

## TECHNICAL ASSISTANCE COMPLETION REPORT

Division: SEAE

<b>TA No., Country, and Name</b>			<b>Amount Approved:</b> \$3,800,000	
TA 3528-VIE: Capacity Building for Water Resources Management Project [TA Cluster (TAC)]			<b>Revised Amount:</b> \$4,810,000	
<b>Executing Agency</b> Ministry of Agriculture and Rural Development (MARD) <sup>1</sup>	<b>Source of Funding</b> Japan Special Fund, Netherlands TA Grant, Danish TA Grant, Cooperation Fund for the Water Sector	<b>Amount Undisbursed:</b> \$236,470.97	<b>Amount Utilized:</b> \$4,573,529.03	
<b>TA Approval Date:</b> 30 October 2000	<b>TA Signing Date:</b> 06 June 2001	<b>Fielding of First Consultants:</b> 1 August 2001	<b>TA Completion Date</b> <b>Original:</b> 31 December 2003 <b>Actual:</b> 31 March 2007 <b>Account Closing Date</b> <b>Original:</b> 31 December 2003 <b>Actual:</b> 29 February 2008	
<b>Description</b>				
<p>In the 1990s when ADB resumed lending to Viet Nam, the water sector was characterized by (i) many agencies with limited and overlapping mandates; (ii) fragmented planning, development, and management of water resources infrastructure; (iii) lack of regulation; and (iv) absence of separate accountabilities for water resources management and water service delivery among the agencies concerned. In response, the Government enacted the Water Resources Law (WRL), which became effective in January 1999. This established specific institutions and instruments for comprehensive water resources management including (i) the National Water Resources Council (NWRC), as a high-level advisory body; (ii) river basin organizations (RBOs) for planning use and allocation of water resources on the basis of river basins; (iii) a system of water allocation through licenses; (iv) a system of wastewater discharge permits; and (v) an inspection system for the safety of dams and other hydraulic works.</p> <p>The Government recognized that effective implementation of the WRL required a large and sustained investment in capacity building, and important decisions regarding (i) roles and institutional structure of existing and new bodies; (ii) national water policy reform on such aspects as cost recovery and reduction of state subsidies; and (iii) better organization and coordination among central, provincial, and river basin levels, and among provinces sharing a common river basin. The Government adopted a comprehensive strategy for capacity building and requested ADB to lead support by external funding agencies in terms of formulation and implementation of the water sector reform program. This constituted the rationale for <u>Subproject 1</u> (National Coordination for Water Resources Management) under the TAC.</p> <p>The Central Region of Viet Nam is characterized by high rates of poverty among its predominantly rural inhabitants whose livelihoods are dependent on unsustainable use of natural resources. The region suffers from severe droughts and floods, which inhibit productivity gains and diversification in agriculture, the predominant productive sector. The continued success of the Government's national poverty reduction and environmental protection programs depends on sustained improvements in water resources management and water delivery to the rural poor. The Government determined that water resources investments, in conjunction with rural poverty reduction programs, were needed to improve natural resources management, reduce the region's vulnerability to natural disasters, and protect the environment. This constituted the rationale for <u>Subproject 2</u> (Water Resources Investment Strategy for the Central Region) under the TAC.</p> <p>The Dong Nai River Basin is the third largest in Viet Nam. It accounts for 15 percent of the country's land area and is shared by 10 provinces and Ho Chi Minh City, Viet Nam's largest urban area. Economic activities in this river basin provide about 40% of the national Gross Domestic Product. The basin is under severe pressure from unsustainable development and has suffered from numerous problems, particularly related to urban and industrial pollution. The Government decided to establish the Dong Nai RBO (DNRBO) to coordinate planning and management of the basin's resources, and to formulate a program of investments in priority areas. This constituted the rationale for <u>Subproject 3</u> (Water Resources Management in the Dong Nai River Basin) under the TAC.</p>				

<sup>1</sup> When the TAC was formulated, MARD was the executing agency for all subprojects. Following the Prime Minister's Decree 91/2002/ND-CP of 11 November 2002, responsibility for State management of natural resources and the environment was assigned to the Ministry of Natural Resources and Environment (MONRE), which became the executing agency for Subproject 1 from June 2003. Activities under Subproject 2 were completed in 2002 with MARD as executing agency and MARD continued as executing agency for Subproject 3 until the completion of its activities in October 2004. MONRE was executing agency for the TA extension and continued in this role up to TA completion.

### **Expected Impact, Outcome, and Outputs**

The goal of the TAC was to build capacity at national, river basin, and provincial levels for improved water resources management in support of the Government's water sector reform program according to the WRL. The TAC also aimed to contribute to poverty reduction and environmental protection in the central region of Viet Nam by formulating an investment strategy for water resources management in the context of the Government's emerging rural development strategy and national poverty reduction program. The expected impact was improved water resources management for more sustainable water use in accordance with the WRL. The expected outcome was greater capacity to implement the WRL at national, river basin, and local levels. This involved three interdependent subprojects: Subproject 1 focused on integrated water resources management at the national level under the guidance of the NWRC; Subproject 2 aimed to develop an investment strategy for water resources development in the Central Region; and Subproject 3 was meant to assist with the formation and strengthening of the DNRBO for improved water resources management in the Dong Nai River Basin.

### **Delivery of Inputs and Conduct of Activities**

The TAC was well formulated and its implementation arrangements were sufficiently flexible to accommodate the many adjustments that were subsequently needed.

Subproject 1 started in August 2001. Its main activities were to (i) strengthen the NWRC and the Office of the NWRC; (ii) update the sector assessment; (iii) formulate a water sector strategic plan; (iv) prepare a national water policy; (v) strengthen inter-ministerial collaboration; (vi) monitor water sector reform activities; (vii) improve the coordination of water sector TA projects; and (viii) implement human resource development activities. Subproject 1 was designed to be implemented over a 30-month period (August 2001 to January 2004) but was extended three times up to end of December 2005. The extensions were needed to support the transfer of certain state responsibilities (previously held by MARD) to MONRE and to strengthen MONRE by assisting in the preparation of regulations and implementation guidelines. Subproject 1 initially allowed for 39 person-months of international and 59 person-months of national consultant services. These were increased through extensions to 85.4 person-months and 122.7 person-months respectively, which required increased allocations to the TAC amount. While Government ownership and participation in the activities of Subproject 1 were initially lacking, its commitment improved significantly with the transfer of responsibility to MONRE in June 2003. MONRE provided adequate support to the consultants and remains committed to water sector reforms and inter-ministerial cooperation.

Subproject 2 commenced in August 2001 and was completed in October 2002. The subproject financed 14 person-months of international and 13 person-months of national consultant services. It developed a comprehensive database covering 497 subprojects and a computer model for analyzing relevant data and ranking proposed subprojects according to criteria agreed in consultation with national and provincial stakeholders. The subproject was extended because the number of subprojects and volume of data considerably exceeded expectations.

Subproject 3 was formulated for implementation over a period of 30 months, but this period was shortened to 15 months during contract negotiations. It commenced in January 2003 and, after an extension of seven months to enable MARD to make institutional and legal changes in support of the DNRBO, was completed in October 2004. The subproject financed 40 person-months of international and 56 person-months of national consultant services from the Southern Institute of Water Resources Planning (SIWRP), Government's counterpart agency responsible for the day-to-day operations and management of the subproject. Subproject 3 developed an institutional framework for the DNRBO and formulated a process for river basin planning and improved management of water resources.

In July 2006 the TAC completion date was extended to 31 March 2007 when the Vice Minister of MONRE requested additional support for the development of the National Water Resources Strategy (NWRS) and preparation of a draft decree on integrated river basin management (IRBM). Consultants were engaged for additional inputs of 4.6 person-months international and 5.8 person-months national. The activities and outputs during this period were closely linked to Subproject 1. Altogether, the increased consultant services inputs of 51.0 person-months international and 69.5 person-months national required an increase of \$1.01 million in the TAC amount.

The performance of the international and national consultants on all the subprojects was satisfactory.<sup>2</sup> The performance of ADB was satisfactory. ADB review missions were fielded annually using the same mission leaders, all of whom had extensive experience in the Vietnamese water resources sector.

### **Evaluation of Outputs and Achievement of Outcome**

The Government's commitment to the project has been uneven. Progress on Subproject 1 was slow until MONRE was made executing agency in 2003, from which time all aspects improved under the management of the Department of Water Resources Management (DWRM). DWRM, through its commitment to improving the capacity of MONRE to assume new responsibilities, assured timely preparation of outputs and put the Subproject back on track toward achieving its goals. Nevertheless, the management transition occurred after considerable delay had accumulated and this reinforced the rationale for 3 extensions of this subproject. Additional consultant inputs were also warranted to assist MONRE prepare and begin implementing legislative reforms. On the basis of the upswing in achievement of outcome, quality of outputs and client satisfaction, the evaluation of Subproject 1 is satisfactory.

<sup>2</sup> ADB Consultant Performance Evaluation Report classified all consultants on the TA as "Satisfactory".

The implementation of Subproject 2 proceeded on schedule, albeit with a short extension needed to complete the assessment of subprojects and analysis of large volumes of data. Therefore, in terms of efficiency in the production of outputs and timeliness of their delivery, this subproject was satisfactory. Subproject 2 helped develop a comprehensive database and computer model for analyzing water infrastructure investments, as well as ranking criteria that were applied to 256 potential investment subprojects. The results of the analyses did not always meet with client satisfaction because some of MARD's favored subprojects were considered not feasible. Ultimately, in view of concerns about the accuracy of available data, it was concluded that the model was best suited for ranking subprojects that had been identified as suitable using other means rather than as a tool to build an investment strategy for water resources investments in the Central Region. This information is available and could be referred to when assessing proposals to be considered for financing under recently approved projects.<sup>3</sup>

The consultants employed on Subproject 3 completed the tasks as set out in their terms of reference and, despite extensions and delays, delivered the outputs generally as expected. However, this was not enough to achieve the intended outcome of establishing and strengthening the capacity of the DNRBO. SIWRP did not have the executive status necessary to convene effective coordination meetings with provincial departments that were crucial to the river basin planning process. As a result the Provincial People's Committees could see no effective outcome from these meetings and soon lost interest. Also, the uncertainty about respective Government responsibility for the management of water resources caused some reluctance to fully support the river basin planning units. MARD, as executing agency for Subproject 3, showed little interest in building a strong RBO or in delegating sufficient authority to DNRBO for it to assume its intended role. MARD did not allocate adequate budget for effective operation, which since the completion of Subproject 3 activities has been further reduced. The current operational budget is inadequate to finance the administration and operating costs of one full-time officer. Therefore, while the quality of outputs was satisfactory, these were not built upon by MARD nor used as a springboard for application of the principles of IRBM.

A final TA Extension was provided at the Government's request to assist MONRE develop the NWRS and prepare a draft decree on IRBM. The TA Extension, which proceeded on schedule and within budget, was highly relevant to the needs of the newly established MONRE. High quality outputs acceptable to MONRE were provided on a timely basis and currently serve as the basis for further development of the water sector. Besides the assistance with preparation and implementation of the NWRS, comprehensive guidelines for river basin planning were prepared and eventually circulated widely by the ADB Water Team. The outcome of the TA Extension is considered to have exceeded expectations.

#### **Overall Assessment and Rating**

Except for Subproject 3, the TAC is considered to have achieved the outcomes set for it. Subproject 1 provided data and an analysis that will be useful in the comprehensive water sector review<sup>4</sup> and engaged the Government in constructive policy dialogue. The TA Extension also assisted the Government with the formulation and implementation of the NWRS, and assisted MONRE adopt its water resources management functions as part of its overall mandate for State management of natural resources and environment. However, recent developments (particularly issuance of Decree 154 on the abolition of irrigation service fees) highlight the need for re-engagement with the Government on the national water policy and cost recovery related matters. Subproject 2 established an important methodology for prioritization of investment subprojects and led to the preparation of a loan project for the Central Region with the aim to (i) improve irrigation system management by reforming service providers and concomitantly building capacity of client water users as partners in scheme operation and maintenance; and (ii) improve irrigation and drainage infrastructure and strengthen natural disaster risk reduction measures.<sup>5</sup> Thus the TAC has significantly contributed to the preparation of high profile outputs for river basin planning and water resources investments that will have far-reaching impacts if effectively implemented and fully supported, especially by the various Government agencies responsible for different aspects of water resources management. Subproject 3 has not achieved its intended outcome due to lack of Government support for and ownership of the process. While an RBO was established for the management of water resources in the Dong Nai River Basin, it has never received an adequate budget to sustain it nor the cooperation of relevant water sector agencies to enable its effectiveness. Since the closure of Subproject 3, the DNRBO has essentially ceased all activities. For this reason the TAC is rated as partly successful.

<sup>3</sup> Loan 2357-VIE(SF): Integrated Rural Development Sector Project in the Central Region was approved by the ADB Board of Directors on 15 October 2007 in the amount of SDR58,723,000 (\$90 million equivalent). The loan will finance investments in rural infrastructure, including irrigation and drainage.

<sup>4</sup> TA 4903-VIE: Water Sector Review with TASF financing of \$310,000 and cofinancing by the Government of Netherlands: \$160,000; Government of Australia: \$60,000; Government of Denmark: \$50,000; and the Cooperation Fund for the Water Sector: \$200,000. The TA commenced in September 2007 and is expected to formulate a water sector investment roadmap by the time of its completion in June 2008.

<sup>5</sup> Loan 2223-VIE(SF): Central Region Water Resources with loan financing of \$74.3 million, which became effective on 8 June 2007 and is expected to close on 30 June 2012.

## Major Lessons

In retrospect, the application of a cluster approach for the TA was ineffective, largely due to the change of executing agency, which had not been foreseen at the conceptual stage but caused delays and confusion relating to reporting responsibility and implementation arrangements.

Strengthening capacity to further develop the water resources sector and implement IRBM approaches will be crucial for the success of future investments in the sector. To ensure the effectiveness of such interventions, Government's commitment to an integrated approach, and ownership of the process, is crucial. As the full adoption of IRBM or integrated water resources management (IWRM) is a long term process with implications for difficult institutional reforms, it will be necessary to seek Government's renewed commitment as a condition for every such proposed initiative. However, even with strong commitment at the highest levels, it will be essential to have full and active participation of water sector stakeholders from different levels to ensure a thorough understanding of the benefits of such approaches.

To ensure the establishment, effectiveness and sustainability of RBOs, their accounts and activities should be audited and there should be full transparency of reports and findings. Greater authority for decision-making should be delegated to RBOs so that they can be responsible and accountable for all actions that may influence their performance. Full participation, even from the lowest levels of direct stakeholders or their representatives, is important to elicit broad agreement of the basin's needs through public awareness campaigns and information dissemination. As a prerequisite condition for such actions, the Government should create and encourage an enabling participatory planning and decision-making process. From the experience gained under Subproject 3 and a similar initiative to establish the Red RBO,<sup>6</sup> the prerequisite conditions for establishment of effective RBOs do not yet exist in Viet Nam.

Finally, a key lesson relates to the achievement of IWRM. Through the success of Subproject 1 after its transfer to the newly established MONRE and failure of Subproject 3, the TAC illustrated the importance of role separation; that is the separation of responsibility for state water management from service provision as a condition for IWRM. Furthermore it is crucial to define what needs to be achieved and what are the next steps. At present, Viet Nam does not have clear policies that are conducive to the implementation of IWRM. For example, there are no agreed policy positions on such fundamental matters as sharing water between competing needs.

## Recommendations and Follow-up Actions

The following recommendations are aimed at ensuring greater effectiveness of future capacity building activities (including the current Water Sector Review): (i) ensure Government ownership of the processes at the highest level; and (ii) encourage full and active participation from a broad range of representative stakeholders in the planning and decision making process. The Water Sector Review aims to present a roadmap of investments needed to realize the NWRS over the next 10-15 years, including policy, regulatory and legal reforms to overcome bottlenecks; investments in urban and rural water supply and sanitation; industrial water supply and waste water/pollution control; agricultural water management, including management transfer; flood management, control of saline intrusion; groundwater management and regulation; hydropower; navigation and environmental flow management. To achieve a common framework and effective guide to meaningful investments in the water sector, the NWRC and relevant water sector agencies need to be committed to the NWRS and willing to accept the institutional reforms necessary for the adoption of IWRM/IRBM. ADB should work with its development partners to maintain direct dialogue with the relevant Government officials, and to provide further analysis on critical capacity and coordination constraints, along with technical guidance, as required, to achieve this.

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<sup>6</sup> TA 3892-VIE/Loan 1855-VIE(SF): Second Red River Basin Sector Project with grant financing of \$10.6 million cofinancing from the Government of the Netherlands which attempted capacity strengthening for establishment of the Red River RBO but was cancelled prior to completion because of long implementation delays and poor ownership of the implementing agencies.