Viet Nam: Improving Operational Performance of the Water Supply Sector Project

Project Name: Improving Operational Performance of the Water Supply Sector Project
Project Number: 44002-022
Country: Viet Nam
Project Status: Closed
Project Type / Modality of Assistance: Technical Assistance

Source of Funding / Amount:
- TA 8357-VIE: Improving Operational Performance of the Water Supply Sector
  - ATF - Netherlands TA Grant: US$ 1.10 million
  - Technical Assistance Special Fund: US$ 500,000.00
- TA 8357-VIE: Improving Operational Performance of the Water Supply Sector (Supplementary)
  - ATF - Netherlands TA Grant: US$ 200,000.00
- TA 8357-VIE: Improving Operational Performance of the Water Supply Sector (Supplementary)
  - ATF - Netherlands TA Grant: US$ 120,000.00

Strategic Agendas:
- Environmentally sustainable growth
- Inclusive economic growth

Drivers of Change:
- Governance and capacity development
- Knowledge solutions
- Partnerships
- Private sector development

Sector / Subsector:
- Water and other urban infrastructure and services
  - Urban water supply

Gender Equity and Mainstreaming:
- Some gender elements

Description:
In February 2011, the Asian Development Bank (ADB) approved a $1 billion multitranche financing facility (MFF) to fund operational improvements for urban water supply during 2011-2020. The MFF provides access to financing to many water companies to help them improve their operations and expand their water supply systems, including intake works, production transmission, and distribution. The facility addresses water as a limiting factor for growth and inclusiveness by expanding water supply services to peri-urban areas, ultimately increasing competitiveness and assisting the transformation of cities and towns to keep pace with rapid urbanization. This capacity development technical assistance (TA) is being processed in parallel with the MFF to help the Government of Viet Nam improve water supply services.

In 2007, the government formulated a progressive legal framework that requires water companies to be equitized and to operate on business principles that would improve their performance. The government's Socio-Economic Development Plan, 2011-2015 includes water sector objectives: (i) identify water as a limiting factor of growth, and support local economic development by developing modern urban infrastructure, and (ii) improve the quality of life and health of people by providing access to safe water. The country program for the water sector in ADB's country partnership strategy, 2012-2015 for Viet Nam is consistent with these policies.

The TA aims to prepare selected water companies to operate on sound business principles in order to efficiently fulfill their service obligations and establish a partnership with the private sector on a voluntary basis.

Project Rationale and Linkage to Country/Regional Strategy:
The TA will contribute to the capacity development of selected water companies borrowing under the MFF to improve service to users, specifically targeting improved business planning and financial sustainability, nonrevenue water (MRW) reduction, energy efficiency, and water safety plans. The TA will help water companies define service contracts with local governments (as owners of the water companies and regulators of the water services) and users. The service contracts will include qualitative and quantitative key performance indicators, defined in the business plan, as a basis for regulation by contract, in the absence of an independent regulator. The TA will assist in strengthening the corporatization process to increase the accountability and performance of water companies, and to enable private sector participation in different forms, including PPPs. The TA will address institutional development of the water sector to support (i) the National NRW Reduction Program, which defines ambitious targets for MRW reduction from the current national average of 30%, and (ii) the circular that defines the methodology to calculate water tariffs.

In 2014, ADB increased the TA amount by $500,000 to finance a pilot Pre-Feasibility Study under Public Private Partnership for the water and sanitation of Nghi Son Economic Zone, Thanh Hoa Province, Viet Nam (COMPLETED)

In 2015, ADB increased the TA amount by $200,000 to finance assistance to the water companies to fast track project implementation of PFR1, PFR2, PFR3 and PFR4. The TA was extended to 2018.

In 2016, ADB increased the TA amount by $120,000 to allocate additional training resources and provide comprehensive technical support to MFF0054-VIE and TA implementation.

Impact:
Improved institutional framework for water supply services in Viet Nam

Project Outcome:
- Improved business practices of selected water companies, serving as best practice examples for the Viet Nam water sector

Description of Outcome:
Ongoing. The TA received additional $120,000 in February 2017 to support water companies under the MFF0054-VIE Water Sector Investment Program, contributing to the TA outcome.

Implementation Progress:

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Note: The text above is the natural representation of the document as if read naturally, excluding any graphical elements or formatting that were not described in the original document.
Description of Project Outputs

1. Improved performance and accountability of selected water companies
2. Introduction of pragmatic procedures for implementing the NonRevenue Water Reduction Program
3. Support for monitoring and evaluation mechanisms for water supply services

Status of Implementation Progress (Outputs, Activities, and Issues)

1) Ongoing: Definition of Key Performance Indicators and discussion with participating water companies on schedule for continuous improvement process and monitoring of water tariff increase to financial sustainability and compliance with Vietnamese Legislation
2) Completed: Review of Nonrevenue Water (NRW) under the Operation & Maintenance Diagnostic of the water companies. Water companies are borrowing under MFF0054-VIE for NRW
3) Ongoing: Monitoring and assistance to project implementation under MFF0054-VIE, especially L2754-VIE, L2961-VIE and L3251-VIE. Completed: Development of Public Private Partnership initiatives in water supply in line with the Government support for equitization of the water and sanitation sector.

Geographical Location

Summary of Environmental and Social Aspects

Environmental Aspects

Involuntary Resettlement

Indigenous Peoples

Stakeholder Communication, Participation, and Consultation

During Project Design

Strong donor coordination on the project design to supplement the policy dialogue and capacity development under MFF0054-VIE

During Project Implementation

The TA was extended to 2018 to support the implementation of MFF0054-VIE. Some water companies under the MFF0054-VIE expressed cancellation of loans. The TA monitors the current situation of water sector in Viet Nam, and conduct appropriate stakeholder consultations to analyze, understand and justify the loan cancellation.

Business Opportunities

Consulting Services

The TA will finance international consultants (estimated 36 person-months) and national consultants (52 person-months).

Procurement

Equipment will be procured in accordance with ADB’s Procurement Guidelines (2010, as amended from time to time).

Responsible ADB Officer

Satoshi Ishii

Responsible ADB Department

Southeast Asia Department

Responsible ADB Division

Urban Development and Water Division, SERD

Executing Agencies

Asian Development Bank

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 Mandaluyong City 1550, Philippines

Timetable

Concept Clearance 13 Nov 2012
Fact Finding 05 Sep 2012 to 07 Sep 2012
MRM -
Approval 24 Apr 2013
Last Review Mission -
Last PDS Update 18 May 2018

TA 8357-VIE

Milestones

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Project Page

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