

## **WEBINAR**

### **RBF/OBA in the Water Sector: Vietnam Rural Water Project**

As part of its ongoing series of knowledge-sharing webinars, the Global Partnership on Output-Based Aid (GPOBA) hosted a webinar in April 2016, OBA/RBF in the Water Sector: the Vietnam Rural Water Project. Through a \$4.5 million grant, this GPOBA project supported investments in piped water supply systems to improve access to clean water in rural areas of Vietnam. It was designed and implemented in conjunction with the Government of Vietnam's (GoV) efforts to operationalize its national Rural Water Supply and Sanitation Strategy. The East Meets West Foundation (EMWF) implemented the project, working with local governments and private operators. OBA subsidies filled the gap between the full cost of water service provision and households' ability to pay, with 80 percent disbursed upon independent verification of connection, and 20 percent paid after six months of successful operation. When the project closed in 2012, it had exceeded its targets, establishing 82 water schemes serving 35,065 households, benefitting 176,000 people.

The webinar was hosted by Hoa Thi Hoang, Senior Urban Specialist, Global Practice on Social Urban Rural & Resilience (GPSURR), and Leslie Villegas, an Infrastructure Specialist at GPOBA. The discussion focused on key points related to: community-based approaches and the involvement of the private sector in Vietnam, and the different experiences with each; project design; and lessons learned.

The project relied on two models. In the Central Region, EMWF carried out implementation with Commune People's Committees (CPCs), while in the Mekong Delta Provinces, EMWF worked with private operators. Leveraging Private sector funding to support provision of access to water supply is a relatively new model in Vietnam. However, in the Mekong Delta, private operators funded full feasibility studies that provided enhanced technical support and ensured local government participation in the process. A survey of users following the project's completion found significant differences in reported satisfaction rates between cooperative and CPC managed schemes (64-67%), and those managed by the private sector (98%). The public-private mechanism could be refined in future interventions to allow for increased collaboration that might enable connection and tariff cost savings for low income households.

Private participation is likely to play an increasing role in water service provision in Vietnam. The GoV is still formulating regulations on private sector participation. In the meantime, this OBA project has stirred strong interest in other countries, and the lessons learned from it fed into the design of the larger World Bank-financed Rural Sanitation and Water Supply Program in Vietnam. This program utilizes the innovative financing instrument, Program for Results (P4R), which links disbursement of funds to the delivery of verifiable results.

**Several lessons learned were discussed in the webinar, including:**

- The use of innovative financing mechanisms can address constraints hindering public and private sectors investments. For example, OBA subsidies can stimulate access to finance for private operators from commercial banks.
- As OBA projects rely heavily on strong performance contracts for effectiveness and accountability, contracts must be tailored to specific needs and systems, with clearly defined and measurable targets.
- Sustainable service delivery requires that project financing structures be aligned with the empowerment and participation of the client community. For example, user contributions can give clients a sense of ownership of the project and its success. Likewise, a thorough understanding of users' willingness and ability to pay should be in place during project preparation.
- Private operators are incentivized within results-based schemes to improve their performance when they need to cover capital expenditures and when the compensation scheme is variable.
- Rural households are willing to pay cost-recovering tariffs for clean water; 81 percent of customers for this project rated tariffs as fair. Water quality was linked to willingness to pay.
- The IVA provided important information during implementation. Verification reports made recommendations on technical design, operations and maintenance, and capacity enhancement for operators. These recommendations were taken into account for future schemes.

More reading: [Vietnam Rural Water](#)