

**The Socialist Republic of Vietnam**

**Haiphong Peoples Committee**

**The Republic of Finland**

**Ministry for Foreign Affairs  
Department for International  
Development Cooperation**

# **Haiphong Water Supply and Sanitation Programme, Phase IV**

## **Volume III**

### **Sub-project Financing Support to Households**

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## Haiphong Water Supply and Sanitation Programme, Phase IV

*(VOLUME I*

*Programme Phase IV Outline Document)*

*(VOLUME II*

*Sub-project Technical Assistance, Training and Studies)*

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*(VOLUME IV  
Sub-project Construction Management Support)*

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## *Abbreviations and Acronyms*

B	- billion
CA	- Construction management adviser
CMA	- Corporate management adviser
CPA	- Community participation adviser
DIDC	- Department for International Development Cooperation (formerly FINNIDA)
DOSTE	- Department of Science, Technology and Environment
DPI	- Department of Planning and Investment
ESA	- External Support Agency
FMA	- Financial management adviser
FIM	- Finnish markka
GIS	- Geographic information system
GOF	- Government of Finland
GOV	- Government of Vietnam
GPS	- Global positioning system
HH	- Household
HP	- Haiphong
HPCC	- Haiphong People's Committee
HPWSSP	- Haiphong water supply and sanitation programme
HRD	- Human resources development
IDA	- International Development Association
JFG	- Japanese Government Fund
JICA	- Japan International Cooperation Agency
M	- Million
MEIP	- Metropolitan Environmental Improvement Program (of WB)
MIS	- Management information system
MOC	- Ministry of Construction of Vietnam
MOSTE	- Ministry of Science, Technology and Environment of Vietnam
MMI	- Ministry of Mines and Industry of Vietnam
MOWR	- Ministry of Water Resources of Vietnam
MPI	- Ministry of Planning and Investments of Vietnam
MSW	- Municipal Solid Waste
NA	- Network Adviser
NGO	- Non-governmental Organisation
NWR	- Non-revenue water / unaccounted for water
O&M	- Operation and Maintenance
PD	- Project document
Phuong	- City ward (size varies; approximately 2,200 households, or about 10,000 people, on average in the 1B Project <i>phuong</i> s)
PMU	- Project Management Unit (of Haiphong SADCO, unless specified otherwise)

PSE	- Public Service Enterprises
RF	- Revolving Fund
SADCO	- Haiphong Sewerage and Drainage Company Company (of Haiphong, unless specified otherwise)
SANDEC	- Department of Sanitation for Developing Countries, Swiss Federal Institute for Environmental Science & Technology
UNDP	- United Nations Development Programme
USD	- United States Dollar
TA	- Technical assistance
To	- Sub-division of a <i>phuong</i> , typically around 20 households
TOR	- Terms of Reference
TUPWS	- Haiphong Transport and Urban Public Works Services
URENCO	- Haiphong Urban Environment Company
VND	- Vietnamese Dong
WB	- the World Bank
WSCO	- Water Supply Company (of Haiphong, unless specified otherwise)
WU	- Womens Union
WWA	- Water works adviser
1B Project	Haiphong component of the World Bank-assisted Three Cities Sanitation Project
Contract A	1B Project contract for cleaning and evaluating the sewerage and drainage system in Haiphong
Contract B	1B Project contract for rehabilitating and extending the sewerage and drainage system in Haiphong

# 1. Summary

A reference is made to the Volume I of the Project Document for Phase IV for background information

This document is a part of the Project Document for the HPWSSP, Phase IV covering years 2000 to 2004. The sub-project Financing Support to Households, discussed in this VOLUME III, is directed to selected households in the area, the boundaries of which are governed by the boundaries of the WB/IDA project 1B.

**The two other sub-projects are both discussed in separate volumes of the PHWSSP, Phase IV Project Document. The five volumes are:**

- Volume I: Programme Phase IV outline Document
- Volume II: Sub-project Technical Assistance, Training and Studies
- **Volume III: Sub-project Financing Support to Households**
- Volume IV: Construction Management Support
- Volume V: Annexes and Abbreviations

All three sub-projects are functionally separate entities, which can be contractually regarded as separate projects inside the Programme, if so decided.

The ultimate beneficiaries of the Sub-project Financing Support to Households are the people of Haiphong, whose supply of water and waste water collection and drainage will improve, and their environment will become better due to improvements in solid waste management. The people will also, through their participation in the planning and implementation of these improvements, gain advocacy skills and become more effective in ensuring that sustainable and affordable services are provided to the truly needy.

The immediate beneficiaries of this Sub-project will be the selected families, which because of their poverty will receive investment support in the form of revolving loans to improve their sanitation facilities.

The overall objective of the Programme is:

***Good water supply, sewerage and drainage, and sanitation service for the people and customers in Haiphong as well as improved quality of the environment.***

The purpose of the Programme is:

***Improved performance of the water supply, sewerage and drainage, and sanitation organisations towards well functioning and financially self-sustaining public enterprises***



The purpose of this sub-project is:

***Full coverage of sanitation improvements in the project area is achieved***

This purpose is fully consistent with, and supports, the National policies for urban water supply and urban wastewater collection and sanitation.

The programme has been divided into a sequence of phases so that it may be readily adjusted to reflect variations in the pace and pattern of institutional development, emerging needs, and priority areas in each of the three sub-sectors. This document discusses sub-project Financing Support to Households of phase IV of the programme.

The results expected from this Sub-project is:

- Selected households have improved their sanitary facilities with provided financing support

There are a number of assumptions and risks. They are presented in chapter 4.

The support will be mainly financing support to elected poor households within the investment project of WB/IDA 1B area. The details of the physical and non-physical inputs will be defined in the annual Work Plans and agreed on Supervisory Board meeting.

The estimated foreign component costs, covered by the Government of Finland, are summarised as follows:

		FIM in thousands	
Support fund	SADCO	5,650	(USD 1 million)
	Total	5,650	(USD 1 million)

The local component costs estimate is presented in Volume I. It consists of the costs of the local staff, office accommodation and the costs of investments.

## **2. Background**

### **2.1 Sector policy**

The developments in political, social and economic life which started already during the latter half of the 1980's have continued steadily. The "Doi Mau", renovation has marked a new period in the development of the country. The transfer from a socialist centrally led economy to a market oriented one is continuing. However, difficulties are met and the speed of the transition appears slower than expected. This applies especially to the public service provision. The necessary independent decision making inside the "public-private-enterprises" still meet political interference and lack of authorization.

In relation to the water supply and sanitation the present policy is based on the "National Urban Water Supply Strategy". It stipulates that the long-term objective is to establish provincial water supply companies as autonomous, self-sufficient undertakings. The same principle applies also to the sewerage and solid waste management. It is based on the "National Urban Waste Water Collection and Sanitation Strategy". It includes also the principle: "polluter pays" which means gradual cost recovery.

### **2.2 Present situation in Haiphong.**

*A reference is made to the Volume I of the Project Document for Phase IV for background information on the present situation in Haiphong.*

### **2.3. Beneficiaries and parties involved**

#### **2.3.1 Beneficiaries**

The ultimate beneficiaries of the Programme are the people of Haiphong, whose supply of water and waste water collection and drainage will improve, and their environment will become better due to improvements in solid waste management. The people will also, through their participation in the planning and implementation of these improvements, gain advocacy skills and become more effective in ensuring that sustainable and affordable services are provided to the truly needy.

The immediate beneficiaries of this Sub-project will be the selected families within the investment project of WB/IDA 1B geographic area, which because of their poverty will receive investment support in the form of revolving loans to improve their sanitation facilities.

### **2.3.2. Parties involved**

The focus of the Programme will be shifted to SADCO because of its incoming large investment project, which requires capacity that has not been possible for SADCO to develop because of the inadequate funding base for investments and sufficient O&M. The Women's Union of Haiphong will manage the sub-project. It will report to SADCO, and be supported by the HPWSSP (substance issues) and funded by DIDC.

## **2.4 Problems to be addressed**

### **Problems**

A number of improvements, physical and non-physical, have taken place during the implementation of the HPWSSP. The work, however, is not nearly done, and probably will never be a task-completed-and-never-in-need-of attention. Over time the degree of external support will decrease, and before that the relative importance of individual problems to be addressed will vary. The basic nature of problems has not necessarily been changing, but the environment in which they are addressed has changed. Because of this the problem analysis in this document has been based on the work carried out during the previous project preparation cycles, besides the preparation mission's own observations as well as discussions with the parties concerned. The present-day problems to be addressed by this Sub-project may be presented as follows:

- (a) **The people are not aware of the importance of proper environmental sanitation.** Septic tanks are not emptied regularly and discharge effluent which is more or less untreated, food wastes are traditionally emptied onto the sidewalks and into roadside gutters, and mixed solid waste are dumped onto any available nearby areas. This irresponsible behaviour pollutes the environment, threatens people's health, and hampers the functioning of the drainage system.
- (b) **Many households cannot afford the full cost of septic tank construction and connection to the sewer network.** In the poorest segment of society the cost of constructing a septic tank and of connecting it to the tertiary sewer is too much for the household to afford, even if a soft loan is offered for the investment.

### **Underlying reasons**

Underlying these problems are a number of factors which together create an environment where there is little incentive to improve the sanitation of households. Throughout Phase IV the HPWSSP will work with the SADCO and the Women's Union of Haiphong to identify the underlying causes of the problems, develop solutions, and identify the actors who need to be involved in order to put the solutions into effect. Some of these underlying causes are the following:

1. **Limited access to services of the poorest segment of the population.** To a large extent the companies have a technical bias rather than a service-oriented approach, so that too little emphasis is placed on affordability and ensuring

universal access to service. In the case of SADCO, the selected technical options and service level are too high for the poorest part of the population to pay fully for the investment needed, even if soft loans are made available. Mechanisms need to be developed to help such people afford some form of satisfactory sanitation, or the health and environmental benefits expected from the sewerage and drainage investments may not fully materialise.

## **2.5. Other interventions**

A reference is made to the Volume I of the Project Document for Phase IV for information on other interventions, which may have an impact on this Sub-project.

## **2.6. Documentation available and used**

The documentation made available and used by the PD preparation team is listed in VOLUME V, ANNEX 1.

### **3. Intervention**

The intervention logic of the phase IV of the Programme is presented in VOLUME V, ANNEX 2.

#### **3.1. Overall objective**

The overall objective of the Programme is:

***To achieve good water supply and sanitation service for the people and customers in Haiphong and an improved quality of the environment.***

The objective is in line with the development objectives stated in the “Socio-Economic Stabilisation and Development Strategy to the year 2000” adopted by the Seventh National Congress of the Communist Party in June 1991. It also supports the development objective of the “Urban Waste Water Collection and Sanitation Policy” which aims at “...provision of sewerage and drainage with good service level in an economically and environmentally sustainable way”.

#### **3.2. Programme purpose**

The purpose of the Programme is

***Improved performance of the water supply, sewerage and drainage, and sanitation organisations towards well functioning and financially self-sustaining public enterprises***

This purpose is fully consistent with, and supports, the National policies for urban water supply and urban wastewater collection and sanitation.

#### **3.3. Sub-project purpose**

The purpose of the Sub-project Financing Support to Households is:

***Full coverage of sanitation improvements in the project area is achieved***

This purpose is fully consistent with, and supports, the National policies for urban water supply and urban wastewater collection and sanitation. This Sub-project supports the two other sub-projects, and has to be seen in its context. The other two sub-projects are: Technical Assistance, Training and Studies and Construction Management Support. They are discussed in volumes II and IV.

### **3.4. Programme strategy**

The general strategy for achieving the above Programme purpose is to improve the operational efficiency and the management capabilities of the companies responsible for the service delivery. This will be done through improvement of the management systems and procedures, advisory support to the management, and through training. The implementation arrangements and the project organisation support this general strategy.

The programme is directed to the three PSEs of the city. Their geographic area of responsibility forms the boundaries of the Programme except for Financing Support to Households and Construction Management sub-projects, in which the boundaries are governed by the boundaries of the WB/IDA project 1B.

In this document Phase IV of the Programme is called the Project. It consists of three sub-projects: Technical Assistance (TA), Financing Support to the Households (FS) and Construction Management Support of the investment project of the WB/IDA project 1B (CMS). *These components are functionally separate entities, which can be contractually regarded as separate projects inside the Programme, if so decided.*

During the Project (HPWSSP Phase IV), the emphasis of the intervention will be on the sanitation sub-sector, in particular on wastewater collection and drainage. The approach and strategy will both support and get support from the parallel World Bank/IDA financed 1B Project. 1B Project will improve and rehabilitate the wastewater infrastructure, thus enabling SADCO to extend its services and to improve the service level. Technical assistance to SADCO, which is also a component of the 1B Project, is included in the Programme and forms an integral part of it. The Programme will include other components as well. They are essential to ensure the smooth implementation and desired impact of the 1B Project: consultancy for construction management; general capacity-building assistance to SADCO; and provision of a financing mechanism to enable households to upgrade their sanitary facilities.

Technical assistance to WSCO will continue, however, at a smaller scale than before. Focus will be on strengthening the company's management capacity and financial position: developing a corporate strategy and business plan, improving accounting and revenue collection, reducing unaccounted-for water, and capacity-building. Less emphasis will be placed on technical matters as WSCO has already considerable experience in the physical aspects of system rehabilitation and upgrading, and construction management due to 1A Project. A greater attention will be given to use of Vietnamese consultants and on outsourcing.

Support to the Haiphong Urban Environment Company consists of improvement required in the process to become a self sustaining public service enterprise (PSE). The assistance will be given by expatriate advisors sharing their time with the other companies.

The support will be provided in five forms:

- Studies, which will study the issues and propose systems and procedures for implementation;
- Technical assistance which will provide long term support to the management and will assist in the implementation of the proposed systems and the expected externally funded large scale investment programme;
- Training to respond to the identified priority training needs;
- Equipment and materials; and
- Financing to support the selected households to upgrade their sanitary facilities.

### **3.5. Sub-project strategy**

The Financing Support to Households will be managed by the Women's Union of Haiphong under the guidance of SADCO. The financing support will be given in the form of a revolving fund. This requires a proper publicity campaign to raise awareness amongst the target population on the benefits and necessities of improved sanitation in all households in areas to be improved by the SADCO through the WB/IDA investment project 1B, and the activities of the HPWSSP, Phase IV.

The Women's Union will undertake both a general public awareness campaign (aimed at all levels of society, from political leaders to individual households) and a more intense community mobilization campaign (focussed on the 10 *phuongs* to be upgraded); the timing and messages of these campaigns will need to be carefully adjusted to suit the stage of project preparation or implementation, to ensure that people are ready to participate when needed, but equally to avoid arousing false expectations too far in advance.

The WU, in consultation with the World Bank's community participation expert, has developed a strategy for a sanitation campaign, with the slogan "deep, wide, constant". "Deep" refers to the range of the audience: from city authorities (for example, persuading HPPC of the need to allocate proper funding to SADCO operations, or SADCO technical staff of the vital importance of community-level work to the residents themselves. "Wide" refers to the range of media used, from mass media such as TV, radio and newspapers down to competitions in schools and in the communities themselves. "Constant" refers to the duration of the campaign, starting well before the project begins, growing more intense during implementation, but continuing afterwards to ensure that good habits are not forgotten (especially important in the Haiphong situation, because of the problems of poor mixed solid waste (MSW) disposal, and the consequent blockage of much of the system).

The WU will be an active collaborator with the SADCO PMU, to ensure that the day-to-day management and operations of the 1B Project and the associated technical assistance is an integrated activity, taking full account of both the technical and social aspects of sanitation development. The precise mechanism needs to be worked out (the WU clearly cannot be a member of the PMU, since in some respects the WU will act in effect as a contractor to SADCO).

## **3.6. Results**

The expected verifiable results of the sub-project B, Financing support for household are outlined below.

### **3.6.1 Financing support available for the poorest segment of the community to make sanitation improvements**

The key result of this is that a financing mechanism has been created and taken into use which enables the poorest segments of the communities in the project area to improve their sanitation facilities at the same time that the sewer and drainage systems in their phuongs are being rehabilitated under the WB/IDA 1B Project. The objectively verifiable indicators are:

- 5.13 The Women's Union of Haiphong has established a contractual relationship with SADCO, acceptable to DIDC to manage a funding mechanism to assist the poorest segments of the community in those Phuongs where the 1B Project is improving the sewer and drainage systems;
- 5.14 The rules and regulations of the financing mechanism have been duly accepted by the competent authorities;
- 5.15 The communities involved are fully aware of the availability, terms and application procedures of the funding mechanism;
- 5.16 A proper, sufficient number (6.500) of financing agreements has been made between individuals and the WU. A system has been established to monitor whether poor residents in improved phuongs are upgrading their sanitary facilities when required, to determine reasons for any failures to upgrade, and to develop appropriate solutions;
- 5.17 A system for monitoring and auditing the financing mechanism has been created and put into effect, reports are received on time, and appropriate remedial actions are taken.

## **B 3.7. Activities**

The main activities of the sub-project, Financing Support to Households (FS) are outlined below. The actual activities in detail in association with the necessary resources will be agreed during the Programme implementation, and will form a part of respective annual work plan.

### **B 3.7.1 Supporting the financing of sanitation improvements of the poorest segment of the society**

- Arrangement of contractual relationship with the WU to manage the mechanism



- Supporting the rules and regulations establishment of the mechanism
- Define the financial mechanism with partners
- Try-out of mobilization, training and financial mechanism
- Awareness creation of the possibility to get support and its implications to households
- Establish meant of proper auditing mechanism and implementing it

## **4. Assumptions and risks**

The assumptions and risks presented below are valid for all the three sub-projects.

### **4.1 Assumptions**

- (i) The authorities responsible for policy matters will take prompt actions to approve and further enforce policy changes and regulations affecting issues beyond the mandate of the three PSEs, such as protection of water sources, consumer policies including water tariffs and sewerage charges, enforcement of environmental regulations, and personnel policies, to provide an enabling environment for Programme implementation.
- (ii) The relevant three Public Service Enterprises are committed to the adoption and prompt implementation of management principles and mechanisms developed by the Programme, including delegation of powers and duties to appropriate levels.
- (iii) The present Phase III is adapted to support a smooth transition to Phase IV.
- (iv) Necessary agreements between the consultant and the Government of Finland can be approved and signed in time to enable the seamless commencement of activities on time.
- (v) Both parties – the Finnish and the Vietnamese side – fulfil their obligations regarding the required inputs, including the nomination of Vietnamese staff to the three PSEs to conduct the necessary tasks (a vital condition for providing technical assistance on a particular topic should be that a counterpart has been appointed to have operational or managerial line responsibility for that subject).
- (vi) The Programme personnel – local and their advisers – have access to higher authorities in matters related to the Programme implementation.
- (vii) The office and other facilities and equipment, including transportation, procured and used by the previous Phases of the Programme will continue to be available to be used for the implementation of Phase IV.

### **4.2 Risks**

The following risks can be identified:

- (a) The funding of the Programme, particularly the local funding will not be sufficient and/or on time. This will slow down the implementation and cause also a risk to the implementation of the WB/IDA-projects 1A and 1B, and also delay the disbursement of the foreign component.
- (b) There will be a pressure to divert Phase IV resources to facilitate the WB/IDA funded project 1B. If yielded to them, it will hamper the support directed to the capacity building of the three PSEs and jeopardise their capability to cope with the ever-increasing volume of responsibilities.

- (c) The recruitment of competent staff to the three PSEs is delayed. This will cause a danger of collapse of the funding to the two major investment projects, 1A and 1B. This in turn will cause serious problems to the implementation of Phase IV of the HPWSSP.
- (d) *Lack of commitment of HPPC, TUPWS, and the three companies towards the necessary policy changes, and their implementation as well as administrative and managerial improvements. This, if serious, could nullify the purpose of the Programme.*
- (e) Lack of co-operation due to rivalry between the three companies may cause overwhelming problems to share the advisory resources available during the Phase IV.
- (f) Necessary funding is not made available to support the normal capital programme and the O&M budget of the PSEs, leading to neglect of activities other than 1A and 1B, and in particular affecting SADC maintenance of the sewers where 1B is not active and parts of its system which will not have been rehabilitated.
- (g) Cross pollution from industrial wastes inhibit improvement of the environment

## ***5. Implementation***

### **5.1 Physical and non physical means**

The support given through this sub-project will be mainly a financing mechanism to support households to upgrade their sanitary facilities

#### ***5.1.1. Non-physical inputs***

A reference for information on the TA team, which will render its supporting services also to this sub-project, is made to Volumes I and II of the HPWSSP, Phase IV Project document.

The inputs from the Women's Union of Haiphong are, however much more important for this Sub-project. The WU will provide an action plan, including a description of the non-physical inputs they foresee for this Sub-project.

#### **Other expenditures**

No other expenditure is foreseen for this sub-project.

### **5.2. Organisation and implementation procedures**

#### ***5.2.1 Organisational arrangement***

##### **Location of the Programme**

Given the core team approach described above, and the need to review TA allocations on a regular basis, it would not be appropriate to subdivide HPWSSP into three sub-modules, each allocated to one of the companies. Instead, the Programme will be located within TUPWS. This appears to have several advantages

- ◆ TUPWS is the parent organisation for each of the three companies
- ◆ TUPWS can be impartial about the allocation of resources
- ◆ TUPWS is best placed to take appropriate remedial action if any company is unable to make good use of TA because it is deprived of operational funds, cannot create and fill the necessary staff positions, or is having difficulty in receiving approval for the necessary administrative reforms.

In addition, while no specific TA has been allocated for support to TUPWS itself, the regular working contacts with the HPWSSP Team Leader, other HPWSSP staff, visiting missions, etc., should improve TUPWS' ability to plan and manage, essential skills in view of the number of city services for which it is responsible. TUPWS should enter into

commitments to DIDC to make every effort to create an “enabling environment” for the three companies, for example by making prompt decisions on matters such as proposed reorganisation or the recruitment and transfer of staff (ideally, as the companies gain management experience, such internal matters should be left to them to decide, with TUPWS’ input confined to more serious policy matters and general oversight), and by providing reliable and adequate investment and recurrent budgets.

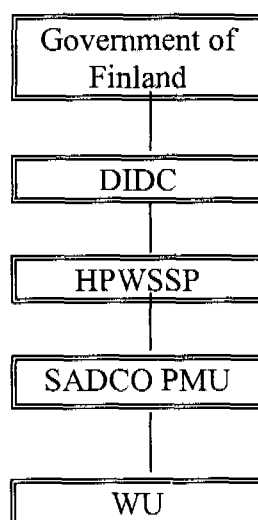
It appears to be merit in retaining the present support staff, who has gained considerable experience in coping with the problems inherent in dealing with a foreign staff with considerable logistical requirements and no local language capabilities. Since these staff at present belong to WSCO, they could be counted against WSCO’s contribution to the Programme costs.

The Women’s Union of Haiphong will, in matters concerning the sub-project Funding Support to Households, act as the organisation managing the sub-project under SADCO.

### **5.2.2. Implementation practices**

In the case of Haiphong, the funding will be provided by the Government of Finland, and there is a long-standing disbursement procedure for Finnish assistance, established through the HPWSSP. It is therefore proposed that the entire funding for the WU operations, be disbursed through standard HPWSSP channels.

The WU should submit to HPWSSP, through the SADCO PMU, its estimates of funds required for operations in the next budgeting period (typically, one quarter). Once HPWSSP is satisfied that the request is reasonable, it should forward it to DIDC along with its requests for other operating funds. DIDC will then credit HPWSSP with the amount, and HPWSSP will release it to SADCO who in turn will pass it on to the WU. It is assumed that both SADCO and WU will maintain entirely special accounts for the FS, supposedly a revolving fund, and associated operations, entirely separate from any other operational funds. This process is illustrated below.



WU's management and accounting for the funds will need to meet both HPPC and DIDC requirements. WU is already managing funds on behalf of city agencies and external donors, and it is therefore hoped that the procedures to be set out in its operational manual will prove generally satisfactory. HPWSSP will need to assist WU in introducing any changes in its accounting procedures that may be required in order to comply with management and audit standards set by the SADCO PMU, the WB, or DIDC. In any case HPWSSP's Financial Adviser and MIS Specialist should assist WU in developing financial reporting systems that are more operationally focussed, that is, that readily provide details of loans made and repaid, bad debts, working capital requirements, etc. Initial discussions on this subject were held during the mission, and HPWSSP will follow up during the remainder of Phase III. Obviously there would be advantages in trying to keep the final accounting system close to other existing systems in the Haiphong city administration, if this can be done without sacrificing transparency and accuracy, and also in trying to have some degree of compatibility or comparability between the WU accounts in the three cities participating in the sanitation project funded by the WB/IDA.

### **5.2.3. *Readiness of WU to manage the Sub-project Financing Support to Households***

Haiphong WU has experience over the past 6 years in operating income-generating revolving funds. This indicates that they have administrative and accounting procedures in place (although it is evident that they need assistance in generating management-oriented information), but of course does not of itself demonstrate that a revolving fund for non-productive purposes, such as sanitation improvements, is feasible.

### **5.2.4. *Hygiene promotion and household sanitation***

#### *Sewage collection and treatment*

From the technical and public health point of view sanitary improvements at the household level makes most sense if tertiary and larger sewers function properly and coverage is 100%. The reverse is also valid: once tertiary and other sewers have been cleaned and rehabilitated, discharge by not properly functioning household facilities will reduce the impact of these efforts. For a maximum impact on public health a 100% coverage with proper and properly used sanitary facilities is to be achieved. Equally important is the fact that people indicated to be willing to upgrade their sanitary situation, provided that the drainage system at the neighbourhood and Phuong level is also improved.

#### *Financial mechanism to improve household sanitation*

Whereas through the 1B project the system of primary, secondary and the tertiary drains is upgraded, the installation or improvement of household facilities is considered to be the responsibility of the inhabitants, not only in terms of "getting it organised", but also in terms of financing. Given the high cost of these facilities and their connection to a tertiary drain and given the low income of many households, a support fund has been agreed upon. The basic concept of the funding is a loan with low interest rate.

*The need for synchronisation of household level and sewer system upgrading*

As indicated above 100% coverage with sanitary facilities is to be achieved, both for maximum impact on public health and for effective use of investments put into cleaning and upgrading the sewer system. Efficient use of heavy equipment (for example for removing old sludge) and the need for keeping the sewer system clean once it has been upgraded call for synchronisation of household level and sewer system upgrading. This requires a high level of co-ordination and collaboration between the households and SADCO.

*Removal of solid waste*

In addition to improving sanitary conditions, the management of solid waste needs improvement. At Phuong level solid waste collection as organised by URENCO does not seem to be the major problem. However, people discharging solid waste into drains at inappropriate times, kitchen wastes being discharged into the sewer system and uncontrolled discharge of construction materials are problems to be solved.

### **5.3. Timetable**

The tentative timetable for the programme is June 2000 - December 2004. The Construction Management Support sub-project will start first. The Financing Support to Households sub-project will start in January 2001.

The timetable can be presented first after the transition period from Phase III has progressed near to its end, and its achievements are known. However, as the basic principle of the resources allocation is sharing the TA resources between the three companies, it can be concluded that the input of the long-term advisers will start in the beginning of the Phase and continue throughout. The short-time advisers will be called based on the annual planning and the progress of the Programme. This includes also the progress of the WB/IDA funded Project 1B, and to a lesser extent the 1A.

### **5.4. Cost estimate and financing plan**

The total costs of the Programme are estimated to be FIM 64.4 million, equivalent to approximately VND 159.5 billion (USD 1 = FIM 5,65 = VND 14.000). Out of this, the foreign component costs, to be covered by the Government of Finland, are estimated to total FIM 53.1 million, and the local component costs VND 27.9 billion.

Based on the discussions and on the extensive documentation already prepared, the mission developed with WU an outline year-wise budget for the Phase IV period, covering (a) the City WU operating costs (as noted above, those at *phuong* and *to* level are covered by interest repayments, although of course some initial seed money will be needed until loans start to generate income); (b) the public awareness and community

mobilization campaigns<sup>1</sup> (including the use of the National WU as adviser on some aspects); and (c) the first three funding cycles of the RF.

This budget is shown in Table 1 below. The total has been kept within the US\$1.0 million figure, which has formed the basis of all discussions to date. This has been possible by:

- a) Allocating the \$150,000 general contingency allowance to public awareness and community mobilization (there is still a 10 per cent contingency allowance in the estimates for the WU city-level support); and
- b) Reducing the FS capitalization to \$650,000 from \$700,000, and allocating the \$50,000 thus saved to the public awareness and community mobilization component. WU consider this satisfactory, if the septic tank program focuses primarily on the 10 *phuongs* in the 1B Project (and on the assumption that possible additional activities, such as bucket latrine conversion or development of public toilets, will bring corresponding additional funding). WU projections are that the first three cycles would cover upgrading of 6,500 septic tanks, the agreed target for FS operations<sup>2</sup>. If the needs turn out to be greater (for example more households than expected require assistance in upgrading; unit costs for acceptable septic tanks and connections are higher than budgeted; people with septic tanks that comply with old standards but do not provide adequate treatment need additional incentives to upgrade), then additional cycles can easily be arranged.
- c) Assuming that any technical assistance required by the WU (for example, on financial management or MIS) will be derived from the SADCO component, and does not need to be separately costed (this includes the need for WU staff to participate in English language training courses arranged through the Programme).

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<sup>1</sup> It should be noted that the WHO "Healthy Cities" initiative seems to be operating in Haiphong without any liaison with SADCO. Since it is concerned with public awareness of health issues and the provision of safe water supply and sanitation facilities, coordination appears highly desirable to avoid overlap, waste and confusion.

<sup>2</sup> There are approximately 22,000 households in the 10 *phuongs* in the 1B Project. If sanitary installations in 50 per cent of them are unsatisfactory, that means a need for upgrading or installation of septic tanks in 11,000 households. The first three cycles might therefore provide financial assistance to about 60 per cent of the total number of households involved in upgrading, well above any "low-income" cutoff point.



TABLE 1: OUTLINE BUDGET FOR WOMEN'S UNION SUPPORT TO PHASE IV

All figures in US\$000 (total also in FIM)

	2001	2002	2003	2004	Total	<b>Total in FIM</b>
City WU operating costs	60	30	30	30	150	<b>847.5</b>
Public awareness and community mobilization	100	40	30	30	200	<b>1,130.0</b>
Revolving fund, first cycle (2001-2003)	300				300	<b>1,695.0</b>
Revolving fund, second cycle (2002-2004)		200			200	<b>1,130.0</b>
Revolving fund, third cycle (2003-2005)			150		150	<b>847.5</b>
Totals	460	270	210	60	1000	<b>5,650.0</b>

## *6. Factors ensuring sustainability*

The community studies leading to the FS proposals provide a picture of communities that have a clear idea of how they want to see their community improved: 47 per cent rated improved sewerage as their top infrastructure need, and another 32 per cent gave top priority to improved household facilities (it is perhaps especially significant, in the context of the 1B Project and the comparative neglect of the tertiary system, that so many of those interviewed recognised that, unless the sewerage was upgraded, improving facilities inside the house might not produce the benefits they hoped for). These studies also found that the residents hold remarkably strong opinions about the amount of money that they would like to borrow for such improvements, the possible terms of loans, and the mechanism for providing them (an NGO, such as the WU, being the preferred channel). All of this suggests that the WU proposals for Haiphong, based on a well-publicised campaign tailored to the residents' preference, should have a good chance of success.

## ***7. Monitoring and evaluation***

### **7.1. Monitoring indicators**

The objectively verifiable indicators are presented in VOLUME V, ANNEX 2, Logical Framework. The monitoring indicators, which should comply with the OVIs, shall be defined in the Annual Work Plans. The reports, e.g. Annual reports, Mid-Term Review, Project Completion Report, which will be the sources of verification, are assumed to be based on actual operational and financial data and records of the three companies (PSEs) This implies that the data must be readily available (transparency) when these reports are prepared.

### **7.2. Reviews and evaluations**

The monitoring of the sub-project Financing Support to Households shall be based on monthly reports (WU internal, each official reports to her/his superior), quarterly progress and financial reports. Quarterly reports shall be reviewed in the Steering Committee meetings.

Annual reports shall be prepared within two months after the end of each year, and presented to the Government of Finland, the Government of Vietnam and the World Bank. The World Bank shall define the manner in which it requires reporting on the components directly linked with the projects 1A and 1B

In addition, the MPI, HPPC and Ministry for Foreign Affairs of Finland may carry out their own reviews and evaluations from time to time as they deem necessary. The World Bank shall also be entitled to review and evaluate the implementation and results of the components, which are directly, linked with their own projects 1A and 1B.

It is envisaged that the performance of the Programme will be externally reviewed and evaluated twice during the implementation period – the first time in the middle of 2002 (mid-term review), and the second time towards the end of the phase (mid 2004).

A project completion report shall be prepared within three months after the end of the Programme.