

DEVELOPMENT COORDINATION

A. Major Development Partners: Strategic Foci and Key Activities

1. Loans from Asian Development Bank

Project Name	Year Approved	Amount (\$ million)
1273-VIE: HCMC WSS Rehabilitation	1993	65.0
1361-VIE: Provincial Towns WSS	1995	66.0
1514-VIE: Second Provincial Towns WSS	1998	69.0
1564-VIE: Rural Infrastructure Sector Project	1997	105.0
1702-VIE: HCMC Environmental Improvement	2000	70.0
1880-VIE: Third Provincial Towns WSS	2002	60.0
2272-VIE: Central Region Small and Medium Towns Development	2006	53.2
2511-VIE: Thanh Hoa City Comprehensive Socioeconomic Development	2009	72.0
2609-VIE: Central Region Rural Water Supply and Sanitation	2009	45.0
2754-VIE: Water Sector Investment Program - Project 1	2011	138.0
2961-VIE: Water Sector Investment Program - Project 2	2012	212.0
2969-VIE: GMS Corridor Town Development Project	2012	130.0

GMS = Greater Mekong Subregion, HCMC = Ho Chi Minh City, WSS = Water Supply and Sanitation.
Source: ADB Project Team.

2. Loans from Other Sources (from 2005)

Project Name	Donor	Year Approved	Amount (million)
Vietnam Red River Delta Rural Water Supply and Sanitation	World Bank	2005	\$45.9
Extension and improvement of the water system of the city of Me Linh, Vinh Phuc Province	Italy	2005	€5.2
Extension and improvement of the water system of the city of Ca Mau	Italy	2005	€3.3
Rehabilitation and expansion of the water system of the city of Quang Ngai	Italy	2005	€2.3
Thien Tan Water Supply Project Phase 2 (Dong Nai Province)	Korea Eximbank	2006	\$26.0
Projet d'adduction en eau potable dans 6 provinces du delta du Mékong	AFD	2006	€30.0
Hoa Binh Water Supply Construction Project	Korea Eximbank	2007	\$14.3
Moc Chau Water Supply and Wastewater System Project	Korea Eximbank	2008	\$13.0
Hung Yen Water supply project	Finland	2009	€6.2
Binh Thuan water sector project	Italy	2009	€15.0
Water supply system outside Vinh city	Finland	2010	€10.9
Projet de Renforcement des Capacités de Gestion des Ressources en Eau et de	AFD	2010	€20.0

Project Name	Donor	Year Approved	Amount (million)
Réhabilitation du Système Hydraulique de Bac Hung Hai			
Vietnam Red River Delta Rural Water Supply and Sanitation - Additional Finance	World Bank	2010	\$65.3
BackKan Town Water and Sanitation Project	Finland	2010	€8.2
Projet de ressources en eau Phuoc Hoa 2	AFD	2011	€20.0
Urban Water Supply and Wastewater Project	World Bank	2011	\$200.0
Mekong Delta Water Management for Rural Development Project	World Bank	2011	\$160.0

AFD = Agence Française de Développement, JICA = Japan International Cooperation Agency, TBD = to be determined.

Source: ADB Project Team.

B. Institutional Arrangements and Processes for Development Coordination

1. Donor coordination for the water subsector in Viet Nam is largely achieved through the following: (i) dialogue surrounding the Water Sector Review and the National Target Programme for Integrated Water Resources Management; (ii) the Viet Nam Urban Development Forum, which encompasses urban water supply and sanitation; and (iii) the Rural Water Supply and Sanitation Partnership at the Ministry of Agriculture and Rural Development. The World Bank's strategy is to work through a future urban infrastructure investment fund to finance municipal infrastructure and a program or sector approach for rural water supply and sanitation. The Agence Française de Développement is targeting climate change adaptation and mitigation measures and energy efficiency. The Japan International Cooperation Agency is financing several urban master plans as well as major municipal sewerage and wastewater treatment projects. Belgian Technical Cooperation has funded a long-term integrated urban environment improvement project along a canal in Ho Chi Minh City, as well as urban environmental infrastructure in coastal towns in southern and central provinces. In addition, Belgian Technical Cooperation is supporting a program of capacity building in assessing and managing water resources of the Ministry of Natural Resources and Environment at central and provincial level. Germany maintains a scientific-technological agreement with Viet Nam on water and the environment, which includes a number of water-management-related data collecting and analysis programs.

2. The Asian Development Bank (ADB) has several ongoing partnerships, mostly with United Nations Habitat, the Agence Française de Développement, and Japan International Cooperation Agency, and recently with the Republic of Korea through the Economic Development Cooperation Fund and Korean Export Import Bank. Some bilateral organizations have approached ADB for further cooperation in water supply and sanitation. ADB coordinates closely with the World Bank on its urban water supply and wastewater management programs, to ensure strategic alignment. In addition, ADB was involved in discussions on the government's Unified Sanitation Sector Strategy and Action Plan, promoted through the World Bank's Water and Sanitation Program. ADB's future urban wastewater program is being designed taking cognizance of similar programs funded under bilateral aid of Finland, Denmark, and Germany, and in collaboration of the ongoing GTZ capacity building activities for the sector. In two ADB target cities for the multitranche financing facility (Ho Chi Minh City and Da Nang), bilateral aid from the Government of the Netherlands and water company sources funded a 3-year utility

support program, with a strong nonrevenue water component. The Government of the Netherlands is considering future support to training in business management for the water supply companies of the larger cities, as parallel cofinancing with ADB capacity development technical assistance.

3. ADB's engagement with the water and sanitation subsector in Viet Nam has been guided by continuing policy dialogue with government. The policy-based sector program has recently been formalized through the formulation of an Assessment Strategy and Roadmap, reflecting government economic and sector policies and targets.

C. Achievements and Issues

4. Analysis of recent external assistance to the sector suggests that greater impact could be achieved if programs are designed and implemented with more consistent observance of agreed policy and strategy, and realistic covenants. Lasting project impact and a platform for a sustained scaling-up of sector projects can only be achieved if utility companies have financial and institutional sustainability. The financing gap for the sector in Viet Nam is such that government and Official Development Assistance sources are not sufficient to fund essential investment without additional fund flows from the global private sector. However, the current institutional and legal environment does not provide sufficient confidence to leverage domestic and international capital markets. The government is working on an update of the public-private partnership legislation to merge with the Decree 108/2009/ND-CP on Concession Contracts for private sector participation in the infrastructure sector, including water and sanitation. Decree 04/2009/ND-CP supports investment incentive mechanisms for the environment.

D. Summary and Recommendations

5. Against the background of considerable achievements in improving coverage in urban water supply, a pattern of issues that face development partners involved in the water sector in Viet Nam for the future is now emerging. These are brought into sharper focus with the transition of Viet Nam into a middle-income country, and the resulting move away from concessional loans or grants for urban water supply. Firstly, the water and sanitation sector has failed to attract significant private sector interest. This must be attributed to (i) fundamental uncertainty about the ownership of water supply assets; (ii) lack of reliable information about the location, functioning, and value of infrastructure assets; (iii) ongoing ambiguity within the regulatory environment; and (iv) lack of confidence in the sources of income because of failure to enforce water tariff increases within a reasonable time frame. Secondly, the process of decentralization and devolution of the responsibility for planning and management of infrastructure—from central to provincial and city government—will place demands on the skills and capacity of subnational government agencies. As a consequence, subnational government institutions, agencies, and service organizations now need to be held accountable—upwards, to comply with standards and regulations; and downwards, to deliver the services entrusted to them. Finally, future preparation for investments in infrastructure, in particular in the coastal zones, will need to place climate change adaptation measures at the core of its planning process. Future ADB programs for the sector will need to be designed around these main emerging challenges.