6180403-1340125811295/PforR_Overview_March2013.pdf (accessed March 2014).

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The research is based on a combination of in-depth interviews with stakeholders in Vietnam in April 2014, a review of publicly available documents and additional program materials provided by the Bank and the Government of Vietnam (GoV). Interviews were conducted with Bank staff and the GoV at national and provincial levels, representatives of the Australian Aid Program and a small number of NGOs and affected households at the community level.

1.3 Limitations

The research was undertaken early in the life of PforR, while new practices were being introduced and negotiated. The paper does not assess the outcomes of these systems at this preliminary stage; rather it identifies early considerations which may become critical as PforR evolves and is implemented elsewhere. Efforts were made to directly capture the views of potential beneficiaries. However, household interviews were restricted by the GoV during fieldwork, and GoV officials were present during the interviews with affected households and other stakeholders. Researchers are often accompanied during interviews in Vietnam, but reluctance to allow unaccompanied research has potentially obscured both the positive aspects of the Program (of which there are presumed to be many), as much as it has obscured any shortcomings. The findings of the report need to be considered in light of these limitations.

1.4 Background to the Results-Based Rural Water Supply and Sanitation Program

One of the first programs approved under the Bank's PforR lending platform was the Results-Based RWSS, which is implemented under the National Target Program (NTP) in Vietnam. The GoV-led NTP is implemented country-wide to address water supply and sanitation concerns for more than 5 million people. In November 2012, the Bank approved a US\$200 million IDA credit towards the NTP in eight provinces of the Red River Delta, aimed at improving clean water supply and sanitation for an estimated 1.7 million people and sanitation for 650,000 people.⁴ The investment activities are planned to run between 2013 and 2017.

The Red River Delta is the most populated region of Vietnam, supporting around 19 million people. In 2005, it had the second lowest poverty rate in Vietnam, but its dense population means that overall there is a high number of poor households in the region. Water quality is affected by agriculture, domestic use and industry. Surface water does not meet drinking water standards and groundwater is often contaminated by arsenic and other pollutants. Many health benefits are anticipated from improving sanitation facilities and moving away from the direct use of surface water and private wells, towards treated surface water or groundwater where it is safe.⁵

Prior to commencement of the Results-Based RWSS, the Bank assessed the GoV's systems through a Fiduciary Systems Assessment, a Technical Assessment and an Environmental and Social Systems Assessment (ESSA), guided by a set of consolidated safeguard principles specific to PforR. These principles are contained in OP and BP 9.00. This process identified risks, gaps and weaknesses in existing GoV systems, and provided recommendations for strengthening the systems through a set of specific actions. The required actions relate to improving transparency, procurement, involuntary resettlement/land acquisition processes, and guidelines for working with ethnic minorities. The actions were included in the contractual agreement between the Bank and the GoV, in the form of a

⁴ The eight provinces are Bac Ninh, Quang Ninh, Phu Tho, Vinh Phuc, Hanoi, Hung Yen, Ha Nam, and Thanh Hoa. See: World Bank (2012), *Program Appraisal Document on a Proposed Credit in the Amount of SDR 131.5 Million (US\$200 Million Equivalent) to The Socialist Republic of Vietnam for the Results-Based Rural Water Supply And Sanitation Under the National Target Program*, 28 September, pp.4-11. (Hereafter referred to as "PAD").

⁵ World Bank (2012), *Socialist Republic of Vietnam Results-Based Rural Water Supply and Sanitation under the National Target Program - Environmental and Social Systems Assessment*, 28 September, p.9. (Hereafter referred to as "ESSA").

Program Action Plan (PAP) and Operational Manual (OM). As the PforR loan contributes approximately one-third of the total NTP budget, broader programmatic leverage by the Bank is anticipated through the investment over time.

PforR funds are disbursed gradually to the GoV, as a series of “Disbursement-Linked Indicators” (DLIs) are met. Three core DLIs were agreed. DLIs 1 and 2 incrementally measure access to clean water from “sustainable water systems” and access to “commune-wide sanitation” over 5 years. For year 1, 15,000 newly constructed “improved household sanitary latrines” needed to be achieved and 250,000 people needed to be provided with commune-wide sanitation before US\$8 million was disbursed. New water supply connections are not included in the DLIs until year 2. DLI 3 for year 1 relates to the completion and public disclosure of provincial annual plans and program reports. DLI 3 must be achieved to trigger a US\$2.5 million disbursement for the first year.⁶

The lead agency responsible for the NTP, including the PforR component, is the Ministry of Agriculture and Rural Development (MARD), which supervises implementation and coordinates other GoV agencies. Primary responsibility for program delivery is at the provincial level, although MARD supports the Provinces to plan, deliver and monitor the NTP. Results are validated by an Independent Verification Agent (IVA), the State Audit of Vietnam. The Results-Based RWSS is in its first year of implementation and at the time of fieldwork was undergoing the verification process for the first round of disbursements, which was made in May 2014.

1.5 Analysis and findings

This research highlighted positive aspects of the results-based approach of PforR, however, it also revealed that challenges are being experienced in critical areas. The recommendations have been developed with the Vietnam PforR pilot in mind, but may also have broader application to PforR lending in general, including Vietnam’s second PforR, the Results-Based National Urban Development Program in the Northern Mountains Region, which was approved in June 2014.⁷

1.5.1 The results-focus drives activities, but prioritizes communities that are already better resourced

Initial research suggests the results-based approach requires a shift in the way the Bank engages in investment activities. All staff interviewed stated that the PforR model necessitates a fundamental change in thinking on behalf of the GoV and the Bank at various levels. The results-based focus and tight timeframes for meeting targets create a mutual incentive for the GoV and the Bank to work together to ensure results are achieved. Concern about not being reimbursed unless results are achieved is placing pressure on government agencies at both provincial and national levels.

One of the limitations of focusing on results is that communities that are closer to meeting their targets are preferenced, rather than those in greatest need. The existing DLIs do not provide incentives to target poorer households. For example, one feature of a “sustainable water system” as defined in the DLIs is that at least 85 percent of planned water system connections are working and have bills issued and paid. Similarly, “commune-wide sanitation” requires at least 70 percent of households in a commune to have hygienic sanitation.⁸ Interviews with the Provincial Government confirmed that communes were being prioritized for PforR investment based on how close they already were to meeting DLIs. Communes with around 50 percent of hygienic latrines were

⁶ World Bank (2012), *PAD*, above n4, p.12.

⁷ World Bank (2014), *World Bank to Support Urban Development in Vietnam’s Poorest Region*, 5 June. <http://www.worldbank.org/en/news/press-release/2014/06/06/world-bank-to-support-urban-development-in-vietnam-poorest-region> (accessed July 2014).

⁸ World Bank (2012), *PAD*, above n4, p.32.

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considered suitable, whereas those with lower levels were not, as it was unlikely the DLI could be met in the required timeframe. Interviews with NGOs and the provincial level government suggested that very poor households had difficulty paying for water connections and latrines, even where subsidized credits were available. Thus, the current DLIs have potential to increase inequality of access to clean water and sanitation within the Delta region, and across Vietnam if the same model is upscaled.

Bank staff confirmed that the Results-Based RWSS is a demand-based program, which does not specifically target the poorest communities, although they argued the Program will still have poverty-reduction impacts as the absolute number of poor households in the Delta is considerable due to the high population density.⁹ The Bank also argues that poorer households will be targeted in the later years of the Program.¹⁰

Research provided to the authors by local NGOs suggests that inequality of access to water and sanitation in Vietnam is a significant issue and is not usually addressed without targeted pro-poor measures. The Results-based RWSS verification process records the poor and near poor households affected under the Program, and in the first year of operations 25% of those provided with latrines were poor and near poor households.¹¹ However, poverty reduction targets are not included in the DLIs. This is in contrast to Phase 1 of the Bank supported RWSS (2005-2013) for which one of the primary indicators of the project was the number of poorer households receiving improved water supplies. The absence of indicators to measure impacts on poorer households suggests the PforR model promotes a risk-averse approach to developing targets, now that indicators are directly linked to disbursements.

1.5.2 The Results-based RWSS has a narrow focus on tangible/quantitative results

An important and unintended effect of the DLIs used in the Results-based RWSS is that while they are providing incentives to achieve results, they also tend to lead to a narrow focus on tangible/quantitative results. In their current form, the DLIs are not well-suited to addressing social and environmental concerns, focussing instead on infrastructure and reporting. When asked why social and environmental indicators were not included as DLIs, Bank staff explained that the DLIs need to be measurable in a precise and consistent way. Social and environmental indicators are often viewed by the Bank as too subjective and create room for disagreement on whether targets have been met, which could lead to disagreement between borrowers and the Bank about whether funds should be disbursed. The tendency for DLIs to focus on narrow, achievable results appears to be a risk inherent in the results-based approach and is likely to have implications for PforR elsewhere.

1.5.3 Additional World Bank supervision is required under PforR

Information provided by the Bank and the GoV suggests that monitoring and supervision by the Bank has increased under PforR, compared to previous loans. Bank staff are conducting regular formal monitoring and supervision missions, plus additional ad hoc visits. Two formal review missions occurred between December 2013 and March 2014 and some Bank staff described visiting the sites on a daily basis as the deadline for meeting the first set of DLIs approached.¹² They also described being closely involved in ensuring the methodology for verification of results was understood and implemented correctly. This increased Bank oversight was considered an unanticipated effect of moving to a results-based system and not necessarily part of the design of PforR. It is also partly a

⁹ World Bank written response to the authors, 10 April 2014.

¹⁰ World Bank written response to the authors, 19 July 2014.

¹¹ World Bank written response to the authors, 19 July 2014.

¹² Most project sites are within 1-2 hour driving distance from Hanoi.

result of the delay in the technical assistance grant, which would have assisted capacity building for GoV agencies (see below).

1.5.4 Appropriate sequencing of activities has not occurred

A technical assistance (TA) grant of US\$8 million from the Australian Government was intended to play a critical role in supporting PforR through the provision of capacity building and support to the GoV at both national and provincial level. However, implementation of the grant has been delayed. The TA was originally intended to provide technical support for many aspects of the Program that are now the subject of concern in recent World Bank Aide Memoires, such as land acquisition and working with ethnic minorities. The reason given for the delay is that the GoV is not familiar with Bank procurement processes, which includes requirements for competitive-bidding.¹³ These processes are aimed at improving quality and reducing opportunities for corruption, but some representatives of the GoV described the Bank's procurement processes as cumbersome. Representatives of the GoV were also critical of the Bank's insistence on using international rather than local consultants, arguing that it is contributing to the delay in technical assistance and is not an efficient way of working. They argued that international consultants often hindered rather than helped activities due to their lack of understanding of local context. Notwithstanding these concerns, it was reported that new procurement laws will soon be introduced nationally (taking effect on 1 July 2014). There is an assumption that this will bring the GoV's existing systems into line with the Bank's procurement standards, although it is to be expected that the implementation of the new laws will require further instruction and training and it will take time for the full effects to be felt.

It is not clear why PforR activities went ahead without the TA in place, although Bank staff stated that they took early action and in addition to their existing workloads provided "intensive support" in lieu of the US\$8 million grant.¹⁴ The Bank team did however acknowledge that this is a concern and informed the authors that following on from lessons learned in the Results-based RWSS, technical assistance and capacity building activities have been mainstreamed into the Northern Mountains PforR as a DLI, rather than being dealt with through a grant as in the Results-based RWSS.¹⁵

1.5.5 There is potential for harm in higher risk programs – resettlement and ethnic minorities

The Environmental and Social Systems Assessment for the Program rated social risks as moderate, but recommended specific actions in order to mitigate impacts associated with land acquisition and to guide working with ethnic minorities. These actions were incorporated into the PAP and OM.

Although activities under the Results-Based RWSS are well underway, only one province has so far established guidelines for working with ethnic minorities. During fieldwork, the GoV and the Bank reported that there are very few ethnic minorities living in the Red River Delta. This information is at odds with the Environmental and Social Systems Assessment completed earlier by the Bank, which identified high numbers of ethnic minorities living in the Red River Delta. The Bank later explained that each year Provincial authorities identify the areas in which they will work and verify the presence of ethnic minorities, and in 2013 only one Province identified the presence of ethnic minorities in the specific communes where the Program was active. According to the Bank: "Provincial Authorities will be required to implement guidelines for ethnic minorities, tailored to

¹³ Results-Based Rural Water Supply and Sanitation under National Target Program (2013-2017), *Operational Manual (revised)*, 17 March 2014, p.21. (Hereafter referred to as "OM").

¹⁴ World Bank written response to the authors, 21 May 2014.

¹⁵ World Bank written response to the authors, 19 July 2014.

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local situation, as it becomes relevant.”¹⁶ However, loan covenants do say that these guidelines should have been developed by January 2013, rather than incrementally.

The GoV and the Bank reported that land acquisition is expected to be minimal. The ESSA and documentation provided by the Bank during the fieldtrip suggests that the land of at least 264 households will be affected by land acquisition, most of which is agricultural. As of March 2014, there were delays in a number of the provinces in establishing mechanisms to establish the market value of lost land, other assets and income streams to restore livelihoods of affected people. There were also delays in establishing effective complaints mechanisms.¹⁷ The Bank explained that progress in procuring firms to conduct independent asset appraisal was slow due to a lack of experience and limited budget at the Provincial level. The Bank sent an experienced consultant to review the issue in December 2013, and a “quick assessment” found that compensation payments appeared to be adequate and that affected people were satisfied with compensation packages. The same findings were echoed by the Bank’s social specialist during a review mission in April 2014. However, the Bank informed the authors that it continues to insist that Provinces hire independent asset appraisers in order to comply with the PAP and that the Provinces need to take immediate action on these issues.¹⁸

The above measures on ethnic minorities and land acquisition are requirements of the PAP and OM. Yet, a Verification Oversight and PAP Compliance Mission conducted by the Bank in March 2014 found that while verification of program results was on track, there were “a number of key areas where compliance with the PAP is urgently required”. This included establishing an internal audit function, addressing land compensation issues and developing and implementing transparent and comprehensive guidelines in areas where ethnic minorities are present. As the PAP and OM are covenanted in the loan agreement, failure to address the concerns raised above could result in a breach of that agreement. In a letter from the Bank to MARD, the Bank stated that it is “critical that these issues are resolved as soon as possible”.¹⁹ These challenges suggest that if PforR is implemented in higher risk areas there is the potential for considerable harm. This is significant for the next PforR in Vietnam which is planned for the Northern Mountains region, where ethnic minorities are present in higher numbers and greater social impacts are anticipated. Acknowledging this concern, the Bank informed the authors that key actions related to resettlement and ethnic minorities have been integrated into the DLIs of the Northern Mountains PforR.²⁰

1.5.6 Inconsistent systems and language are being used to identify risk

The PforR risk assessment system differs from the traditional system used for the Bank’s project investment lending, which grades projects as Category A, B or C, depending on the severity of impacts. PforR on the other hand rates risks as: High, Substantial, Moderate and Low. OP/BP 9.00 does not provide guidance on how to assign these categories and it is therefore unclear how OP or BP 9.00 correspond to the A-C rating system. This PforR was given an overall rating of “substantial”, primarily due to the fiduciary risks (e.g. corruption, fraud and procurement concerns). Environmental and social risks were rated as “moderate” in the program appraisal. However, Bank staff in Hanoi described social and environmental risks as “low” in interviews and in their written correspondence with the authors. The reason for using different risk categorizations is not clear and

¹⁶ World Bank written response to the authors, 19 July 2014.

¹⁷ Results-Based Rural Water Supply and Sanitation under the National Target Program (2014), *Implementation Support Mission, Aide Memoire*, March 24-26, 2014, p.3.

¹⁸ World Bank written response to the authors, 19 July 2014.

¹⁹ Cover letter to Aide Memoire dated 24-26 March 2014, from World Bank Country Director to Vice Minister for MARD (2014), *Subject: Vietnam Results-based Water Supply and Sanitation Program under the National Target Program – Verification Oversight and PAP Compliance Mission*, 10 April 2014.

²⁰ World Bank written response to authors, 19 July 2014.

makes it difficult to identify whether potential Category A sub-projects are being financed by PforR. Further, one of the major concerns emerging from the fieldwork is that there is no publicly disclosed information regarding the assessment of sub-project risks. Under PforR, such assessments are the responsibility of the borrower and are conducted following national systems and regulations.

1.5.7 Transparency and participation are limited, especially for sub-projects

The limited transparency of some aspects of the Results-Based RWSS has affected the capacity of the authors to examine some aspects of the Program's operation. Program documentation is available on the Bank website, but this includes limited detail on sub-project assessment and implementation. While a number of documents were eventually provided to the authors, this was a result of numerous requests to the GoV from Bank staff. As mentioned above, household level research was a challenge during the field trip, and it was therefore not possible to gain any independent insights regarding the impacts of the Program on potential beneficiaries.

DLI 3 requires the disclosure of provincial plans and annual reports, which are now posted on provincial government websites and the RWSSP website.²¹ These reports provide additional information regarding locations of sub-projects, as well as basic evaluations of implementation so far. However, they do not include detailed assessments of sub-projects, raising concerns about the processes in place to assess and manage their social and environmental risks. Interviewees suggested additional assessment may be taking place behind the scenes, but there is no publicly available material to evaluate how sub-project risk assessments are done. The development of a planned IT transparency platform has also been delayed, which is described in the program appraisal documents and OM as a critical means of enhancing transparency.

1.5.8 There is evidence of potential program-wide leverage, but it is limited

Closer engagement between the Bank and the GoV was described by Bank Management in Hanoi as creating a lever through which the Bank can enter into higher level policy discussions with the GoV at a programmatic level. Evidence that these discussions are taking place in relation to land acquisition processes and ethnic minorities is indicated in the World Bank Aide Memoires, demonstrating that the Bank is making efforts to encourage the GoV to implement specific actions relating to social and environmental risks that could go beyond the eight targeted provinces. There is also some evidence to suggest procurement laws are changing nationally through on-going Bank engagement under the Results-Based RWSS and other Bank initiatives. The effects of these efforts are yet to be seen although the *potential* for influence was evident during the field research, given the intensive way in which the Bank and GoV are working together.

There is also potential for the Bank's results-focus and emphasis on "cost recovery" to have considerable program-wide impact across the NTP. However, the *positive* aspects of this impact need to be evaluated as there are many social risks associated with a focus on cost recovery. As mentioned, there is also potential for the Results-Based RWSS approach to increase inequality of access to water and sanitation through preferencing of well-resourced communities. Thus, both the *potential* and the *quality* of program-wide impact needs to be considered and addressed before the model is upscaled.

1.6 Summary of recommendations

There is much to learn from the first PforR pilot in the Red River Delta for future investments in Vietnam and for Bank use and strengthening of borrower systems elsewhere. Initial evidence suggests that, if designed well, the results-focus of PforR has potential to increase the accountability

²¹ RWSSP website, *Publications*, <http://www.rwssp.org.vn/en/documents/rwss-program-for-result> (accessed May 2014).

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of how funds are spent and to enhance the leverage of Bank investments to strengthen borrowers' systems. However, at this early stage there is some evidence to suggest that a number of social and technical risks need to be better managed through the PforR system, at least in the context of the Results-Based RWSS.

Under PforR, much rests on how the DLIs are framed and how required actions are articulated under the PAP. For the Results-Based RWSS, social considerations relating to land acquisition and ethnic minorities have not been included in the DLIs. Instead, specific actions are included in the PAP and covenanted in the loan agreement and then elaborated further in the OM. At face value, the use of covenants for these requirements in the loan agreement may appear to be an effective incentive for the GoV to prioritize the requirements, but in practice it results in a situation where the Bank has few options available to remedy failures to meet the required standards. Non-compliance with the specific actions is considered a breach of the loan agreement, and in such circumstances OP 9.00 requires that the Bank consult with the borrower and request timely and appropriate corrective measures. If this does not happen, the Bank is faced with the prospect of entering into legal negotiations to encourage compliance. It seems that the PforR model is designed precisely to avoid this scenario by providing the DLI incentive structure to achieve results. If actions to address land acquisition or ethnic minorities had been included in the DLIs, there may have been more scope to prioritize these measures and to offer partial or delayed disbursements based on achievements towards agreed goals, an approach that is consistent with the ethos of PforR.

Innovative strategies are therefore needed to build social and environmental indicators into PforR as it develops. Linking social and environmental indicators to disbursements may prioritize these aspects. There may also be a risk that including complex, qualitative indicators in the results framework may derail the verification process if indicators are too difficult to measure. However, the World Bank needs to explore alternative methodologies to develop indicators with the government and other stakeholders that can strike a balance between the two.

The inclusion of additional DLIs that measure impacts on poorer households or improvements in social and environmental governance could occur if supported by adequate adjustments to the program design, such as better resourcing of provincial level authorities and the development of policies suitably tailored to lower income households. Addressing these challenges will be critical for the next PforR in Vietnam where greater impacts are anticipated. A summary of recommendations is included below, with further detail included in the body of the report.

Recommendation 1: Greater program focus is needed on poorer communities and poorer households within the targeted communities. Results-based models already used by local NGOs in the water supply and sanitation sector in Vietnam may inform the process of developing creative incentive schemes to reach the very poor (see Section 4.7). Other potential strategies may involve one or more of the following:

- Include targets based on a proportional increase on the baseline so that PforR activities are more evenly distributed (e.g. a target of 20 percent additional water connections in a given community, rather than the uniform target of 85 percent, irrespective of the baseline).²²
- Adjust DLIs so that they include a requirement that a percentage of program beneficiaries be lower income earners.

²² Note that while this proportional increase may work in relation to water connections, it may not be appropriate for commune-wide sanitation targets.

- Require ongoing program reporting on changes to the baseline regarding poverty status. Several basic household level income/wealth indicators could be included in the monitoring sample methodology. For example, for DLI 1 and 2 (taking at least two random samples in each of the 8 provinces) the Bank could measure 2 data points to monitor how connections and latrines are distributed relative to the poverty baseline, within provinces and across the Program.

Recommendation 2a: Further consultation within the Bank, the GoV and affected communities is needed to identify creative strategies to encourage program focus on social and environmental risks, such as equality of access, compulsory land acquisition and ethnic minorities. In future, ESSA consultations need to be conducted more widely to ensure broad stakeholder participation in program design, and should include participation of local civil society groups and community members.

Recommendation 2b: In order to address compliance issues identified in the World Bank's Aide Memoires, namely developing and implementing appropriate guidelines for land acquisition and ethnic minorities, the Bank and the GoV should conduct an internal audit in order to establish the full scope of the shortcomings in implementing agreed actions from the PAP and OM. This should be accompanied by a detailed plan to rectify any gaps and bring the GoV into full compliance with its loan agreement.

Recommendation 3: Increased monitoring and supervision by the Bank should be factored into program planning for future PforR investments at all stages of program preparation and implementation.

Recommendation 4: Appropriate sequencing of activities must occur for PforR to function as intended, especially the provision of capacity building prior to sub-project implementation. This includes adequate sequencing of technical assistance activities and requirements of the borrower included in the PAP and OM, and any other obligations that are included as covenants to the loan contract. If technical assistance and capacity building is required in future PforR lending it should be incorporated into the DLIs, especially capacity building at the provincial government level, as responsibility for implementation is often decentralized.

Recommendation 5: While this research highlights some early indications of successes of PforR, it also raises a number of issues that could result in significant harm in higher risk programs. This suggests it is too soon to lift the "5 percent cap" or restriction on Category A activities for PforR in the near future.

Recommendation 6: Efforts should be made to improve coherence and consistency of risk identification and categorization methods in order to ensure mitigation actions are properly aligned with risk. As PforR moves beyond the pilot stage, more detailed guidance is required on how to structure DLIs, PAPs and OMs depending on the severity of the risk rating. In cases where mitigation measures are included in the PAP or OM, implementation should be closely monitored.

Recommendation 7a: Revisions to the disclosure requirements for PforR sub-projects are needed so that village and project locations, risk assessments and mitigation measures are available early in the program planning process for public comment.

Recommendation 7b: A standard practice should be adopted for disclosing Aide Memoires, Operational Manuals, sub-project locations and sub-project risk management plans, to assist civil society and other stakeholders to understand program-wide operations, impacts and risks.

1. Executive Summary

Recommendation 8a: As one of the major justifications for the PforR approach is to achieve program-wide leverage, more needs to be done to assess whether or not this has been achieved in the pilot PforR projects, and if so, has this leverage been utilized well, and have its impacts been beneficial.

Recommendation 8b: The Bank should consider the use of DLIs to encourage program or sector wide leverage in relation to social and environmental considerations. For example, by seeking commitments from borrowers to implement PforR supported mechanisms for working with ethnic minorities and dealing with resettlement issues beyond PforR areas.

1.7 Structure of the report

The remainder of this report sets out the background, research findings and analysis in more detail. The Introduction to the report provides an overview of PforR financing and introduces the research aims and method. Section 3 provides background to the Results-Based RWSS in Vietnam and explains the features of the PforR pilot in context, including discussion of the DLIs agreed between the Bank and the GoV and the specific actions required of the GoV to manage program risks. Section 4 outlines the findings of the research, focusing specifically on issues relevant to safeguards compliance, sequencing of activities, monitoring, supervision and risk management. Section 5 sets out conclusions and recommendations.

As PforR is a new lending mechanism, the report provides considerable background in Section 3 about PforR and the governance structure of the Results-Based RWSS. Readers who are already familiar with the operation of PforR and/or the arrangements surrounding the Results-Based RWSS may prefer to focus their attention on Sections 4 and 5, where the findings and conclusions are explained.

2. Introduction

Overseas development assistance is declining as a proportion of overall capital flows to lower-income countries, with International Financial Institutions (IFIs) occupying a diminishing role within that space.²³ Competition with emerging lenders is placing pressure on IFIs to streamline their operations in order to maintain their lending profiles, and increasing international focus on aid effectiveness is also requiring IFIs to demonstrate their efficacy. In this context, “results-based” lending has emerged as a popular financing approach aimed at improving borrower flexibility and ownership, developing institutional structures, and providing direct incentives for results.

In January 2012, the Bank approved a results-based lending mechanism known as Program for Results (PforR). As PforR supports borrower programs rather than providing funds for specific projects, it is expected to increase local ownership of programs and allow more discretion on the part of the borrower as to how funds are spent. The model is also expected to enable the Bank to extend the reach of its advice and financial support to entire national programs, despite providing only a share of a program’s total operating budget. This introduction provides background to the PforR model and explains the aims and method of the research, before turning to the study of PforR financing in Vietnam.

2.1 PforR background

Under PforR, funds are dispersed by the Bank in stages, and each disbursement requires that certain results benchmarks are achieved. At the time of writing, a total of 18 programs had been approved, including two in Vietnam, with an additional 14 programs proposed.²⁴ With the addition of PforR, the Bank now has three main financing instruments in place.²⁵

Financing Instrument	Description
Investment Project Financing	Supports specific projects and disburses against specific expenditures and transactions.
Development Policy Lending	Supports policy and institutional reforms and provides general budget support that disburses upon completion of agreed policy actions.
Program-for-Results Financing	Supports government programs and disburses against results-based indicators.

The Bank committed to a gradual roll-out of PforR, limiting PforR to 5 percent of World Bank financing for the first two years.²⁶ There are no restrictions on the use of PforR with regards to the

²³ UNDP (2011), *Towards Human Resilience: Sustaining MDG Progress in an Age of Economic Uncertainty*, p.150. http://www.undp.org/content/dam/undp/library/Poverty%20Reduction/Inclusive%20development/Towards%20Human%20Resilience/Towards_SustainingMDGProgress_Ch5.pdf (accessed May 2014).

²⁴ PforR was initially piloted in Morocco, Nepal, Tanzania, Uruguay and Vietnam. The full list of approved and proposed programs can be found here: <http://web.worldbank.org/WBSITE/EXTERNAL/PROJECTS/0,,contentMDK:23223752~menuPK:268725~pagePK:41367~piPK:51533~theSitePK:40941,00.html> (accessed July 2014).

²⁵ World Bank (2013), *Program-for-Results: The World Bank’s Newest Financing Instrument*. http://siteresources.worldbank.org/PROJECTS/Resources/40940-1244163232994/6180403-1340125811295/PforR_Overview_March2013.pdf (accessed September 2014).

²⁶ World Bank (2012), *A New Instrument to Advance Development Effectiveness: Program-For-Results Financing, Chair’s Summing Up, Meeting of the Boards of Executive Directors*, 24 January 2012. <http://www->

2. Introduction

borrower's income category, and no limitations on which sectors PforR financing may support. Decisions on whether to approve PforR financing depend on a case-by-case assessment of technical aspects, country systems and capacities, and overall risks of a proposed program. However, PforR cannot be used to support programs which include activities that could be classified as "Category A", i.e. activities that pose the risk of potentially *significant* and *irreversible* adverse impacts on the environment and/or affected people. PforR is also not available for programs that require high-value or complex procurement packages.²⁷

PforR utilizes a system of Disbursement-Linked Indicators (DLIs) which include targets that must be met in order to release funding. These indicators are negotiated by the borrower and Bank, and can include: outcomes, outputs, intermediate outcomes, or specific actions. This system aims to create incentives for the borrower to achieve specific results throughout the life of the program and to improve program performance.²⁸ In some cases DLIs may be scalable, i.e. if a DLI is partially achieved this may be matched by a partial disbursement of funds. However, if DLIs are not achieved then disbursement of further funds should not occur.²⁹

2.2 PforR and World Bank safeguard policies

A controversial feature of PforR is that it is not subject to the usual World Bank environmental and social "safeguards". Safeguard policies are a set of standards and protections intended to avoid or minimize the negative social and environmental impacts of Bank financed projects. Under traditional project-lending requirements, borrowers and Bank staff would need to comply with these safeguards as a condition of the loan. Safeguards cover various issues, including: involuntary resettlement, indigenous peoples, and environmental and social assessments.

Instead of using the existing safeguards system, PforR relies primarily on the borrower country's domestic laws, policies and systems to avoid and mitigate potential impacts. Borrower countries are expected to meet standards equivalent to those contained in the traditional safeguards, but the process for achieving these standards differs.³⁰ Under PforR, Bank staff are required to make an upfront assessment of the adequacy of the borrower's technical, fiduciary, environmental and social systems. This is guided by a set of general, consolidated safeguard principles specific to PforR, contained in Operational Policy 9.00 and Bank Procedure 9.00 (OP and BP 9.00). These assessments inform an "integrated risk assessment" which considers risks that may prevent a program achieving its development objectives. This assessment is a critical consideration in the Bank's decision whether or not to approve PforR financing.³¹ The assessment looks at the program as a whole, not at the individual sub-projects. Sub-projects are assessed by the borrower using its own standards and systems.

wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2012/02/07/000386194_20120207223014/Rendered/PDF/666830SU0SU2010OfficialUseOnly090.pdf (accessed June 2014).

²⁷ World Bank (2013), *Program-for-Results: The World Bank's Newest Financing Instrument*.

²⁸ World Bank (2011), *Program-for-Results: Results*.

http://siteresources.worldbank.org/EXTRELENDING/Resources/7514725-1313522321940/PforR_Results_1.2012.pdf (accessed March 2014).

²⁹ World Bank (2012), *Program-for-Results Financing: Frequently Asked Questions*.

http://siteresources.worldbank.org/EXTRELENDING/Resources/7514725-1316733277569/PforR_FAQ_Overview_3.29.2012.pdf (accessed March 2014).

³⁰ It should be noted that some pre-existing safeguards still apply to PforR financing. For example, OP 7.50 was triggered in the Vietnam PforR because the project affects international rivers, however, the impact is minimal and found not to impact neighboring countries (p.24 of PAD).

³¹ Descriptions of the different types of assessment are included in OP 9.00 (paras 6-8, 10) and BP 9.00 (paras 19-31).

If the Bank approves PforR lending, its assessments are subsequently used to identify gaps in the borrower's systems and to develop an agreement on what actions are needed to implement Bank recommendations. For example, the Bank could agree on measures with the borrowing government that seek to strengthen systems for conducting environmental impact assessments. These measures may be introduced either *prior to* or as *part of* the implementation of PforR operations.³² The recommendations may be integrated into Disbursement-Linked Indicators or may be part of a Program Action Plan (PAP) agreed between the Bank and borrower.

Although PforR has its own operational policy and bank procedure documents, it is subject to the same oversight mechanisms as other World Bank lending instruments. PforR operations are overseen by the Inspection Panel, Vice Presidency for Integrity (INT), Internal Audit Department (IAD), and the Independent Evaluation Group (IEG).³³ Further discussion on the PforR model is available separately in a detailed primer prepared by the Bank Information Center (BIC).³⁴

2.3 Potential benefits and concerns regarding the PforR approach

PforR adopts a more borrower-driven approach to lending which provides more flexibility to borrowers than traditional project financing. The mechanism also aims to assist partner countries in improving design and implementation of their own development programs and in the process seeks to strengthen institutions and build local capacity. Borrower-driven approaches have potential to increase local ownership and in turn may generate opportunities to leverage change within borrower systems. It is envisioned that this approach will allow the Bank to maximize its influence, and although the Bank may only provide a portion of overall program funding, its technical expertise may be transferred more broadly to whole programs and be sustained after Bank involvement has ended.³⁵

Although numerous benefits may be enabled by PforR, concerns have emerged particularly in relation to accountability and protection of people and the environment in the development process. The new system for ensuring that safeguard standards are met is untested and relies on broad principles to guide the management of social and environmental risks. It does not set out minimum requirements regarding issues such as environmental and social impact assessment or grievance mechanisms. Borrowers are also not required to disclose the details and risk assessments of sub-projects during the consideration of PforR proposals. Thus, PforR has potential to expose communities to additional risks stemming from reduced project-level oversight.

2.4 Aims of the research

PforR financing is being piloted in Vietnam to support the Results-Based Rural Water Supply and Sanitation (Results-Based RWSS) program under the National Target Program on Rural Water Supply and Sanitation (NTP). The primary objective of this research is to develop a localized understanding of the strengths and limitations of PforR operations in Vietnam. The paper considers the risk management systems used prior to loan approval and how these risks have been managed to date under the PforR model. The specific terms of reference for the research are to:

³² World Bank (2012), *Program-for-Results Financing: Frequently Asked Questions*.

³³ World Bank (2012), *Program-for-Results Financing: Frequently Asked Questions*.

³⁴ Bank Information Center (2014), *World Bank Safeguards and Program-for-Results (P4R) Financing*, 8 April. <http://www.bicusa.org/wp-content/uploads/2014/04/BIC-P4R-Primer-April-2014.pdf> (accessed May 2014).

³⁵ World Bank (2012), *Press Release: World Bank Approves Program-for-Results - New Financing Instrument Ties Lending Directly to Verified Development Results*, 24 January. <http://web.worldbank.org/WBSITE/EXTERNAL/NEWS/0,,contentMDK:23094880~menuPK:34463~pagePK:34370~piPK:34424~theSitePK:4607,00.html> (accessed March 2014).

2. Introduction

- examine the design, implementation, and monitoring of the risk management strategy, including the application and adequacy of safeguard principles consolidated in OP and BP 9.00;
- consider whether the risk categorization and representation of risks in the World Bank's assessment of the Results-based RWSS are appropriate;
- consider whether the Bank's risk management strategy, including capacity building, sequencing of activities, transparency measures, monitoring and supervision for PforR is adequate for sub-projects.

The paper is intended to provide an accessible analysis of PforR in Vietnam which is suitable for distribution to a range of concerned stakeholders, including civil society groups, the World Bank and the Government of Vietnam.

2.5 Method

The research was conducted between October 2013 and May 2014 and is based on a combination of in-depth interviews with stakeholders in Washington DC and Vietnam and a review of relevant program documents and literature. The initial research design was informed by preliminary interviews conducted by BIC with Bank safeguards advisors, the Operations Policy and Country Services (OPCS) PforR review team, and several donor country government representatives, including the United States Department of Treasury. Field research in Vietnam was undertaken in April 2014. Interviews were primarily conducted with World Bank staff in Hanoi, the GoV at national and provincial levels, representatives of the Australian Aid Program and a small number of NGOs and affected households at the community level. A local researcher assisted the research team during visits to Ha Nam Province and during a number of interviews with GoV representatives in Hanoi. In brief, the field visit to Hanoi and Ha Nam involved interviews with:

- representatives of the GoV, including the Ministry of Agriculture and Rural Development (MARD), Ministry of Health (MoH), the National Centre for Rural Water Supply and Sanitation (NCERWASS) in Hanoi, and the Department of Agriculture and Development (DARD) and Provincial People's Committee (PPC) in Ha Nam Province;
- the World Bank team based in Hanoi, including the two Project Task Team leaders, Social Development Specialists, the Water and Sanitation Specialist and Environmental Specialist;
- a small number of NGOs, including East Meets West, GreenID and the Center for Sustainable Community Development;
- representatives of the Australian Aid Program working on the NTP in Hanoi; and
- two project-affected households in Ha Nam Province, one of which was a household member who had land compulsorily acquired for the building of a water scheme under the Results-Based RWSS.

Site viewings of two water schemes under construction and one school where sanitation facilities had been built were also conducted. The water schemes are located in Doi Tien Commune and Chuyen Ngoai Commune in Duy Tien District of Ha Nam Province. The school is located in Moc Bac Commune in Ha Nam Province.

A master list of the research questions developed for the field visit is included in Annex A. During the field visit, a substantial number of internal documents were provided to the research team by the GoV and the World Bank. Following the interviews, a draft report was circulated to all stakeholders interviewed for review and input. The authors have endeavoured to incorporate their feedback into the final version of the report, but the opinions expressed here are those of the authors and the Bank Information Center, and do not necessarily reflect the opinions of those who were interviewed during the development of this report.

2.6 Limitations

Efforts were made to include household level interviews in the research to directly capture the views of potential beneficiaries. In December 2013, several months in advance of the fieldtrip, the authors submitted requests to the Bank and the GoV for more information about locations where PforR-financed work is taking place. In March 2014, information about these locations was sought again along with permission to visit the areas to interview local government representatives and households. A list of communes was eventually provided to the authors upon arrival in Vietnam. Lists of sub-project locations have now been posted online, but this occurred after the fieldwork was completed. Limited access (one day) was given to the researchers to visit communities in one province (Ha Nam). Representatives of the Ministry of Agriculture and Rural Development (MARD) were present during interviews with the provincial level government. The households that were interviewed were chosen by MARD and the provincial level government, and both MARD and provincial government officials were present during interviews with community members at the household level. While it is understood that researchers are often accompanied in this way in Vietnam, reluctance to allow independent, unaccompanied research means that it is difficult to report confidently on both the positive aspects of the Program and any challenges.

The research was undertaken in the early stages of PforR implementation in Vietnam at a time when new practices were still being introduced and negotiated. The impact of the results-based approach on achievement of outcomes will become more apparent during the second half of the project (2015-17). As such, the research does not assess the outcomes of these systems at this preliminary stage, rather it aims to identify early learnings and considerations which may become critical as the PforR model evolves and is implemented elsewhere.

3. The Results-Based RWSS in Theory

The National Target Program on Rural Water Supply and Sanitation aims to increase sustained access to water supply and sanitation services in all 63 provinces of Vietnam. The PforR financed “results-based” component operates as part of the overarching NTP in eight geographically clustered provinces of the Red River Delta.³⁶ Throughout this paper, “NTP” is used to refer to the *national* program on rural water supply and sanitation. “Results-Based RWSS” refers specifically to the PforR-financed component of the NTP operating within the eight provinces.

3.1 NTP background and policy framework

According to the World Health Organization, as many as 20,000 people in Vietnam die each year as a result of poor water, sanitation and hygiene.³⁷ Access to clean water and sanitation in rural areas of Vietnam was among the lowest in East Asia when the GoV committed to the Millennium Development Goals (MDGs) in 2000.³⁸ Although progress has been made towards achieving the MDGs through government-led programs, ensuring access to clean water and sanitation remains a challenge. Water and sanitation issues are connected, and poor sanitation is linked to a range of environmental health issues, one of which is fecal contamination of water sources where communitarian-wide sanitation does not exist.³⁹

In 2000 Vietnam developed its *National Rural Clean Water Supply and Sanitation Strategy*, which runs to 2020. To implement this strategy the government established the National Target Program for Rural Water Supply and Sanitation (NTP). The NTP supports a move away from private wells and the use of water directly from rivers, streams or irrigation canals, and encourages the use of treated surface water or groundwater where safe. The NTP has been implemented in phases and the third stage began in 2012.⁴⁰ The NTP focuses on implementing the following activities nation-wide:⁴¹

- *Rural domestic water supply* – Installing community water systems (financed by the central and provincial governments and a beneficiary connection fee) and household systems (paid for by households themselves but supported by subsidized credit). The Program also provides hygienic livestock pens and biogas facilities to control animal waste and prevent water contamination.
- *Rural sanitation* – Providing public latrines and water supply in schools and clinics (wholly financed by NTP) and household sanitation (paid for by households with support of a lending facility from Vietnam Bank for Social Policies).
- *Capacity building, communication, supervision and monitoring and evaluation* – Training and capacity building for the rural water supply and sanitation sector, which includes activities to promote demand for clean piped water, hygiene and behaviour change and increased demand for sanitation.

³⁶ World Bank (2012), *PAD*, above n4, p.4.

³⁷ World Bank (2012), *ESSA*, above n5, p.24.

³⁸ World Bank (2013), *Implementation Completion and Results Report on two credits in the amount of XDR 31.4 Million and XDR 42 Million (US\$ 45.87 Million and US\$ 65.27 Million Equivalent) to the Socialist Republic of Vietnam for a Red River Delta Rural Water Supply and Sanitation Project*, December 19, 2013, p.1. (Hereafter referred to as RRD-RWSS Implementation Completion Report).

³⁹ World Bank (2012), *ESSA*, above n5, p.26.

⁴⁰ World Bank (2012), *PAD*, above n4, p.3.

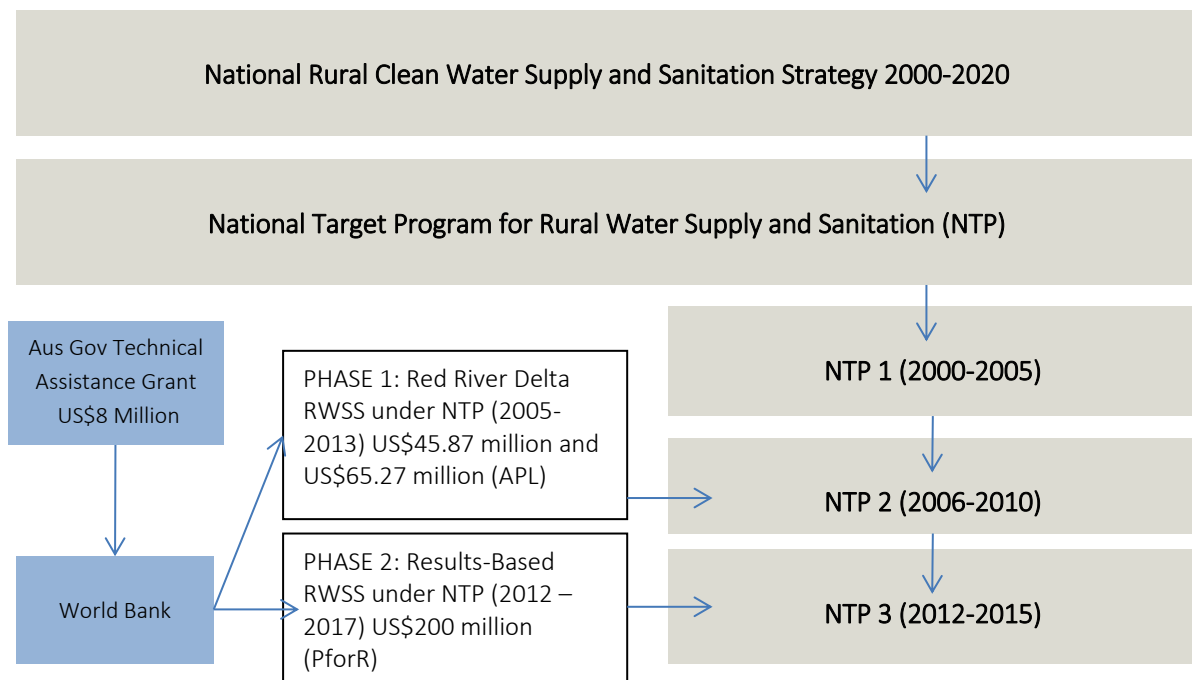
⁴¹ World Bank (2012), *PAD*, above n4, p.5.

Nationwide, NTP aims to provide hygienic water to 4.6 million people, clean water to 5.1 million people, and household latrines to 1.7 million households. It also aims to provide 5,500 school sanitation facilities, 1,450 sanitation facilities at health clinics, 480,000 livestock pens and 420,000 biogas installations.⁴²

3.2 World Bank investment in NTP

The Bank has been working to support the rural water supply and sanitation sector in Vietnam for almost 15 years, beginning with providing assistance for development of the *National Rural Clean Water Supply and Sanitation Strategy*, followed by the Bank supported Red River Delta Rural Water Supply and Sanitation Project (RRD-RWSS) from 2005-2013. The RRD-RWSS formed Phase 1 of the Bank’s support to the NTP, and the current Results-Based RWSS is Phase 2. The stages of the NTP and the role of the Bank is depicted in Figure 1 below.

Figure 1: World Bank financing of rural water supply and sanitation



3.3 Phase 1: RRD-RWSS

In 2005, the Bank provided two APL credits to the value of US\$111 million to the GoV for activities under the NTP, aimed at improving water access and sanitation in four provinces of the Red River Delta.⁴³ This was called the Red River Delta Rural Water Supply and Sanitation Project (RRD-RWSS). The RRD-RWSS reportedly improved water sources for almost 1.3 million people, accounting for 80 percent of the total population in four project provinces. It also provided access to water supply and sanitation services to 100 percent of poor households in the four provinces.⁴⁴ The RRD-RWSS promoted an “enterprise model” and focused on increasing cost recovery, an approach that has also been adopted in the Results-Based RWSS, explained further below. The investment was managed as

⁴² World Bank (2012), *PAD*, above n4, p.6.

⁴³ The four provinces were: Nam Dinh, Hai Duong, Thai Binh and Ninh Binh. See: World Bank (2013), *Implementation Completion and Results Report*, above n35, p.3.

⁴⁴ World Bank (2014), *Providing clean water for 1.3 million rural residents in Vietnam – A community-based project provided access to clean water and sanitation*, 10 April. <http://www.worldbank.org/en/results/2014/04/10/providing-clean-water-for-13-million-rural0-residents-in-vietnam> (accessed July 2014).

3. The Results-Based RWSS in Theory

a “project”, although it provided phased investment into the GoV’s national program activities under the RWSS.⁴⁵ After completion of the RRD-RWSS in 2013, the Bank converted Phase 2 of its investment into a PforR loan to pilot the new results-based approach.

3.4 Phase 2: Results-Based RWSS

Through PforR, the Bank provides US\$200 million in IDA credit over six years for the Results-Based RWSS under the NTP in eight provinces in the north of Vietnam. Program funding is dispersed annually based on the indicators discussed in Section 3.6. The Results-Based RWSS initially focuses on 240 communes in eight provinces of the Red River Delta and aims to provide:

- clean water to 1.7 million people (33 percent of the national NTP target);
- household sanitary latrines benefitting 650,000 people (38 percent of the national NTP target); and
- collective gains of commune-wide sanitation for 1.3 million people.⁴⁶

These program objectives are to be realized through sub-projects. It is expected that 192 piped water schemes will be provided to the 240 communes, as well as water treatment systems including well pumping stations, filter tanks, sludge lagoons, disinfection facilities, clean water tanks, clean water pumping stations, and distribution stations. Each latrine that is built is also considered a “sub-project”.⁴⁷

The new Results-Based approach aims to address challenges experienced previously under the NTP, especially poor financial planning and insufficient focus on sanitation. The Results-based RWSS program appraisal also highlighted governance and system weaknesses in previous phases.⁴⁸ Low levels of awareness of health and hygiene practices among the population of the Red River Delta and low rates of hand washing with soap are also identified as critical health issues not adequately addressed by past phases of the NTP.⁴⁹

The new Results-Based approach specifically focuses on the issue of “cost-recovery” from beneficiaries under the NTP.⁵⁰ The PforR-financed RWSS promotes sustainable services by establishing connections to systems which are “deemed to be financially sustainable (full operational cost recovery) and technically viable”. It proposes a Rural Water Supply Enterprise model to operate, maintain and manage water systems. Domestic and institutional sanitation will both be targeted under the new approach in order to achieve commune-wide sanitation. The Vietnam Bank for Social Policies (VBSP) will provide loans to individual households to cover up to VND 4 million (US\$200) of capital costs of building latrines.⁵¹ If successful in addressing the challenges experienced previously, the Results-Based RWSS approach will be up-scaled to the remainder of the NTP.

The Results-Based RWSS supports activities in the Red River Delta provinces of Phu Tho, Quang Ninh, Hanoi, Hung Yen, Bac Ninh, Ha Nam, Vinh Phuc, and Thanh Hoa. The Delta and project provinces are depicted in the map below.

⁴⁵ World Bank (2013), *RRD-RWSS Implementation Completion Report*, above n38, p.1.

⁴⁶ World Bank (2012), *PAD*, above n4, p.11.

⁴⁷ Results-Based RWSS (2014), *OM*, above n13, p.52.

⁴⁸ World Bank (2012), *PAD*, above n4, p.6.

⁴⁹ World Bank (2012), *ESSA*, above n5, p.24.

⁵⁰ World Bank (2012), *PAD*, above n4, p.8-9.

⁵¹ The description of activities is summarized from: World Bank (2012), *ESSA*, above n5, p.6.

3. The Results-Based RWSS in Theory

Figure 2: Map of the provinces where the Results-Based RWSS operates⁵²



The total cost of the NTP is US\$1.3 billion, and the PforR supported portion of the Program has a total value of US\$260 million including the Bank credit of US\$200 million:

Table 1: Investment in the NTP

Source	Nationally		PforR Target Provinces	
	Amount	%	Amount	%
Central Government	195	15	20	8
Concessional Grant from central Government to users	452	34	15	6
Provinces	148	11	10	4
World Bank	200	15	200	76
Other donors	190	15	0	0
Users	128	10	15	6
Total	1,313	100	260	100

(Amounts in US\$ millions)

According to this budget, 60 percent of funding for the NTP comes from national and local governments, 30 percent from donors and 10 percent from users. PforR financing covers the majority of program funding in the eight Results-Based RWSS provinces.⁵³

⁵² World Bank (2012), *ESSA*, above n5, p.73.

⁵³ World Bank (2012), *PAD*, above n4, p.10.

3. The Results-Based RWSS in Theory

3.5 Governance and institutional arrangements

The principal monitoring agency at the central government level is the Ministry of Agriculture and Rural Development (MARD). Through the National Center for Rural Water Supply and Sanitation (NCERWASS), MARD supervises overall program implementation and coordinates other GoV agencies, as set out below.⁵⁴

- The Ministry of Health (MoH) coordinates sanitation investments and disseminates information to support sanitation and hygiene promotion as well as leading Information, Education and Communication (IEC) activities. MoH also monitors the quality of drinking water and water for domestic use;
- The Ministry of Education and Training (MoET) monitors implementation of school sanitation and leads elements of IEC in schools;
- The Ministry of Natural Resources and Environment (MoNRE) monitors and evaluates environmental aspects of program implementation;
- The Ministry of Planning and Investment (MPI) is responsible for budget allocations;
- The Ministry of Finance (MoF) through the State Bank of Vietnam (SBV) receives the funds disbursed by the World Bank and channels them to participating provinces.

Primary responsibility for program delivery is at the provincial level, although MARD supports the Provinces to plan, deliver and monitor the NTP program country-wide. The participating agencies at the provincial level include the Program Steering Committee, headed by one of the Provincial People's Committee (PPC) leaders. Members are representatives from the Department of Agriculture and Rural Development (DARD), Department of Education and Training (DoET), Department of Health (DoH), and the Provincial Center for Rural Water Supply and Sanitation (PCERWASS).⁵⁵

Other important functions are carried out by the Vietnam Bank for Social Policies (VBSP), which provides loans to households for the construction of latrines. The Women's Union and Farmer's Union are paid by VBSP to assist them to mobilize local interest and identify appropriate recipients for household loans.⁵⁶ For water connections, beneficiaries are expected to cover 10 percent of the investment costs through a connection fee and pay on-going tariffs for operation and maintenance.⁵⁷

In the original program design, the Australian Government was intended to play a key role in supporting the PforR project through the provision of technical assistance (TA) and capacity building through a US\$8 million grant administered by the World Bank. The TA was to be implemented in parallel to the program's water supply and sanitation work.⁵⁸ The grant is aimed at supporting capacity building at the provincial level in the areas of:⁵⁹

- planning monitoring and evaluation;
- technical assistance to support water supply systems;

⁵⁴ World Bank (2012), *PAD*, above n4, p.13.

⁵⁵ World Bank (2012), *PAD*, above n4, p.29.

⁵⁶ World Bank (2012), *PAD*, above n4, p.13.

⁵⁷ Results-Based RWSS, *OM*, above n13, p.17.

⁵⁸ World Bank (2012), *PAD*, above n4, p.7, 8, 10.

⁵⁹ World Bank (2012), *PAD*, above n4, p.61-65.

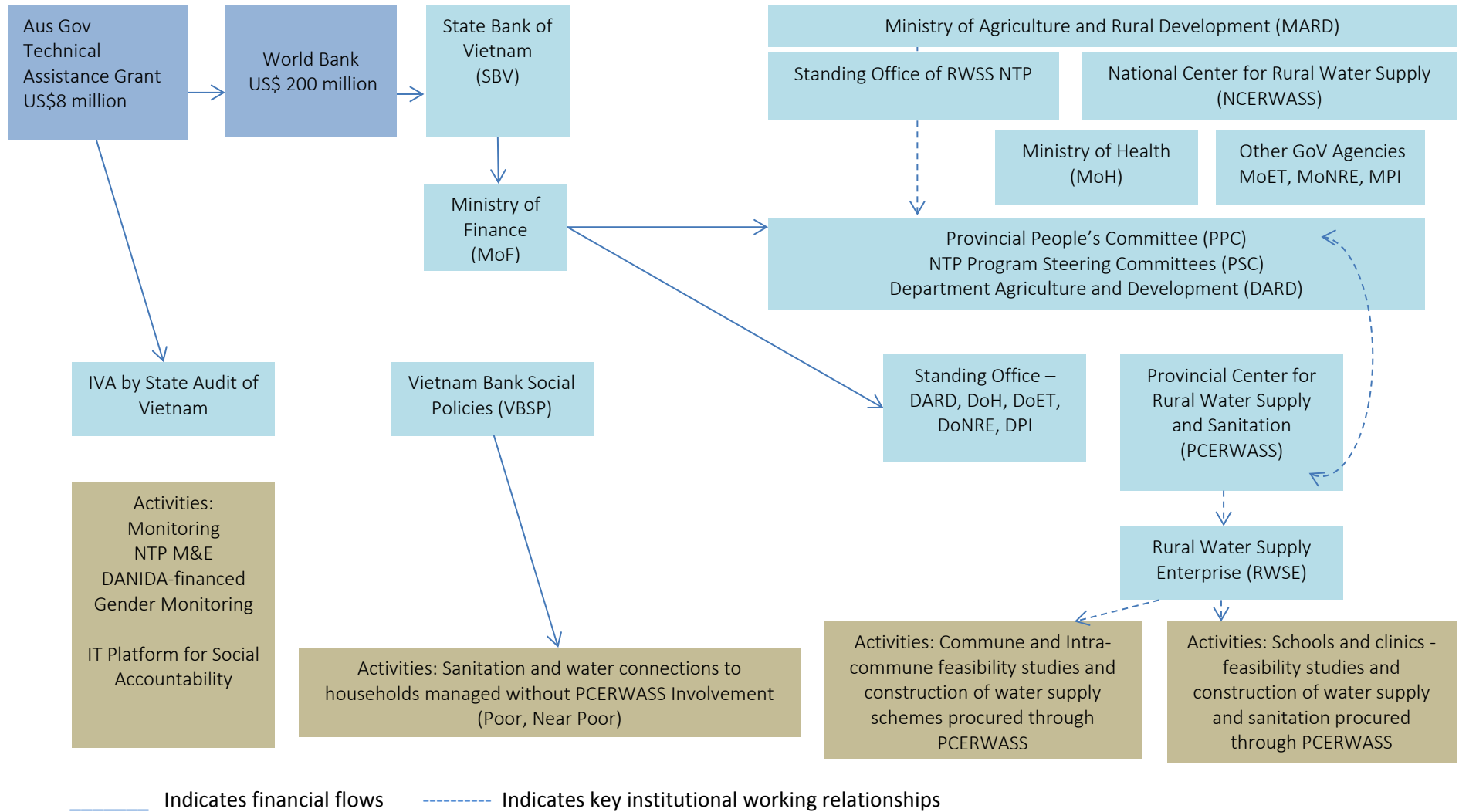
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- increased capacity-building and support to create demand for sustainable sanitation services;
- improved governance, including social and environmental management, procurement and financial practices;
- verification of program results and external audit of the program;
- information sharing and communication, including development of an IT transparency platform.

The institutional structure of the Results-based RWSS is depicted in Figure 3 below.

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Figure 3: Institutional and implementation arrangements



3.6 Disbursement-Linked Indicators

PforR funds are disbursed gradually to the GoV, as a series of three core DLIs are met. DLIs 1 and 2 incrementally measure access to clean water from “sustainable water systems” and access to “commune-wide sanitation” over 5 years. In the first year, 15,000 newly constructed “improved household sanitary latrines” (IHSLs) must be achieved and 250,000 people must be provided with commune-wide sanitation before US\$8 million is disbursed. New water supply connections are not included in the DLIs until year 2. The DLI for year 2 requires that 80,000 “new functioning water supply connections” be established. The DLIs in relation to water supply and sanitation are linked after year 2, so that progress towards both objectives must be made in order for disbursements to be released. Linking disbursements in this way aims to encourage the Provinces to meet sanitation targets, and not focus only on the targets in relation to clean water which have wider community support. DLI 3 focuses on the completion and publication of provincial plans and program reports. DLIs 1 and 2 are also scalable, and funds can be disbursed if a portion of the target is achieved. DLI 3 is not scalable and must be achieved in full in order to trigger disbursements. Table 2 below sets out the agreed DLIs in more detail.⁶⁰

The indicators are quantitative and results are measured by concrete numerical outputs of latrines and water supply connections, the number of people with access to commune-wide sanitation and sustainable water systems, and the production and disclosure of a specific number of program action plans and reports. As discussed in the section on results verification below, during the verification process more qualitative results are also assessed.⁶¹

⁶⁰ World Bank (2012), *PAD*, above n4, p.7, 12.

⁶¹ World Bank (2012), *PAD*, above n4, p.8.

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Table 2: Disbursement-Linked Indicators for the Results-Based RWSS (adapted from PAD, Annex 3)

	Total Allocation (% of total)	Timeline for DLI Achievements				
		Year 1	Year 2	Year 3	Year 4	Year 5
DLI 1 1.1 Number of new Functioning Water Supply Connections 1.2 Number of newly constructed Improved Household Sanitary Latrines	US\$128m (64%)	15,000 latrines	80,000 water supply connections 15,000 latrines	90,000 water supply connections 30,000 latrines	100,000 water supply connections 40,000 latrines	70,000 water supply connections 30,000 latrines
<i>Allocated amount</i>		<i>US\$3m</i>	<i>US\$27</i>	<i>US\$33</i>	<i>US\$38</i>	<i>US\$27</i>
DLI 2 2.1 Number of people with water supply connection from Sustainable Water Systems 2.2 Number of people with access to Commune-Wide Sanitation	US\$59.5 (30%)	250,000 people with access to Commune-Wide Sanitation	250,000 people with access to Commune-Wide Sanitation	250,000 people with access to Commune-Wide Sanitation	425,000 people with water supply connection from Sustainable Water Systems 250,000 people with access to Commune-Wide Sanitation	425,000 people with water supply connection from Sustainable Water Systems 250,000 people with access to Commune-Wide Sanitation
<i>Allocated amount</i>		<i>US\$5m</i>	<i>US\$5</i>	<i>US\$5</i>	<i>US\$22</i>	<i>US\$22.5</i>
DLI 3 3.1 Number of provincial annual plans approved by participating provinces 3.2 Number of Program Reports disclosed to public	US\$12.5 (6%)	8 Provincial Annual Plans 9 Program Reports disclosed to the public	8 Provincial Annual Plans 9 Program Reports disclosed to the public	8 Provincial Annual Plans 9 Program Reports disclosed to the public	8 Provincial Annual Plans 9 Program Reports disclosed to the public	8 Provincial Annual Plans 9 Program Reports disclosed to the public
<i>Allocated amount</i>		<i>US\$2.5m</i>	<i>US\$2.5m</i>	<i>US\$2.5m</i>	<i>US\$2.5m</i>	<i>US\$2.5m</i>
TOTAL	US\$200	US\$10.5m	US\$34.5m	US\$40.5m	US\$62.5m	US\$52m

3.7 Program Action Plan and Operations Manual

The Program Action Plan (PAP) and Operational Manual (OM) are the primary mechanisms used to manage program risks in the daily operation of the Results-Based RWSS. The PAP is developed following the risk assessments undertaken for PforR (explained below in Section 3.10) and is covenanted in the loan agreement to encourage the borrower country to comply with the Bank's recommendations. Critical social and environmental commitments are included in the PAP which is attached as an annex to the PAD, and covers areas including financial management, procurement, addressing corruption risks, strengthening financial and results audits, dealing with land acquisition and engaging with ethnic minority program beneficiaries. PAP actions are implemented through the OM, which complements existing NTP manuals.

The OM is not publically available, although it was provided to the authors during the fieldtrip to Vietnam. The OM sets out the Vietnamese regulations and laws related to the various aspects of the Program, as well as additional provisions necessary to address gaps identified in the PAP.⁶² The risk assessment process and the specific actions contained in the PAP are explained in the sections below. The PAP is reproduced in full in Annex B of this report.

3.8 Results assessment and verification

In order for the national-level administration to gather information on program implementation, DARD reports program results to MARD, which then produces consolidated reports. Program results are assessed by an Independent Verification Agent (IVA), which in this case is the State Audit of Vietnam (SAV). SAV is responsible for verifying the results through both desk review and physical inspection, after which it submits a report to the World Bank which is used to determine if the borrower is eligible for disbursements.⁶³ The Australian TA grant was originally intended to support this process by strengthening the monitoring and evaluation systems in place at provincial and national levels.

The OM sets out a verification protocol matrix which includes details on how physical inspections should take place, the water quality standards that need to be met and the types of latrines that are eligible to be included in the results of the Program. For example, for *DLI 1.1 Number of new water connections*, random sampling of new water connections and physical verification of approximately 200 connections per province is required. For *DLI 1.2 Number of newly constructed IHSLs*, in each province the verification agent is required to conduct stratified, random sampling of new latrines and physical verification of the resulting sample of 150-200 latrines. The matrix states that household questionnaires should be used to gather information, and photographic and GPS data collected at sub-project sites in order to aid results verification.⁶⁴ Annex 3 contains a table setting out the procedure for verifying the achievement of the various DLIs.

3.9 Current status of Program implementation

The official program period for the Results-Based RWSS started on 1 January 2013, but disbursement of the Bank's PforR credit was delayed until May 2013. However, the Program's anticipated completion date has not changed and it is expected to run until the end of December 2017.

The first round of results-based disbursements was made in May 2014, and at the time of fieldwork, the verification process for this first round was taking place. The verification process observed the following progress:

⁶² World Bank (2012), *PAD*, above n4, p.23.

⁶³ World Bank (2012), *PAD*, above n4, p.12, 14-16.

⁶⁴ Results-Based RWSS (2014), *OM*, above n13, p.60-76.

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- **DLI 1.1** (target of 80,000 new water supply connections by the end of 2014). The first DLI was reportedly on track in some provinces but delayed in others. According to current progress, the Provinces report that they can achieve around 62,000 connections by the end of 2014 (78 percent of the target). The Bank states that construction of water schemes has begun or is about to begin for most of the planned schemes.⁶⁵
- **DLI 1.2** (target of 15,000 improved household sanitary latrines). All Provinces report meeting targets for DLI 1.2 for the first year. Overall the target was exceeded, with the Provinces reporting that a total of 17,900 improved household sanitary latrines were constructed during year one.⁶⁶
- **DLI 2** (250,000 people with access to commune-wide sanitation). Although the Provinces report being on track to achieve DLI 2 in relation to commune-wide sanitation, the Bank's monitoring of the results identifies a number of aspects which are not on track, especially relating to the quality of the latrines being built.
- **DLI 3** (completion and public disclosure of reports). The Annual Plans and the program reports for the eight provinces have been uploaded to the MARD, provincial government, and RWSSP websites for public viewing as of May 2014.

Prior to results verification, the Bank can advance a portion of the agreed credit in order to help program activities to commence. According to information provided by Bank management in Vietnam, the GoV had received an advance of around US\$18 million from the Bank and had made a request for a second advance of US\$22 million. In total the GoV can advance around 25 percent of the IDA credit (i.e. around US\$50 million).⁶⁷ However, the GoV reported experiencing difficulty covering upfront costs prior to the disbursement of Bank funds, and the funds advanced from the Bank to date have not addressed cash-flow problems and agencies are drawing funds from other sectors to cover the costs of PforR activities. As of June 2014, the Program's financial page on the World Bank website states that close to US\$40 million has been dispersed.

Despite the reported progress towards meeting the DLIs, the research reveals that the Program is also experiencing a number of challenges. In addition, the technical assistance grant of US\$8 million from the Australian Government which was intended to play a critical role in supporting PforR has been delayed. These issues are examined in detail later in the paper.

3.10 Results-Based RWSS risk assessment and management

The Results-Based RWSS was subject to three types of assessment prior to approval: Technical, Fiduciary Systems, and Environmental and Social Systems. The findings of these assessments were brought together in an Integrated Risk Assessment. This process applies to all PforR financing. In the case of the RWSS, the Bank's integrated risk assessment gave the Program an overall risk rating of "substantial".

⁶⁵ Results-Based Rural Water Supply and Sanitation under the National Target Program (2013), *Implementation Support mission, Aide Memoire*, December 9 – December 20, 2013, p.2.

⁶⁶ Ibid.

⁶⁷ World Bank written response to the authors, 21 May 2014.

Table 3: Integrated Risk Assessment⁶⁸

Risk	Rating
Technical	Moderate
Fiduciary	Substantial
Environmental and Social	Moderate
Disbursement Linked Indicator	Moderate
<i>Overall Risk</i>	<i>Substantial</i>

The PAD provides summaries of the assessments, and the full documents are available on the World Bank website. The PforR assessment system differs from the one used in World Bank project financing, which grades proposed projects as Category A (significant adverse environmental impacts that are sensitive, diverse, or unprecedented), Category B (impacts are less serious, site-specific, reversible, and in most cases can be mitigated) or Category C (minimal or no adverse environmental impacts).⁶⁹ PforR on the other hand rates risks as: High, Substantial, Moderate and Low. Neither OP or BP 9.00 provide guidance on how these ratings should be assigned and it is not clear if or how they correspond to the Bank’s A-C rating system. While the rating given in the Results-based RWSS documentation is “substantial”, which presumably corresponds to a “B” rating, the project page on the World Bank website gives the Program an environmental category of “C”.

Institutional and systematic gaps in areas including planning, reporting, monitoring, auditing and disclosure that are observed during these risks assessments may be integrated into the Program’s Disbursement-Linked Indicators or into Program Action Plans.

The environmental and social system assessment (ESSA) is a crucial tool for evaluating a borrower’s capacity to deal with social and environmental risks. In the case of the Results-Based RWSS, the ESSA was prepared by the Bank in collaboration with relevant officials and technical staff of the GoV implementing agencies. Under BP 9.00 the Bank task team is required to make the draft ESSA publicly available prior to full appraisal of the PforR program. The policy also requires that the task team subsequently consult with program stakeholders on the draft assessment.⁷⁰ A consultation workshop was held with the relevant government agencies from the eight provinces in late 2011 and a national consultation in April 2012. This involved national level agencies, development partners including UNICEF and WHO, and a small number of international NGOs. The participant lists contained in the ESSA do not include representatives of any local civil society groups.⁷¹

A summary of the major risks identified in the assessments for the Results-Based RWSS is presented below. This is accompanied by a brief description of how these issues are addressed in the PAP and OM. This provides background for the remaining sections of the report, which examine how risks are being addressed in practice, based on the interviews and material gathered during the fieldtrip.

Ethnic minorities

Fifty-three population groups are officially recognized as minority ethnic groups in Vietnam. The ESSA provides details of the ethnic minority groups at the provincial level. The proportion and total population of ethnic minorities in the eight provinces is presented below, revealing that there are considerable numbers of ethnic minorities living in some areas of the Red River Delta where the Program operates.

⁶⁸ World Bank (2012), *PAD*, above n4, p.21.

⁶⁹ World Bank (1999), *Operational Policy 4.01 – Environmental Assessment*, para 8.

⁷⁰ World Bank (2012), *BP 9.00 - Program-for-Results Financing*, para 31.

⁷¹ World Bank (2012), *ESSA*, above n5, Annex 1.

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Table 4: Ethnic minorities in the eight Results-based RWSS provinces⁷²

Provinces	Total population	Ethnic minority people	Percentage
Hanoi	6,451,909	1,081,665	16.8
Vinh Phuc	999,786	42,859	4.3
Phu Tho	1,316,389	207,398	15.8
Bac Ninh	1,024,472	3,411	0.3
Hung Yen	1,127,903	1,436	0.1
Quang Ninh	1,144,988	133,194	11.6
Ha Nam	784,045	1,640	0.2
Thanh Hoa	3,400,595	599,274	17.6

The ESSA does not explicitly identify whether any of these minority groups could be classed as “indigenous peoples”, however, the previous RRD-RWSS Bank project identified a small number of the Moug ethnic minority group living in one commune, which triggered the Bank safeguard policy OP/BP 4.10 on Indigenous Peoples.⁷³

Under the Results-Based RWSS, the risks to ethnic minorities are outlined in the ESSA and agreed actions are contained in the PAP. The PAP requires the GoV develop guidelines, acceptable to the Bank, to guide work with ethnic minorities. The guidelines must “fully operationalize existing GoV legislation with respect to ethnic minorities through a process of free, prior, and informed consultations”. The Government was required to complete these guidelines by 1st January 2013. The Australian Government TA includes support for the development of operational guidelines for working with ethnic minority beneficiaries.⁷⁴

Land acquisition, resettlement and compensation

Generally, the ESSA identifies the positive social and health benefits of clean water supply and sanitation. It also anticipates some negative impacts, including land acquisition, particularly stemming from the building of water schemes. The OM states that only a small number of households will be affected by land acquisition because most of the land used will be “vacant public land”. Relocation is not anticipated (with the exception of one household), however portions of agricultural land will be acquired.⁷⁵ Additional program documentation provided by Bank in Vietnam (which is not public) suggests that in 2014 at least 264 households will be affected by land acquisition, mostly in relation to agricultural land. The ESSA describes the risks associated with compulsory land acquisition and identifies “known gaps” in the GoV’s systems for dealing with land acquisition risks, including past practices of under-compensating affected households.

Land acquisition would typically trigger the Bank’s safeguard policy OP/BP 4.12 on Involuntary Resettlement, as it did under the previous RRD-RWSS where a Resettlement Action Plan was prepared by the Bank in consultation with affected persons and other stakeholders, and publicly disclosed.⁷⁶ Under PforR lending, the consolidated safeguard policy (OP/BP 9.00) requires borrowers to manage land acquisition and loss of access to natural resources in a way that “avoids or minimizes displacement, and assist the affected people in improving, or at the minimum restoring, their

⁷² World Bank (2012), *ESSA*, above n5, p.25.

⁷³ World Bank (2013), *RRD-RWSS Implementation Completion Report*, above n38, p.12.

⁷⁴ World Bank (2012), *PAD*, above n4, p.23, 58, 63.

⁷⁵ Results-Based RWSS (2014), *OM*, above n13, p.53.

⁷⁶ World Bank (2013), *RRD-RWSS Implementation Completion Report*, above n38, p.12.

livelihoods and living standards.” This broad requirement has been incorporated into the PAP for the Results-Based RWSS, which requires Provinces to ensure that: “land acquisition and related adverse impacts are avoided or minimized and that people affected by loss of assets, land, or income streams will be compensated so that they are no worse off than before that loss, and if possible better off.”⁷⁷

The PAP also obliges the GoV to establish an independently verifiable mechanism, acceptable to the Bank, to assess the market value of lost land, other assets and income streams, in order to determine adequate means to restore the livelihoods of affected people. The loan agreement includes a covenant that commits the GoV to develop this mechanism by 1st January 2013. The Australian Government TA is also slated to support a market study in the eight provinces to inform local authorities’ operational approach to land compensation.⁷⁸

Transparency and access to information

Risks associated with low transparency and access to information in Vietnam are mentioned in numerous places throughout the ESSA, PAD and OM in a range of contexts, especially in relation to land acquisition, ethnic minorities and procurement. The PAD states that in the past civil society has had inadequate access to information on community selection, procurement, and contract management under the NTP.⁷⁹

During preparation and implementation of PforR programs, the Bank must disclose program related documents in accordance with the Bank Policy on Access to Information.⁸⁰ As part of the DLI 3 of the Results-Based RWSS, each participating Province is also required to prepare an annual Program Report which includes information on implementation and progress. According to the PAD, these reports are to be published online. MARD is also required to publish a consolidated annual report that will be shared with the public.⁸¹ These reports and plans are now available online in Vietnamese and English at the RWSSP website.⁸² The PAD also states that an IT platform will be created to share program information.⁸³ The TA grant is intended to support the development of the IT Platform, which will also be used to share progress towards performance indicators, information on costs, bidding processes and complaints. According to the PAD:

“The platform will be an essential element of the Program, promoting transparency by allowing communal leaders and users to engage with implementing agencies and actively participate in all phases from planning to implementation, monitoring and evaluation. Through the platform, it will be possible to express opinions, complaints, or share communication and education materials for sanitation and hygiene promotion. It will be also possible to visualize progress in achieving key Program indicators and access information about investments and budget allocation.”⁸⁴

Public consultation and participation

Closely tied to access to information is the issue of public consultation and participation. A key recommendation of the ESSA is for measures to be integrated into program design and implementation which will ensure social sustainability. The PAD states that specific attention must

⁷⁷ World Bank (2012), *PAD*, above n4, p.51, 57.

⁷⁸ World Bank (2012), *PAD*, above n4, p.23, 58, 63.

⁷⁹ World Bank (2012), *PAD*, above n4, p.7.

⁸⁰ World Bank (2012), OP 9.00 - Program-for-Results Financing, para 21.

⁸¹ World Bank (2012), *Program Appraisal*, p.31-32.

⁸² RWSSP website, *Publications*, <http://www.rwssp.org.vn/en/documents/rwss-program-for-result> (accessed May 2014).

⁸³ World Bank (2012), *PAD*, above n4, p.15.

⁸⁴ World Bank (2012), *PAD*, above n4, p.65.

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be paid to: “the needs of disadvantaged sections of society to ensure their equitable treatment; improving information disclosure and public awareness campaigns; and ensuring proper targeting of key social groups, in particular ethnic minorities and women.”⁸⁵

The PAD also states that citizen participation needs to be strengthened with regards to feedback and complaints, and that social sustainability of the Program requires strengthened consultation and participation of target communities. The PAD states that the authorities will implement measures to improve public participation and consultation with affected people and beneficiaries, as well as improve access to timely information. The TA grant is intended to provide capacity building to improve social management practices, one output of which is a guideline on social participation and information disclosure.⁸⁶

Environmental risks

Environmental risks were rated as “moderate” in the ESSA, which found that “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.” The PAD also identifies that numerous *positive* environmental and public health impacts will result from the Program. This includes the provision of safer and more reliable water supply and sanitation facilities, as well as a reduction in the quantity of sewage and waste that is disposed directly into waterways.⁸⁷ Notwithstanding this assessment, the ESSA states that all eight provinces have some sensitive habitats or physical/cultural resources that need to be considered, including national parks, nature reserves, historic sites and protected areas.⁸⁸

The PAD states that the adverse impacts are generally known and understood by the implementers, and include construction phase impacts, generation of pit waste and handling of plant sludge, but that mitigation measures are in place to deal with them. The ESSA states that while adverse impacts were not expected to be significant, “in some cases, if not properly managed and mitigated, such adverse effects may be important locally and efforts need to be put in place to ensure such effects are avoided or minimized.” Although the ESSA found that institutional arrangements are in place for environmental management at all levels, a “common problem” is the ineffective implementation of these systems due to lack of capacity and resources. Compliance with regulations and follow-up and monitoring of environmental impact assessments and environmental management plans is not always adequate.⁸⁹

Arsenic contamination of groundwater is a significant problem, with four of the eight program provinces recording arsenic levels which are more than five times the recommended limit, and three others recording levels between 10 and 50 micrograms per litre (the safe limit is 10 micrograms). This concern is reflected in program planning, and the Provincial Plans required under DLI 3 include mapping of water source quality data, with a specific focus on arsenic.⁹⁰ If well implemented, the Results-based RWSS can remedy this problem by providing piped water from safe sources, however, this will require strong and well implemented practices for identifying and avoiding potential arsenic-affected aquifers during sub-project design.

The Bank’s ESSA included recommendations for the implementation of an environmental capacity building program for government staff at the central, provincial, district and commune levels, and

⁸⁵ World Bank (2012), *PAD*, above n4, p.20, 52.

⁸⁶ World Bank (2012), *PAD*, above n4, p.19, 20, 63.

⁸⁷ World Bank (2012), *PAD*, above n4, p.19, 50, 51.

⁸⁸ World Bank (2012), *ESSA*, above n5, Annex 2.

⁸⁹ World Bank (2012), *PAD*, above n4, p.50-51.

⁹⁰ World Bank (2012), *PAD*, above n4, p.25, 31.

associated private companies, aimed at improving environmental management capacities. This proposed program covers areas including: implementation and oversight of the environmental impact assessment (EIA) and environmental management plan (EMP) systems, screening environmental effects, managing and monitoring groundwater quality, and maintaining information systems. The TA grant includes capacity building support for the implementation of environmental management processes, which includes training at provincial and district levels. Training will also be provided to local environmental authorities in monitoring and supervising EIA compliance.⁹¹

Technical capacity and institutional risks

As can be seen from the institutional diagram earlier in this report, the RWSS program involves a large number of state bodies operating at various levels. This raises challenges in coordination and may also expose limits in technical capacity at the sub-national level. As stated in a summary of the technical risk assessment included in the PAD:

“Poor coordination among the NTP participating agencies was found to be a common denominator across the provinces, being that the Steering Committee was nonexistent or not properly functioning. As a consequence, responsibilities and roles among the participating agencies were not always clear. Also, understaffing, inadequate and unrealistic planning, poor data quality on M&E, and low technical capacity to prepare technical specifications and bidding documents are other frequent problems found in the provincial implementing agencies during the assessment.”⁹²

Fiduciary Risks

The fiduciary assessment of the Program resulted in the highest risk rating. This is primarily due to weaknesses in internal accounting and control systems, reporting and procurement systems, and mechanisms for citizen feedback and complaints concerning claims of corruption. According to the PAD, in the past the Bank has received “several” complaints relating to fraud, corruption and collusion in water sector projects in Vietnam. Three of these cases were substantiated, and all three were under the implementation of MARD. The PAD acknowledges that despite progress made in recent years, weaknesses remain in this area.⁹³ In order to address these issues, the PAP requires the GoV to:⁹⁴

- maintain public databases of complaints and responses relating to consultation, corruption, fiduciary processes, procurement, program implementation; and
- develop effective financial and results audits, including the appointment of internal and external auditors.

The PAP also includes measures for improved proposal evaluation, competitive bidding, exclusion of state-owned enterprises from the bidding process, and prohibition on bidding by firms that are on the local, national or Bank disbarment lists. The GoV is required to follow the Bank’s anti-corruption guidelines for PforR lending.⁹⁵

In addition to the specific activities mentioned above, OP 9.00 states that the borrower is responsible for taking appropriate measures to prevent, detect, and respond to actual or alleged

⁹¹ World Bank (2012), *PAD*, above n4, p.52, 63.

⁹² World Bank (2012), *PAD*, above n4, p.41.

⁹³ World Bank (2012), *PAD*, above n4, p.21.

⁹⁴ World Bank (2012), *PAD*, above n4, p.57.

⁹⁵ World Bank (2012), *PAD*, above n4, p.23.

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fraud and corruption within PforR programs. The Bank has the right to investigate allegations of fraud and corruption across the Program and to sanction parties that engage in “sanctionable practices”.⁹⁶ BP 9.00 states that fiduciary assessments of PforR proposed programs should take into account the requirements of the Bank’s *Guidelines on Preventing and Combating Fraud and Corruption in Program-for-Results Financing*. Under the Guidelines the borrower is expected to report and investigate claims of corruption, although the Bank’s Integrity Vice Presidency (INT) may launch its own investigation into complaints. If fraud or corruption are substantiated by the borrower or INT, the INT may pursue administrative sanctions.⁹⁷ The TA grant is also intended to provide capacity building and assistance to address shortcomings in accounting and control systems.⁹⁸

⁹⁶ World Bank (2012), *OP 9.00 - Program-for-Results Financing*, para 15.

⁹⁷ World Bank (2012), *BP 9.00 - Program-for-Results Financing*, para 45-47.

⁹⁸ World Bank (2012), *PAD*, above n4, p.18-19.

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Initial research suggests that the results-based approach is triggering a shift in the way the Bank engages in investment activities. Representatives of the Bank and GoV describe the PforR model as requiring a fundamental change in thinking at various levels. The focus on results and tight timeframes for meeting targets is creating a mutual incentive for the GoV and the Bank to work together to ensure results are achieved. Concern about not being reimbursed unless results are achieved is placing pressure on government agencies at national and provincial levels. This research highlighted numerous positive aspects of the results-based approach of PforR, however, it also revealed that difficulties are being experienced in a number of critical areas. The following sections outline the core critical issues identified through the research.

4.1 Adequacy of risk identification and management

The formal risk management arrangements for the Results-Based RWSS rely primarily on the specific actions included in the PAP and the guidelines set out in the OM, which are covenanted in the loan agreement between the GoV and the Bank. Supervision and monitoring is also a critical aspect of the risk management arrangements in place.

Social and environmental risks are not being adequately addressed at this early stage. A Verification Oversight and PAP Compliance Mission conducted by the Bank in March 2014 found that while verification of program results was on track, there were “a number of key areas where compliance with the PAP is urgently required”. This included establishing an internal audit function, addressing land compensation issues and developing and implementing transparent and comprehensive guidelines in areas where ethnic minorities are present. In a letter from the Bank to MARD, the Bank stated that as the PAP is included in the Program’s OM it is covenanted, and it is therefore “critical that these issues are resolved as soon as possible”.⁹⁹ Although activities under the Results-Based RWSS are well underway, only one of the provinces has established guidelines for working with ethnic minorities. There have been delays in a number of the provinces in establishing mechanisms to establish the market value of lost land, other assets and income streams to restore livelihoods of affected people. There were also delays in establishing effective complaints mechanisms.¹⁰⁰

Bank staff confirmed that failure to address concerns could result in breach of the loan agreement, as these issues have been covenanted as “specific actions” required in the PAP. The Operational Manual is also covenanted in the loan agreement, which outlines the processes required to meet the standards of OP and BP 9.00.¹⁰¹ The Bank was asked how they would deal with any contractual breaches, to which they referred the authors to paragraph 14 of OP 9.00, which states:

“If the borrower does not comply with its contractual obligations, the Bank consults with the borrower, and requires the borrower to take timely and appropriate corrective measures. The Bank’s legal remedies are specified in the relevant legal agreements and include the right to suspend disbursement and to cancel Program-for-Results financing.”¹⁰²

⁹⁹ Cover letter to Aide Memoire dated 24-26 March 2014, from World Bank Country Director to Vice Minister for MARD (2014), *Subject: Vietnam Results-based Water Supply and Sanitation Program under the National Target Program – Verification Oversight and PAP Compliance Mission*, 10 April 2014.

¹⁰⁰ Results-Based Rural Water Supply and Sanitation under the National Target Program (2014), *Implementation Support mission, Aide Memoire*, March 24-26, 2014, p.3.

¹⁰¹ Results-Based RWSS (2014), *OM*, above n13, p.9.

¹⁰² World Bank (2012), *OP 9.00 - Program-for-Results Financing*, para 14.

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As it is early in the Program's implementation, there is not enough information to draw broad conclusions about the effectiveness of the formal and informal risk management processes in place. It appears that more work needs to be done to ensure that the measures included in the PAP and OM to mitigate social risks are implemented in full. In the case of the Results-based RWSS, emphasis is clearly focussed on achieving the DLIs. However, implementation of the important commitments contained within the PAP and OM is lacking.

An additional concern is that there is no publicly disclosed risk assessment of sub-projects within the PforR framework. Consequently, it is unclear if these assessments are taking place, and if so, how rigorous they are. As of May 2014, the names of the sub-projects have been uploaded to the MARD and RWSSP websites for public viewing, but this is still significantly less information than would be available under World Bank project financing.

During the course of the research the authors sought to gain additional clarity on the practical differences between the traditional risk assessment system of the Bank (A, B and C) and the new PforR rating system (High, Substantial, Moderate and Low). Presumably the "substantial" risk rating given to the Results-based RWSS corresponds with a "B" under the traditional system. However, the Program page on the Bank website gives a "C" rating. Furthermore, although the ESSA rated the social and environmental risks as "moderate", Bank staff described social and environmental risks as "low" in interviews and in their written correspondence to the authors. This inconsistency may in part be due to a lack of clarity regarding the definitions of each category. Draft interim guidance notes on PforR assessments for Bank staff state: "There is no formula for arriving at the overall program risk rating and finally at an overall operation risk rating—taking into account program and operating environment risks. Raters use their judgment based on collective team expertise."¹⁰³ The lack of clear definitions means that in practice, the distinction between, for example, *substantial* and *moderate* risks, is not clear.

As the PforR mechanism is now moving beyond its pilot stage, further clarity is needed regarding the criteria for risk categorization. Additionally, the higher the risk the more comprehensive the mitigation measures should be, and more detailed guidance is required on how to structure DLIs, PAPs and OMs depending on the severity of the risk rating. For example, in cases where risks are found to be "substantial", there is a strong case for including specific DLIs that address key risks and ensure that the standards of OP/BP 9.00 are met. In cases where mitigation measures are included in the PAP or OM, implementation should be strictly monitored.

4.2 Land acquisition, resettlement and compensation

Land acquisition, resettlement and compensation are also identified as issues of concern in Aide Memoires between the Bank and the GoV (dated December 2013 and March 2014).¹⁰⁴ The PAP states that the Provinces are required to ensure that:¹⁰⁵

- land acquisition and related adverse impacts are avoided or minimized;
- people affected by loss of assets or land, or income streams, will be compensated so that they are no worse off than before that loss, and if possible better off; and

¹⁰³ World Bank (2012), *Program-for-Results Financing: Draft Interim Guidance Notes to Staff on Assessments, Operations Policy and Country Services*, 18 June (p.109).

¹⁰⁴ Results-Based Rural Water Supply and Sanitation under the National Target Program (2013), *Implementation Support Mission, Aide Memoire*, December 9 – December 20 2013; Results-Based Rural Water Supply and Sanitation under the National Target Program (2014), *Implementation Support Mission, Aide Memoire*, March 24-26, 2014.

¹⁰⁵ World Bank (2012), *PAD*, above n4, p.58.

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- an efficient and independently verifiable mechanism, acceptable to the Bank, must be developed to assess the market value of lost land, other assets and income streams to determine adequate means to restore livelihoods of affected people.

The Aide Memoires state that all water systems constructed in 2013 are on “public land” and the provincial authorities were required to provide evidence that no people were affected by the use of this public land.¹⁰⁶ However, according to additional program documentation provided by the Bank in Vietnam, in 2014 it is estimated that at least 264 households will be affected by land acquisition. Most Provinces have yet to undertake the process of assessing how households will be affected, even though most schemes are scheduled to be built in the next year or so. Most of the land affected is agricultural, with the exception of three households whose residential and/or garden land will be affected. The Aide Memoire from March 2013 indicates that while there has been land acquisition in six of the Provinces, only one Province has completed compensation payments. Vinh Phuc, Thanh Hoa and Quang Ninh were the only three Provinces to report having set up a mechanism for assessing land valuation and necessary livelihood restoration measures, and the Bank had yet to evaluate the mechanisms.¹⁰⁷ This is despite the fact that program loan agreement includes a covenant that commits the GoV to develop this mechanism by 1st January 2013.¹⁰⁸

The Bank explained that progress in procuring firms to conduct independent asset appraisal was slow due to a lack of experience and limited budget at the Provincial level. The Bank sent an experienced consultant to review the issue in December 2013, and a “quick assessment” found that compensation payments appeared to be adequate and that affected people were satisfied with compensation packages. The same findings were echoed by the Bank’s social specialist during a review mission in April 2014. However, the Bank informed the authors that it continues to insist that Provinces hire independent asset appraisers in order to comply with the PAP and that the Provinces need to take immediate action on these issues.¹⁰⁹ It should be noted that the authors have no information on how comprehensive these quick assessments were, how many affected people were consulted and under what conditions household interviews were conducted.

The Aide Memoires and interviews with Bank staff were somewhat inconsistent in relation to the importance of these delays and the need for these protections to be in place. While the Aide Memoires identify numerous concerns, in interviews Bank staff described land acquisition as a minimal issue, reiterating that only a small number of households will be affected and that almost all land is “vacant public land”. Essentially, the authors found little evidence to contradict the statements of the Bank or the GoV, however, there was no avenue to independently assess these claims. Independent and unapproved field research by foreigners is not permitted in Vietnam, and opportunities to conduct household interviews with potentially affected people were restricted. A request for community locations and permission to visit them was submitted to the GoV several months in advance of the field trip, yet locations were not provided until arrival in Vietnam. Representatives of MARD were present during interviews with DARD, and the households interviewed were chosen by MARD and DARD. Officials from both institutions were present during interviews with community members and the Provincial People’s Committee (PPC).

An Interview with one PPC representative in Ha Nam suggested that the PPC is having difficulty undertaking the livelihoods assessments required under the new land acquisition process, thus has not managed to set up a mechanism acceptable to the Bank. The PPC official interviewed explained

¹⁰⁶ Results-Based Rural Water Supply and Sanitation under the National Target Program (2014), *Implementation Support Mission, Aide Memoire*, March 24-26, 2014, p.3.

¹⁰⁷ *Ibid*, p.3, 6.

¹⁰⁸ World Bank (2012), *PAD*, above n4, p.58.

¹⁰⁹ World Bank written response to the authors, 19 July 2014.

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that trying to anticipate the impacts of losing agricultural land over a period of 20-30 years is a new process which is very challenging. It is worth noting that the compensation budget for households is meant to come from the local provincial budget, not the Program budget. This issue was not explored in the interviews, however it is possible that there are not sufficient budget allocations made for compensation as the Provinces report having trouble covering other program costs, such as the upfront costs of building the water schemes. In a separate interview with NCERWASS, interviewees stated that the Bank's approach to safeguards was challenging. When asked to clarify, the interview participant explained that the GoV's standard for compensation is lower than the Bank's and this was causing considerable difficulty.

During the fieldtrip to Ha Nam, the authors also conducted an interview with one individual who had already had a portion of agricultural land compulsorily acquired for the Program. The individual described how he would not be adversely affected by the loss of agricultural land because he had been compensated adequately and he had other sources of income available to him. He also stated that there was widespread support for improving water quality in the area, so his family was willing to support the Program. The validity of these comments is not clear because officials from the PPC, DARD and MARD were all present during the interview.

Under the traditional Bank safeguards model, this scenario would usually trigger the safeguard OP/BP 4.12 on Involuntary Resettlement and require a Resettlement Action Plan to be prepared and publicly disclosed. While the numbers and details of affected households were eventually provided to the authors, there is no documentation available that is comparable to a Resettlement Action Plan, making it difficult to assess the effectiveness of the measures in place. The ESSA identified a number of risks in relation to Vietnam's existing land acquisition practices which suggest that these issues are significant despite the reassurances of the Bank. The ESSA referred to a 2011 World Bank study which surveyed 600 households in Vietnam subject to land acquisition. The survey found that over 80 percent of people "had some degree of dissatisfaction with the land price applied for compensation, support and resettlement."¹¹⁰ The ESSA also found that full-time staff are not usually assigned to monitor resettlement activities associated with RWSS activities, with part-time officials hired on a case-by-case basis depending on individual sub-project needs.¹¹¹

Bank staff confirmed that failure to address concerns about land acquisition could result in breach of the loan agreement, as these issues have been covenanted as specific actions required in the PAP. The Operational Manual (also covenanted in the loan agreement) outlines the processes required in relation to land acquisition. It is not clear if or how the Bank will act on any contractual breaches in this case, but under OP 9.00 if a borrower fails to comply with its contractual obligations, the Bank should require that the borrower to take corrective measures. In extreme situations the Bank may suspend PforR financing if there are contractual breaches, but there is no suggestion that this is likely in the Results-Based RWSS.¹¹²

4.3 Engagement with ethnic minority communities

The ESSA described ethnic minorities as being present in all eight of the provinces (see Section 3.10), however, the Aide Memoires referred to above state that only two of the Provinces report that ethnic minorities are present in areas of operation. The Bank clarified this issue in a written response, stating that each year Provincial authorities identify the areas in which they will work and verify the presence of ethnic minorities, and in 2013 only one Province identified the presence of

¹¹⁰ World Bank (2011), *Compulsory Land Acquisition and Voluntary Land Conversion in Viet Nam: The Conceptual Approach, Land Valuation and Grievance Redress Mechanisms*, p.104.

¹¹¹ World Bank (2012), *PAD*, above n4, p.51.

¹¹² World Bank (2012), *OP 9.00 - Program-for-Results Financing*, para 14.

ethnic minorities in the specific communes where the Program was active.¹¹³ Accordingly, only one Province, Quang Ninh, has reportedly taken steps towards implementing guidelines on ethnic minorities. During interviews, the authors attempted to clarify how many ethnic minorities were present in each province but were told there were almost no ethnic minorities present in areas where the Program is active. In Hanoi, the provincial authorities also argue that there are no ethnic minority groups but rather there are ethnic minority individuals who are “fully integrated into the Kinh community”,¹¹⁴ Kinh being the majority ethnic group in Vietnam.

The ESSA considered the issue of engagement with ethnic minorities to be significant, stating that: “Despite the legal framework provided for development activities in areas with Ethnic Minority peoples, there are not always procedures in place to ensure adequate implementation of programs involving such communities”.¹¹⁵ It also states that “top-down” decisions and “one size fits all” solutions are not appropriate for ethnic minorities.¹¹⁶ As mentioned earlier, the PAP therefore requires the GoV to develop guidelines for working with ethnic minorities which ensure a process of free, prior, and informed consultation. These guidelines were meant to be complete by the 1st January 2013. The delayed technical assistance grant was intended to assist the Provinces in developing the guidelines for working with ethnic minority groups. It is not clear why activities have gone ahead without the guidelines to support ethnic minorities in place. The approach now appears to be to develop guidelines as and when sub-projects are implemented in areas with ethnic minorities present. According to the Bank: “Provincial Authorities will be required to implement guidelines for ethnic minorities, tailored to local situation, as it becomes relevant.”¹¹⁷

As the Program is still in the early stages of implementation, and access to on the ground information is limited, it is very difficult to independently assess the significance of these delays or whether the delay in developing guidelines has a tangible impact on the people they intend to protect. If these delays are replicated in the second PforR in the Northern Mountains region of Vietnam, where ethnic minorities are present in higher numbers, there is greater potential for harm to occur.

4.4 Increased monitoring and supervision

Information provided by the Bank and the GoV suggests that monitoring and supervision by the Bank has actually increased under PforR, compared to previous loans. Bank staff are conducting regular formal monitoring and supervision missions, plus additional ad hoc visits. Two formal missions occurred between December 2013 and March 2014 and some Bank staff described visiting the sites on a daily basis as the deadline for meeting the first set of DLIs approached.¹¹⁸ Bank staff also described being closely involved in ensuring the methodology for verification of results is understood and implemented correctly. One Bank representative explained that staff were expecting their workloads to decrease once PforR was in place because the model relies on the use of borrower systems, but this did not happen because constant client engagement became critical during the early stages of the project. The staff member stated that:

“It’s a good thing that we are a country office based team since we had to spend a lot of time, more than anticipated, with the client during preparation as well as implementation.”

¹¹³ World Bank written response to the authors, 19 July 2014.

¹¹⁴ Results-Based Rural Water Supply and Sanitation under the National Target Program (2014), *Implementation Support mission, Aide Memoire*, March 24-26, 2014, p.4.

¹¹⁵ World Bank (2012), *PAD*, above n4, p.51, 58.

¹¹⁶ World Bank (2012), *ESSA*, above n5, p. 36.

¹¹⁷ World Bank written response to the authors, 19 July 2014.

¹¹⁸ Most project sites are within 1-2 hour driving distance from Hanoi.

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Bank staff described how using the GoV's systems and encouraging the GoV to adopt required changes to policies and practices is complex, time-consuming and politically sensitive. In the Bank's written response, they state that:

"PforR requires a 'change of thinking' on the part of Government. This adjustment requires time and significant support for the client."¹¹⁹

In interviews with bank staff, they considered the increased supervision to be an unanticipated effect of moving to a results-based system, not necessarily part of the design of PforR. This is a key learning identified by the Bank and they argued that additional time to work through implementation arrangements should be built into the PforR model in future. They also explained that closer supervision was partly a result of the delay in the technical assistance grant, which would have assisted capacity building for GoV agencies (see Section 4.5).

The Bank has identified a number of critical aspects of the Program that need further support through its monitoring and supervision missions. For example, the Bank inspected a sample of 60 new household latrines across the eight provinces in December 2013, and found that only around 80 percent of the latrines met program standards. The discrepancy was the largest in Quang Ninh and Thanh Hoa provinces, where only 50 and 60 percent of sampled latrines met the standards.¹²⁰ In terms of DLI 2.2, relating to the achievement of commune-wide sanitation, the Provinces report being on track to meet their targets, however the Bank states that a number of improvements are needed to meet program requirements. The issues they identify include:

- lack of separate hygienic sanitation facilities for teachers and students in schools;
- septic tanks discharging effluent onto the ground surface or into an open sewer;
- many institutional sanitation facilities that are not functioning – particularly a lack of hand washing facilities, taps with no running water, broken flushing mechanisms, etc.;
- facilities that are not well maintained and not clean; and
- the environment in the surroundings of the facilities is often unsafe for children, with debris, garbage or effluent from septic tanks or urinals.

The December 2013 Aide Memoire sent from the Bank to the GoV includes an urgent request to address these concerns.¹²¹

4.5 Sequencing of capacity building, technical assistance and sub-project implementation

The technical assistance grant of US\$8 million from the Australian Government, which was intended to play a critical role in supporting PforR, has been delayed. The technical assistance grant was originally intended to provide technical support for many of the aspects now the subject of concern in the Aide Memoires, including land acquisition and ethnic minorities. One reason given for the

¹¹⁹ World Bank written response to the authors, 21 May 2014.

¹²⁰ Results-Based Rural Water Supply and Sanitation under the National Target Program (2013), *Implementation Support mission, Aide Memoire*, December 9-December 20 2013, p.2.

¹²¹ Results-Based Rural Water Supply and Sanitation under the National Target Program (2014), *Implementation Support mission, Aide Memoire*, March 24-26, 2014.

delay is that the GoV is not familiar with Bank procurement processes, which include requirements for competitive-bidding.¹²²

These Bank standards are aimed at improving quality and reducing corruption, but some representatives of the GoV described the Bank's procurement processes as cumbersome. However, it was also revealed that new procurement laws will soon be introduced nationally (taking effect on 1 July 2014), which will bring the GoV's existing systems into line with the Bank's procurement standards. Some representatives of the GoV were critical of the Bank's insistence on using international rather than local consultants, arguing that it is contributing to the delay in technical assistance and is not an efficient way of working. They argued that international consultants often hindered rather than helped activities due to their lack of understanding of local context.

It is not clear why PforR activities went ahead without the technical assistance in place, despite the fact that the PAD clearly states that it is necessary for the Australian supported TA to commence first, describing this as "one of the conditions for the PforR operation's effectiveness."¹²³ In lieu of the US\$8 million grant, Bank staff state that they are providing the necessary support (in addition to existing workload). The Bank also reports hiring several additional short term consultants specifically for the Program to provide intensive support to the GoV. The technical assistance delay has, however, inadvertently contributed to Bank staff working more closely with the GoV than anticipated. Closer supervision and monitoring, albeit unplanned, is described by Bank staff as positive, although resource and time intensive.

A clear learning identified by the Bank team is that technical assistance/capacity building needs to be incorporated into the DLIs for future PforRs, and has been incorporated into the DLIs for the next PforR in the Northern Mountains region in order to incentivize timely implementation.¹²⁴

4.6 Narrow focus of results-based approach and DLIs

All people interviewed, including representatives from a local NGO, generally viewed the results-based approach of PforR as promising greater potential for accountability as to how funds are spent. Yet, an important and unintended effect of the DLIs is that while they are providing incentives to achieve results, they also tend to lead to a narrow focus on tangible/quantitative results. In the case of the Results-based RWSS, the DLIs are not well-suited to addressing social and environmental concerns, instead focussing on infrastructure and reporting. When asked why social and environmental indicators were not included as DLIs, Bank staff explained that the DLIs need to be measurable in a precise and consistent way. Social and environmental indicators are often viewed as too subjective and can create room for disagreement on whether targets have been met, which could lead to disagreement between the GoV and the Bank about whether funds should be disbursed. In the Bank's written responses they reaffirmed that:

"Social and Environmental DLIs are by their nature, difficult to measure. Given that there is still relatively little experience of using the PforR instrument, it is important not to be too ambitious at this early stage."¹²⁵

There are a number of implications that flow from taking a conservative approach to the development of DLIs. The DLIs are the main mechanism through which to incentivise action on behalf of a borrower government. Hence, omitting DLIs relating to issues such as ethnic minorities and land acquisition mean that these aspects are not given the same priority as other components of

¹²² Results-Based RWSS (2014), OM, above n13, p.21.

¹²³ World Bank (2012), PAD, above n4, p.56.

¹²⁴ World Bank written response to the authors, 21 May 2014.

¹²⁵ World Bank written response to the authors, 21 May 2014.

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the Program. In the case of the Results-Based RWSS, both the Bank and the GoV have clearly made great efforts to ensure the quantitative targets of the DLIs are met, but implementation of the more procedural actions required by the PAP and OM has been less impressive. Narrow DLIs that do not take into account broader social considerations also have potential to distort program outcomes. This issue is explored further in the next section in relation to poverty.

4.7 Poverty and shared prosperity contributions - potential to increase inequality

The Red River Delta is the most populated region of Vietnam, supporting around 19 million people. The region now has the second lowest general poverty rate in Vietnam, although the dense population means there are still high numbers of poor households. The ESSA draws on the *Vietnam Living Standards Survey* to indicate poverty levels in the eight provinces where the Results-Based RWSS operates.¹²⁶ As indicated below, there are high numbers of people living on significantly less than US\$1 per day in the Delta, with the highest proportion of people living in poverty in Thanh Hoa (25.4 percent) and the lowest in Hanoi (6.6 percent).

Table 5: Poverty rate by province/municipality (percent of population)¹²⁷

Provinces	2005	2008	2010
Hanoi (new)	n/a	6.6	5.3
Hanoi (old)	3.0	1.4	n/a
Ha Tay	12.4	11.0	n/a
Vinh Phuc	12.6	11.3	10.4
Phu Tho	18.8	16.7	19.2
Bac Ninh	8.6	7.5	7.0
Hung Yen	11.5	10.3	11.1
Quang Ninh	7.9	6.4	8.0
Ha Nam	12.8	11.6	12.0
Thanh Hoa	27.5	24.9	25.4

The earlier World Bank water supply and sanitation project (RRD-RWSS), which operated between 2005-2013, contained a number of key indicators and measures in relation to poverty. For example, Program Development Indicator 1 was “The number of people in project areas with access to ‘improved water sources’ and hygienic sanitation facilities and the percentage of these that are poor.”¹²⁸ While the Results-Based RWSS frames its contribution to development in terms of poverty alleviation, and poverty is identified as an important contextual issue in the ESSA, PAP, OM and the Baseline Assessment, the DLIs do not contain specific actions to target poorer households into the Program in the eight provinces.

As the DLIs developed for the Results-Based RWSS do not provide incentives to target poorer households, provincial governments are more likely to prioritize communes already on the way to meeting targets, rather than those in greatest need. For example, one feature of a “sustainable water system” in the DLIs is that at least 85 percent of planned water system connections are working and have bills issued and paid. Similarly, “commune-wide sanitation” requires at least 70

¹²⁶ Households are considered to be living in poverty if they live on less than 400,000 VND per person/per month (approximately US\$18.90) in rural areas and less than 500,000 VND per person/per month (approximately US\$23.70) in urban areas, see: World Bank (2012), *ESSA*, above n5, p. 23.

¹²⁷ World Bank (2012), *ESSA*, above n5, p. 23. Note: Ha Tay province was merged into Hanoi in 2008.

¹²⁸ World Bank (2013), *RRD-RWSS Implementation Completion Report*, above n38.

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percent of households in a commune to have hygienic sanitation.¹²⁹ Interviews with DARD at the provincial level confirmed that communes are being prioritized for PforR investment based on how close they already were to meeting DLIs. Communes with around 50 percent of hygienic latrines were considered suitable, whereas those with lower levels were not, as it was unlikely the DLI could be met in the required timeframe.

Some basic details are included in the ESSA regarding support for poorer households. It also states that all households are eligible for loans from the VBSP for latrines, and that the Program can give direct subsidies for “demonstration latrines” to poor households who cannot afford to borrow from the VBSP.¹³⁰ Regarding water connections, all households, including the poor ones, are eligible for loans from the VBSP for connections. The NTP also provides a direct subsidy for poor households if they prefer to implement other types of water schemes such as wells and rain water tanks.¹³¹ The Operational Manual states that “tariffs should ensure equitable access to piped water supplies”.¹³² However, it does not detail how this should occur. Importantly, interviews with NGOs and the provincial level government suggested that very poor households have difficulty paying for water connections even where subsidized credits or loans are available. The interviews also indicated that the cost of building a latrine is far greater than the subsidy or loan that could be received. Thus, the current DLIs have potential to increase inequality of access to clean water and sanitation within the Delta region and across Vietnam if the Results-Based RWSS is upscaled in its current form.

Bank staff confirmed that the Results-Based RWSS is a demand-based program, which does not specifically target the poorest communities, although they argued the Program will still have poverty impacts as the absolute number of poor households in the Delta is considerable due to its high population density.¹³³ The Bank also stated that although in the early stages Provinces target communes that are already close to reaching the targets, once a commune is listed as having reached those targets it is removed from the list of eligible communes, and as time goes on more challenging and poorer communes will be targeted. This will in turn be financed by the results in the early years of the Program.¹³⁴ Yet, plans and timeframes for extending coverage evenly across the communes are not currently explained in the program documentation and there is no formal commitment to roll the program out in this way.

The Provincial level Government explained during the field visits that, in general, the GoV maintains relatively detailed records of poverty levels at the household level across the country as a whole, meaning that there are processes in place to record this type of data within existing GoV systems. By removing indicators relating to poverty that were present in the previous World Bank investment, and which would also normally be captured by GoV processes, also suggests the Results-Based RWSS is instituting a system that moves away from a focus on poverty towards a greater focus on program “cost recovery”. The potentially significant social risks that this poses need to be addressed as the program moves forward.

Results-based models are also being used by local NGOs in the sanitation and hygiene sector in Vietnam, including parts of the Red River Delta. These models may be instructive, as they use creative incentive schemes to reach the very poor. Interviews with the East Meets West Foundation (EMW), confirmed that equitable access to sanitation is a concern in Vietnam, even though there are

¹²⁹ World Bank (2012), *PAD*, above n4, p.32.

¹³⁰ World Bank (2012), *ESSA*, above n5, p.7.

¹³¹ World Bank written response to the authors, dated 21 May 2014.

¹³² Results-Based RWSS (2014), *OM*, above n13, p.17.

¹³³ World Bank written response to the authors, 10 April 2014.

¹³⁴ World Bank written response to the authors, 19 July 2014.

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national strategies in place to address the impacts of poverty in rural areas. A report by EMW states that:

“Although Vietnam has made better progress than most countries in increasing sanitation coverage, the 2010 Vietnam Household Living Standards Survey (VHLSS) showed that access to hygienic latrines remains highly inequitable.”¹³⁵

EMW uses a Community Hygiene Output-Based Aid (CHOBA) model which specifically targets the rural poor and seeks to provide improved sanitation to more than 125,000 poor families across 246 communes in eight provinces in Vietnam over a 44-month period. Under the CHOBA model, the Women’s Union, field workers, and EMW get paid only for latrines built for poor households. The payments are intended to cover the cost of activities but are paid only after the results have been verified. EMW argue that an important component of the CHOBA program is the consumer rebate. The rebate of VND 560,000 for septic tanks and VND 400,000 for latrines is paid only to households which meet the poverty criteria outlined above. The EMW criteria are designed to include households that belong to the poorest 40 percent of the population, which they state is comparable to the World Bank’s US\$2 per day.¹³⁶ The CHOBA program is designed to influence households at critical stages of their decision making process. An EMW evaluation survey of 287 households participating in the pilot stage of their program, before the CHOBA program formally began, indicated that 60 percent of the beneficiaries had incomes in the two lowest income quintiles. EMW contrast this to the national trend, where between 2002 and 2010, the poorest 40 percent of the households accounted for only one-third of the increase in hygienic toilets.¹³⁷

The authors have not independently verified EMW’s results, however there does appear to be scope for greater sharing of information, strategies and methods between EMW and the Bank. Another potential way of implementing the Results-Based RWSS more equitably across the communes may be to develop the targets included in the DLIs as a *proportional* increase on the baseline, i.e. lower annual targets for communes which have less coverage of water supply and sanitation services at the start of the Program. Other strategies may include developing DLIs which require a percentage of program beneficiaries to be lower income earners. At minimum, on-going reporting on changes to the baseline of beneficiaries regarding poverty status should be built into the reporting process.

4.8 Potential for program-wide leverage

Use of borrower systems has potential to enable wider programmatic impact, rather than creating islands of good governance which are “ring-fenced” from broader governmental systems. Bank management described closer engagement between the Bank and the GoV as creating a lever through which it can enter into higher level policy discussions at a programmatic level. Evidence that these discussions are taking place in relation to land acquisition processes and ethnic minorities is indicated in the Aide Memoires, demonstrating that the Bank is making efforts to encourage the GoV to implement specific actions relating to social and environmental risks. There is potential for the PAP specific actions on land acquisition and ethnic minorities to have wider impact within the Program as a whole, although this has not yet occurred. Other PforR province specific activities and technical assistance could in theory create a model for non-PforR provinces to emulate, although it also remains to be seen if this will occur.

There is also some evidence to suggest procurement laws are changing nationally through on-going Bank engagement (mentioned above at Section 4.5). In an interview with representatives of

¹³⁵ Hong Hanh Nguyen, Per Ljung, Minh Chau Nguyen (2013), *Targeting the poor in sanitation and hygiene programs through Result-based financing in Vietnam*, East Meets West Working Paper Prepared for National Alumni Conference - December 2013, p.3.

¹³⁶ Ibid, p. 6.

¹³⁷ Ibid.

NCERWASS, it was noted that a small group of Bank staff had been working closely with the Department of Procurement within the Ministry of Planning and Investment to revise the national laws. It was not clear whether this leverage was occurring as a result of PforR arrangements or through separate Bank activities in Vietnam.

In a written response from the Bank, the country team explained that there are signs that wider programmatic leverage is already happening and that broader outcomes have emerged, including the strengthening of the capacity of the NTP Standing Office in managing the overall NTP program across the country beyond the PforR focus areas. The Bank also state that dialogue with the government has broadened beyond specific project outcomes into a more systemic discussion on how to improve service delivery of rural water and sanitation. After a mid-term review of PforR results, the GoV will consider scaling up this approach beyond the eight PforR provinces.¹³⁸

There is also potential for the Bank's results-focus and emphasis on "cost recovery" to have considerable program-wide impact across the NTP, however the *positive* aspects of this impact need to be evaluated as there are many social risks associated with a focus on cost recovery. As discussed above, there is also potential for Results-Based RWSS approach to increase inequality of access to water and sanitation through preferencing of well-resourced communities. Thus, the *quality* of program-wide impact needs to be considered and addressed before the model is upscaled.

4.9 Transparency, participation and disclosure

The limited transparency of some aspects of the Results-Based RWSS has affected the capacity of the authors to examine many aspects of the Program's operation. During preparation and implementation of PforR programs, the Bank must disclose program related documents in accordance with the Bank Policy on Access to Information,¹³⁹ and has done so. Various Results-Based RWSS documents have been released to the public through the Bank website, including Program Information Documents, appraisals, procurement notices, progress reports, and so on. However, while access to information at the programmatic and systems level is relatively high, no information has been published by the Bank which provides detailed assessments of program sub-projects. This was identified as a concern by BIC early in the discussions with the Bank regarding PforR.

Access to information is crucial in government led infrastructure development programs, and can contribute to increased transparency and accountability, which in turn has the potential to mitigate some of the governance challenges that have been identified elsewhere in this paper. As part of the third DLI for the Results-Based RWSS, each participating Province is required to prepare and publish an annual Program Report which includes information on program implementation and progress. The PAD describes DLI 3 as "a measure of effective oversight, management and transparency".¹⁴⁰ Making plans available to the public does not automatically result in increased transparency. It is important that people know about these reports, how to access them, and if necessary, are provided support to understand the content. Affected people must be able to both *access* and *understand* program-related information in order to improve their level of engagement with the Program during implementation.

Annual Plans and Program Reports for the eight provinces were uploaded to the MARD and RWSSP websites for public viewing following the fieldwork.¹⁴¹ These documents provide the names and location of sub-projects, but provide relatively limited project details and no information related to social and environmental risk assessments of sub-projects. Interviews with the Bank suggest these

¹³⁸ World Bank written response to the authors, 11 July 2014.

¹³⁹ World Bank (2012), *OP 9.00 - Program-for-Results Financing*, para 21.

¹⁴⁰ World Bank (2012), *PAD*, above n4, p.12.

¹⁴¹ RWSSP website, *Publications*, <http://www.rwssp.org.vn/en/documents/rwss-program-for-result> (accessed May 2014).

4. The Results-Based RWSS in Practice

assessments may be taking place behind the scenes, but there is no publicly available material to assess how these processes are being undertaken. This is significant especially given the conclusions of a recent report by the Bank's Independent Evaluation Group, which reviewed World Bank projects globally between 1999-2008 and concluded that increasing reliance on policy frameworks by the Bank is a cause of concern as "these projects include multiple sub-projects and are less well-supervised than projects with project-specific risk assessments and mitigation plans." The same report concluded that "more than one third of World Bank projects had inadequate environmental and social supervision, manifested mainly in unrealistic safeguards ratings and poor or absent monitoring and evaluation."¹⁴²

The development of the proposed IT transparency platform has been delayed, although a recent update from the Bank states: "procurement for the IT platform is now at an advanced stage. Once the platform is operational it will be a key tool for transparency, participation and disclosure under the program."¹⁴³ When the website is online it will be important to assess whether it is being used effectively and if it is an appropriate vehicle for communicating program information to stakeholders. It is important to ensure that the information is accessible to people with limited access to the internet and limited computer literacy. The platform should be seen as a means rather than an end, and there should be assessment of how effective the platform is in enhancing public engagement with the Program.

As information of the Results-Based RWSS in Vietnam is limited at the sub-project level, it is difficult to report on the consultation processes in place or the level of community and stakeholder participation in program development and management. Pre-program appraisal consultations organized by the Bank also appear to have been limited in scope. The ESSA contains a brief section on methodology where it states that the "ESSA was prepared in collaboration with relevant officials and technical staff members of GoV implementing agencies." A consultation workshop was held with the eight Provinces and a list of participants is provided in the ESSA. Two international NGOs, Child Fund and HABITAT, participated in the workshop, along with the development partners UNICEF and the World Health Organization. No local civil society groups are listed as participating in consultations.¹⁴⁴ While the draft ESSA was "locally disclosed" in the eight provinces, the methodology does not describe any household level engagement with potential beneficiaries or with local civil society organizations. A written response from the Bank suggests participation of stakeholders and potential beneficiaries in program design has not been substantial. The Bank states that for the next PforR:

"ESSA consultations need to be conducted more widely to ensure all stakeholder views and opinions are taken into consideration."¹⁴⁵

One important issue related to participation is that the PAD highlights how "behaviour change" needs to take place in target areas in order to promote demand for sanitation. Change in individual and community behaviour is necessary to ensure the sustainability of the Program.¹⁴⁶ Without strong community consultation and outreach, important messages from beneficiaries will not be incorporated into the design of culturally and socially appropriate Information, Education and Communication activities. This will make it especially difficult to promote change over time.

¹⁴² Independent Evaluation Group (2010), *Safeguards and Sustainability Policies in a Changing World – An Independent Evaluation of World Bank Group Experience*, IEG Study Series, p. xvii.

http://siteresources.worldbank.org/EXTSAFANDSUS/Resources/Safeguards_eval.pdf (accessed May 2014).

¹⁴³ World Bank written response to the authors, 21 May 2014.

¹⁴⁴ World Bank (2012), *ESSA*, above n5, p. 5, Annex 1.

¹⁴⁵ World Bank written response to the authors, 21 May 2014.

¹⁴⁶ World Bank (2012), *PAD*, above n4, p.6, 20.

5. Conclusions and Recommendations: The Future of PforR in Vietnam and Beyond

There is much to learn from the first PforR pilot in the Red River Delta for future investments in Vietnam and for Bank use and strengthening of borrower systems elsewhere. Initial evidence suggests that, if designed well, the results-focus of PforR has potential to increase the accountability of how funds are spent and to enhance the leverage of Bank investments to strengthen borrowers' systems. However, at this early stage there is some evidence to suggest that a number of social and technical risks need to be better managed through the PforR system, at least in the context of the Results-Based RWSS.

Under PforR, much rests on how the DLIs are framed, the specific actions of the PAP, country context and commitment or working styles of individuals in the Bank and borrower government. In the case of the Results-based RWSS, emphasis is clearly focussed on achieving the DLIs, which are viewed as non-negotiable. However, implementation of the important commitments contained within the PAP and OM, which contain key social and environmental safeguards, are being less diligently enforced.

For the Results-Based RWSS, social considerations relating to land acquisition and ethnic minorities have not been included in the DLIs. Instead, specific actions are included in the PAP and covenanted in the loan agreement and then elaborated further in the OM. At face value, the use of covenants for these requirements in the loan agreement may appear to be an effective incentive for the GoV to prioritize the requirements, but in practice it results in a situation where the Bank has few options available to remedy failures to meet the required standards. Non-compliance with the specific actions is considered a breach of the loan agreement, and under OP 9.00 the Bank must consult with the borrower and request timely and appropriate corrective measures. If this does not happen, the Bank is faced with the prospect of entering into legal negotiations to encourage compliance. It seems that the PforR model is designed precisely to avoid this scenario by providing the DLI incentive structure to achieve results. If actions to address land acquisition or ethnic minorities had been included in the DLIs, there may have been more scope to prioritize these measures and to offer partial or delayed disbursements based on achievements towards agreed goals, an approach that is consistent with the ethos of PforR.

As the model develops, innovative strategies are needed to build social and environmental aspects into the results-focus of PforR in ways that do not undermine borrowers' efforts to meet the targets. There is a risk that including complex, qualitative indicators in the results framework may derail the verification process if indicators are too difficult to measure. Thus, considerable time and consultation needs to be invested in developing DLIs that are widely supported and understood prior to the outset of program implementation. It is crucial that these issues are addressed if the PforR model is to contribute to the development of borrower systems for dealing with social, environmental and governance issues, rather than focussing for the most part on improvements in technical and practical capacities. The potential for PforR activities to have program-wide influence makes it critical that these issues are resolved while it is still in its initial stages of implementation.

The Bank and the GoV are still in the early stages of navigating how PforR operates and it is clear from interviews conducted during the fieldwork that lessons learned here are already influencing the planning of the next PforR investment in the Northern Mountains region of Vietnam. The key findings identified in this report are set out below, supported by a set of working recommendations. The recommendations have been developed with the Vietnam PforR pilot in mind, but may also have broader application to global PforR lending.

Finding 1: The results-focus drives activities, but prioritizes communities that are already better resourced

The DLIs of the Results-Based RWSS have potential to increase inequality of access to clean water supply and sanitation over time. While the results-focus is providing a mutual incentive for both the GoV and Bank to meet targets, thereby stimulating a high level of activity, the tight timeframes for achievement of results leads to “cherry picking” of communes and households that are already closest to meeting targets. As a result, lower socio-economic groups are not actively targeted by the Program, and benefits are more likely to flow to those households within the better resourced communities who can pay for water connections and sanitation infrastructure, rather than those most in need. While DLIs need to be achievable, there is scope to adjust these targets so that they provide more equitable incentives and align with the Bank's goals of poverty reduction and shared prosperity.

Recommendation 1: Greater program focus is needed on poorer communities and poorer households within the targeted communities. Results-based models already used by local NGOs in the water supply and sanitation sector in Vietnam may inform the process of developing creative incentive schemes to reach the very poor (see Section 4.7). Other potential strategies may involve one or more of the following:

- Include targets based on a proportional increase on the baseline so that PforR activities are more evenly distributed (e.g. a target of 20 percent additional water connections in a given community, rather than the uniform target of 85 percent, irrespective of the baseline).¹⁴⁷
- Adjust DLIs so that they include a requirement that a percentage of program beneficiaries be lower income earners.
- Require ongoing program reporting on changes to the baseline regarding poverty status. Several basic household level income/wealth indicators could be included in the monitoring sample methodology. For example, for DLI 1 and 2 (taking at least two random samples in each of the 8 provinces) the Bank could measure 2 data points to monitor how connections and latrines are distributed relative to the poverty baseline, within provinces and across the Program.

Finding 2: The Results-Based RWSS has a narrow focus on tangible/quantifiable results

PforR success rests on the definition of appropriate DLIs. While the use of DLIs drives activities, the results-based approach can also lead to a narrow focus only on those DLIs. In their current form, the DLIs provide incentives to focus on tangible targets (i.e. water and sanitation infrastructure) and do not necessarily provide incentives to target more complex considerations that are also critical to the Program's success and to the broader development of borrower systems and capacities. The DLIs avoid other complex indicators especially in relation to targeting lower socio-economic groups, land acquisition or engagement with ethnic minorities. Tensions exist between the need for DLIs to be clear, achievable and measurable and the need for DLIs which are aimed at encouraging borrowers to address relevant concerns that may require qualitative evidence. The tendency for DLIs to focus on narrow, achievable results appears to be a risk inherent in the results-based approach and is likely to have implications for PforR elsewhere. After raising this issue with the Bank, the authors were informed that lessons have been learned from the pilot, and in Vietnam's second PforR, key

¹⁴⁷ Note that while this proportional increase may work in relation to water connections, it may not be appropriate for commune-wide sanitation targets.

5. Conclusions and Recommendations: The Future of PforR in Vietnam and Beyond

actions from the PAP have been made DLI conditions, including actions related to land acquisition and ethnic minorities.¹⁴⁸

Recommendation 2a: Further consultation within the Bank, the GoV and affected communities is needed to identify creative strategies to encourage program focus on social and environmental risks, such as equality of access, compulsory land acquisition and ethnic minorities. In future, ESSA consultations need to be conducted more widely to ensure broad stakeholder participation in Program design, and should include participation of local civil society groups and community members.

Recommendation 2b: In order to address compliance issues identified in the World Bank's Aide Memoires, namely developing and implementing appropriate guidelines for land acquisition and ethnic minorities, the Bank and the GoV should conduct an internal audit in order to establish the full scope of the shortcomings in implementing agreed actions from the PAP and OM. This should be accompanied by a detailed plan to rectify any gaps and bring the GoV into full compliance with its loan agreement.

Finding 3: Additional World Bank supervision is required under PforR

As PforR is being implemented for the first time in Vietnam, there are a number of ad hoc strategies being used to manage risks, including additional supervision and monitoring to ensure results are achieved and properly verified. These Bank actions are commendable when locally-adapted systems have potential to respond to specific local challenges. Additional monitoring and supervision should however be factored into PforR investments as a pre-requisite of using borrower systems. Lending mechanisms that bypass the appraisal checkpoint (through limited identification and assessment of sub-projects prior to approval) require more emphasis on supervision. The Results-Based RWSS has been supported by extraordinary support and monitoring from the Bank so far. This may also be necessary in other programs/countries.

Recommendation 3: Increased monitoring and supervision by the Bank should be factored into program planning for future PforR investments at all stages of program preparation and implementation.

Finding 4: Appropriate sequencing of activities has not occurred

Infrastructure works have commenced under the Results-Based RWSS without the anticipated technical assistance and capacity building processes in place relating to procurement, water quality monitoring, water safety planning, and capacity building to improve processes relating to land acquisition and ethnic minorities. The Bank is filling in the gaps in some aspects, but it is not clear why activities went ahead without these resources fully available, especially as they relate to areas that have since been raised as subjects of concern in World Bank Aide Memoires. In addition to the slow progress in commencing the technical assistance, various actions required under the PAP and OM have not yet been fully implemented. This raises additional sequencing problems, as implementation moves forward in the absence of systems necessary to mitigate concerns observed in the Bank's ESSA.

A clear learning identified by the Bank team is that capacity building needs to be incorporated into the DLI structure within PforR and should be sequenced prior to the commencement of works. The timeframes for capacity building also need to be increased, as these processes can take months if not years. Further consideration is needed about how this may be possible, given the importance of the

¹⁴⁸ World Bank written response to the authors, 19 July 2014.

5. Conclusions and Recommendations: The Future of PforR in Vietnam and Beyond

way DLIs are framed. As mentioned above, the Bank has informed the authors that following on from lessons learned in the Results-based RWSS, technical assistance and capacity building activities have been mainstreamed into the Northern Mountains PforR as a DLI, rather than being dealt with through a grant as in the Results-Based RWSS.¹⁴⁹

Recommendation 4: Appropriate sequencing of activities must occur for PforR to function as intended, especially the provision of capacity building prior to sub-project implementation. This includes technical assistance activities and requirements of the borrower included in the PAP and OM, and any other obligations that are included as covenants to the loan contract. If technical assistance and capacity building is required in future PforR lending it should also be incorporated into the DLIs, especially capacity building at the provincial government level, as responsibility for implementation is often decentralized.

Finding 5: There is potential for harm in higher risk programs

The selection of the Results-Based RWSS as a PforR pilot is logical given the ostensibly manageable impacts of the Program, however, if PforR is implemented in higher risk areas there is the potential for considerable harm. There is limited transparency in relation to resettlement/land acquisition and the guidelines for working with ethnic minorities have not been completed, yet implementation on activities has gone ahead regardless. This is problematic and could lead to serious problems if repeated in PforR programs that are implemented in areas with higher ethnic minority populations or with more extensive land acquisition requirements. Likewise the limited information related to sub-project assessment means that oversight of sub-project selection and assessment is not possible. Again, in higher risk projects this could raise significant concerns.

Currently, the increased oversight and supervision of Bank staff appears to be mitigating some of the potential risks of this particular PforR investment. While this ad hoc mitigation strategy may be adequate in this context, without being able to conduct household level research independently it is difficult to assess whether these actions are comparable to the traditional safeguards system, especially at the sub-project level.

Recommendation 5: While this research highlights some early indications of successes of PforR, it also raises a number of issues that could result in significant harm in higher risk programs. This suggests it is too soon to lift the “5 percent cap” or restriction on Category A activities for PforR in the near future.

Finding 6: Inconsistent systems and language are being used to identify risk

The Bank’s integrated risk assessment for the RWSS program resulted in a risk rating of “substantial”, primarily because of the perceived fiduciary risks. As mentioned above, the integrated risk assessment rated environmental and social risks as “moderate”. In the Bank’s written responses to BIC during the fieldwork, the social and environmental risks of the investments were described as “low”. The research did not reveal evidence to suggest the social and environmental risks were higher than originally assessed, however the reason for using different risk categorizations is not clear and makes it difficult to identify whether potential Category A sub-projects are being financed by PforR.

Recommendation 6: Efforts should be made to improve coherence and consistency of risk identification and categorization methods in order to ensure mitigation actions are properly aligned with risk. As PforR moves beyond the pilot stage, more detailed guidance is required on how to

¹⁴⁹ World Bank written response to the authors, 19 July 2014.

5. Conclusions and Recommendations: The Future of PforR in Vietnam and Beyond

structure DLIs, PAPs and OMs depending on the severity of the risk rating. In cases where mitigation measures are included in the PAP or OM, implementation should be strictly monitored.

Finding 7: Transparency and participation are limited, especially for sub-projects

Transparency in relation to sub-projects is limited. Public information provides the names and locations of sub-projects, but there is no detail available on project assessment, raising concerns about the processes in place to assess their social and environmental risks. Interviews suggested this assessment/oversight may be taking place behind the scenes, for example, the Bank had access to the sub-project plans and feasibility studies from the inception stage, and stated that the sub-project plans were considered in the original fiduciary, technical, environmental and social assessments.¹⁵⁰ Yet, there is no publicly available material to assess how sub-project risk assessments took place or how risk mitigation measures in place were developed.

Recommendation 7a: Revisions to the disclosure requirements for PforR sub-projects are needed so that village and project locations, risk assessments and mitigation measures are available early in the program planning process for public comment.

Recommendation 7b: A standard practice should be adopted for disclosing Aide Memoires, Operational Manuals, sub-project locations and sub-project risk management plans, to assist civil society and other stakeholders to understand program-wide operations, impacts and risks.

Finding 8: There is evidence of potential program-wide leverage, but it is limited

Use of borrower systems has potential to enable wider programmatic impact, rather than creating islands of good governance which are “ring-fenced” from broader governmental systems. Although it is at an early stage, there is some evidence to suggest this is occurring through closer engagement of Bank staff and the GoV, especially in relation to procurement. There is also potential for the PAP specific actions on land acquisition and ethnic minorities to have wider impact if implemented, especially if the practices sought by the Bank are implemented across the whole of the NTP, but this has not yet occurred. It is also important to consider how program-wide leverage may have both positive and negative implications. Currently, there are plans to upscale the Results-Based RWSS model so that it becomes the norm across the whole of the NTP. Without resolving the issues identified above (in relation to poorer households, equality of access, ethnic minorities and land acquisition) the opportunity to have positive program-wide influence across the NTP may be limited.

Recommendation 8a: As one of the major justifications for the PforR approach is to achieve program-wide leverage, more needs to be done to assess whether or not this has been achieved in the pilot PforR projects, and if so, has this leverage been utilized well, and have its impacts been beneficial.

Recommendation 8b: The Bank should consider the use of DLIs to encourage program or sector wide leverage in relation to social and environmental considerations. For example, by seeking commitments from borrowers to implement PforR supported mechanisms for working with ethnic minorities and dealing with resettlement issues beyond PforR areas.

¹⁵⁰ World Bank written response to the authors, 10 April 2014.

Annex A – Master List of Interview Questions

Below is a master list of question utilized during fieldwork in Vietnam. The research team selected questions from this list based on the background and experience of the interviewee.

P4R Background?

- How would you describe the P4R lending arrangements?
- How do they differ from previous arrangements with the World Bank?

Project Status

- When did PforR lending commence?
- If there has been any delay, does this push completion date back?
- When did activities commence?
- What is the current status of implementation? How much progress has been made? Can we access any statistics or reports on program activity to date?
- Have any evaluation/assessments been conducted since the program commenced, and are the reports publicly available?
- How many supervision missions have been conducted? Are any reports from these missions available?

Benefits and challenges of the P4R Approach in Vietnam

- In the context of the RWSS in Vietnam, what have been the main benefits of using the P4R approach?
- What have been the main challenges of using the P4R approach in Vietnam?

Risks at the Subnational Level

- Does the World Bank have access to plans for implementation of the project at the subnational level?
- How is the Bank able to ensure that no potential Category A projects are included as sub-projects?
- If the plan for sub-project implementation has been shared with the Bank, is this also available to the public?
- If not, how was the Bank able to reach the conclusion that only minimal negative social and environmental impacts would result from all sub-projects?
- What processes do MARD, DARD or the PPC use to manage environmental and social risks?

Disbursement-Linked Indicators

- The DLIs for the RWSS are largely quantitative. How can the Bank assess more qualitative impacts of the program?
- The PAD states that program sustainability depends on certain individual and community behaviour changes. Can you specify what kind of changes this refers too, how they will be achieved and how they will be measured?
- The verification process includes physical inspections of facilities installed under the program. Will this include water sample testing to assess water quality?
- The program does not integrate development of environmental and/or social management systems into the DLIs. Was any attempt ever made to do so during the negotiation between Bank and Government?
- The stated aim of DLI 3 is “a measure of effective oversight and management of the Program (including more responsive planning, monitoring and financing) at the provincial and

national level.” However, the indicator focuses on the completion/publication of reports. How can this quantitative indicator measure whether or not oversight and management is truly effective?

- How and where will annual plans and program reports be published and how will they be made accessible to potentially affected people? Have any plans/reports been released yet?
- Has any results assessment/verification yet been conducted?
 - If so, how did the process run and what was the result? Are the results of the assessment made public?
 - If not, when will the first assessment be conducted?
- Are the three DLIs and the PAP able to ensure that social and environmental standards are implemented at a standard comparable to other World Bank funding?

Program Action Plan & Operational Manual

- How will PAP and OM implementation be monitored and assessed by the Bank?
- The DLI verification table from the PAD includes under the verification procedure for DLI3 that SAV will conduct “Appropriate review of the PAP through focus groups and household questionnaires applied to affected households.” Can you elaborate on this?
- Under the activities related to procurement, auditing, resettlement and ethnic minorities, the PAP states there will be “Supervision and audits to establish actual performance”. Who will conduct this supervision and auditing?
- What are the implications if the PAP is not fully implemented and the OM not adhered to? If not implemented in full, will this impact on loan disbursements?
- Is it possible to obtain a copy of the OM?

Risk Assessment

- How do the risk categorizations in the PAD (Low – Moderate – Substantial – Severe) correspond to the World Bank’s A – B – C project rating system?
- Is there a document that provides guidance on how the different risk ratings should be assigned?
- Environmental and social risks were rated as only “moderate”. However, Vietnam does not have a strong record of implementing laws and regulations related to environment issues, land acquisition and compensation, ethnic minorities. These challenges are well documented (including a number of references throughout the PAD). What makes the Bank feel that this will not be a significant problem in the implementation of the Results-based RWSS?
- What role (if any) does the Bank play in reviewing sub-project selection? Are mechanisms in place that can stop potential “Category A” projects being selected as sub-projects?
- BP 9.00 (article 32) says “The Bank determines appropriate mitigation measures, and monitors the evolution of risks, the implementation of mitigation measures, and their impact, making adjustments as appropriate.” How does this work in practice? Has the RWSS been subject to any reassessment or adjustment?

Technical Risks

- The technical assessment in the PAD identified poor coordination among NTP participating agencies as a common problem, as well as understaffing, inadequate and unrealistic planning, etc. With such a large number of agencies involved, how can coordination problems be overcome and how can local capacity issues be addressed?
- Is there a national steering committee? Who is on the NSC?
- Is there a provincial steering committee? Who is on the PSC?
- Are the steering committees active and functioning well?
- How decentralized is the decision making power for issues such as selecting sub-project locations, selecting type of equipment and infrastructure to be used, and other technical

Annex A – Master List of Interview Questions

decisions? Are local level expected to make these decisions and do they have capacity to make the best choices?

Governance Risks

- With substantiated cases of corruption associated with water management projects in the past, and weaknesses noted in procurement systems, etc. is there a risk that the PforR approach may make it more difficult for the Bank to conduct oversight over these issues?
- Is there a risk that the PforR approach may make it more difficult for the Bank to assess whether the program is complying with its safeguards principles?

Environmental Risks

- The ESSA states that type, size, scope and location of investments means that there no significant adverse impacts are expected on environment or people. Does the Bank have a detailed list of potential project sites, if not, what is this assessment based on?
- The Bank's ESSA included recommendations for the implementation of a program providing capacity building on a wide range of issues:
 - Is this program in place yet? If yes, how much has been done, if not, when will it commence?
 - Is this all to be done through Australian funded TA?
 - How will the *impacts/effectiveness* of this capacity building be measured?
- The issue of arsenic contamination appears to be very significant (4 provinces record levels up to 5 times safe limit):
 - What systems are in place now to avoid RWSS sub-projects using arsenic contaminated water?
 - Do local-level implementers have adequate capacity to understand the nature of the contamination in their area and plan projects in a way that avoid contaminated water?
 - Are stringent water quality testing mechanisms in place during sub-project planning and operation?

Land acquisition and compensation

- Are estimates (or detailed figures) available for the number of people likely to be affected by land acquisition?
- The ESSA required that an independently verifiable mechanism acceptable to the Bank be developed to assess market value of lost land, other assets and income streams, in order to determine adequate means to restore livelihoods of affected people.
 - Is this in place?
 - How is implementation of this mechanism monitored/verified?
 - Is it possible to get a copy of the plan?
- The Program Action Plan states that the Government must develop a land valuation mechanism by 1st January 2013, has this been done?
- The PAP also states that the government has an ongoing commitment to ensure resettlement issues are handled appropriately – how will this be monitored/verified?
- Are there complications associated with household documentation, i.e. do some people with legal rights lack documentation to prove this is the case, and is this an issue?
- Are there complications associated with landholders having varying tenure situations, e.g. ownership, illegal occupancy, customary user rights, etc.?
- The PAD states that TA will support a market study in the eight provinces to inform local authorities' operational approach to land compensation. Has this been done?
- The ESSA states that a World Bank-financed survey found that over 80% of respondents had "some degree of dissatisfaction regarding prices applied to land acquisition and

resettlement compensation and allowances.” How can these issues be addressed through PforR?

Ethnic Minority Issues

- The PAP includes the development of Guidelines, acceptable to the Bank, to guide work with ethnic minorities.
 - Has this been completed, approved and operationalized?
 - Was this supported through TA?
- The ESSA also made specific recommendations for addressing issues related to program activity in ethnic minority areas. Have these been acted on?
- According to the PAP, the Government must complete ethnic minority guidelines by 1st January 2013. Have these guidelines been completed and adopted and how will their effectiveness be measured?

Transparency and Access to Information

- A major activity aimed at ensuring transparency and access to information is publication of plans and results (under DLI 3).
 - How will the Government make people aware that these reports are actually available?
 - How/where will they be disseminated?
 - Will they be produced in a format that is understandable to a wide audience?
 - If not, how will the information be communicated to potentially affected people?
- The PAD states that in order to promote transparency an IT platform will be created for sharing program information. Has this been developed yet and when will it go online?
- It is envisioned that this will improve governance/accountability, and will in turn build up the potential for stronger and more proactive citizen engagement.
 - Is an IT platform the most appropriate mechanism to achieve this?
 - What efforts are made to disseminate info to people who do not have access to or ability to use an IT platform?
 - How will the effectiveness of the IT platform be assessed?
- In the PAD, public disclosure of information appears to be based largely on publication of project plans and reports. What efforts will be made to ensure that program information is communicated to those with limited literacy or capacity to understand complex program documents?

Public Consultation and Participation

- The ESSA recommends that measures be integrated into the program design/implementation which will ensure social sustainability. This includes improving participation and consultation with affected people, access to information, and targeting of women and vulnerable groups. How is this being done?
- The TA includes output of a guideline on social participation and information disclosure. Is this in progress/completed?

Technical Assistance

- Is the TA in place and active yet? If not when will it be?
- Are capacity building activities being conducted sufficiently in advance of implementation?
- Capacity building plays a crucial role in mitigating some of the risks identified in the PAD and ESSA. Can you clarify how the quality and the impact of this capacity building will be assessed?

Annex B – Program Action Plan (PAP)

<p>1. Participating Provinces will enhance transparency by maintaining databases on public consultation/corruption/fiduciary/procurement/Program implementation complaints and responses to those complaints. The information will be aggregated at the national level by MARD and will be reported to the Bank on a periodic basis.</p>			
DLI or Loan Covenant	Due date	Responsible party	Completion Measurement
Covenant	First report submitted to the Bank on July 1st 2013. Following reports will be submitted every six months.	MARD	Databases maintained and reports submitted
<p>2. Procurement methods will be enhanced by ensuring that:</p> <p>(a) All proposals for detailed designs, construction supervision and bids for civil works, whether below or above cost estimates, shall be evaluated;</p> <p>(b) For water supply sub-projects, at least 50 percent of contracts for consultancies and 50 percent of contracts for works will be competitively bid, progressively increased to 80 percent by the end of the Program period;</p> <p>(c) Dependent (from own Province or MARD) SOEs will be excluded from participating; and</p> <p>(d) Firms on the local, national, or Bank debarment list 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 1st; and (c) and (d) Ongoing	MARD	Rules included in the Financing Agreement. Supervision and audits to establish actual performance.
<p>3. Government will build and implement effective financial and results audit capabilities for the Program. Components of this action include:</p> <p>(a) preparing annual Program financial statements;</p> <p>(b) creating an internal audit function for the Program; and</p> <p>(c) having external auditor appointment with generally accepted audit scope and approach.</p>			
DLI or Loan Covenant	Due date	Responsible party	Completion Measurement
Covenant	(a) Annually (Jan 1st) (b) Annually (July 1st)	MARD	Financing Agreement.

Annex B – Program Action Plan (PAP)

	(c) Annually (July 1st)		Supervision will review quality of the audit process.
<p>4. The provinces will ensure that land acquisition and related adverse impacts are avoided or minimized and that people affected by loss of assets or land, or income streams, will be compensated so that they are no worse off than before that loss, and if possible better off. In addition, an efficient and independently verifiable mechanism, acceptable to the Bank, will be developed to assess the market value of lost land, other assets and income streams to determine adequate means to restore livelihoods of affected people.</p> <p>5. The provinces will develop and implement guidelines, acceptable to the Bank, to work with Ethnic Minorities that shall fully operationalize existing Vietnamese Legislation with respect to Ethnic Minorities through a process of free, prior, and informed consultations.</p>			
DLI or Loan Covenant	Due date	Responsible party	Completion Measurement
Covenant	<p>Action 4: Resettlement: ongoing Land valuation mechanism: January 1st 2013 Action 5: Guidelines January 1st 2013</p>	MARD	<p>Financing Agreement.</p> <p>Supervision will review implementation quality.</p>

Annex C – Basic DLI Verification Procedure (adapted from PAD, Annex 3)

DLI	Scalable?	Protocol to Evaluate Achievement	
		Data Source/Agency	Procedure
<p>1.1 Number of new Functioning Water Supply Connections</p> <p>1.2 Number of newly constructed Improved Household Sanitary Latrines</p>	Yes	PCERWASS and DoH	<p><i>For water supply connections:</i> Sampling through physical inspection of not less than 5% of connections per scheme in all schemes.</p> <p><i>For latrines:</i> Sampling through physical inspection of not less than 1% of household latrines.</p>
<p>2.1 Number of people with water supply connection from Sustainable Water Systems</p> <p>2.2 Number of people with access to Commune-Wide Sanitation</p>	Yes	PCERWASS and DoH	<p><i>For sustainable water systems:</i> Sampling through physical inspection of not less than 5% of connections per scheme in all schemes.</p> <p><i>For commune-wide sanitation:</i> Physical inspection of all facilities in clinics and schools in the commune. Random inspection of not less than 5% of households across each eligible commune to check coverage of domestic situation.</p>
<p>3.1 Number of provincial annual plans approved by participating provinces</p> <p>3.2 Number of Program Reports disclosed to public</p>	No	MARD, PPC	Site visits to determine accuracy of the data contained in the plan. Appropriate review of PAP through focus groups and household questionnaires applied to affected households.