

OBA and WASH services for marginalized households in rural Viet Nam

Policy implications from the Mid-term Review of WOBA Viet Nam

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Introduction

WOBA Vietnam is a project designed and implemented by TN/EMW that has continued this mode of delivery with the aim to bring water and sanitation services to marginalized households in five rural provinces of Vietnam. WOBA Vietnam is funded by the Australian Department of Foreign Affairs and Trade (DFAT) through the Water for Women Fund over 4.5 years (June 2018 to December 2022). The project has two objectives:

- Objective 1: To increase access to equitable WASH services for the poor and marginalized communities in rural Vietnam.
- Objective 2: To improve gender empowerment and inclusion of women through program implementation and decision making.

The project was implemented using a partnership structure that follows the vertical government structure (national-subnational-village), and private sector sanitation suppliers and water operators to administer an OBA subsidy scheme.

TN/EMW employs output-based-aid (OBA) as the method of delivering WASH products and services

to target households. This is based on the experience and success of EMW Vietnam's previous OBA projects in sanitation and water supply, and EMW Vietnam's established relationships with the local partners including Women Union (WU) and sanitation companies. The OBA strategy also assumed these partners' capacity building for OBA, at the national and provincial level, had already been achieved. Partners' perceptions of EMW Vietnam's quality and validity of evidence of latrine outputs through OBA in prior projects support their belief that WOBA will have achieved its WASH targets in rural marginalized communities.

This policy brief draws on the results of the Mid-term Review of WOBA Vietnam about the success and limitations of applying the OBA model in delivering WASH services to the marginalized households in the rural Vietnam. The MTR involved focus group discussions with partners and stakeholders, interviews with the WU members participating in WOBA, and beneficiaries of WOBA.

Policy Environment for OBA

WOBA's goal of providing access to improved sanitation and piped water to poor and GESI households aligns with the objective of the National Strategy for RWSS to 2030¹, that 100% of rural households to have hygienic latrines, and 75% of rural population in disadvantaged areas to use

¹ Draft National Strategy of Rural Supply of Water and Sanitation to 2030, 6 May 2021.

clean water with minimum use of 60 liters per person per day, by 2030.

OBA approach in WASH is mentioned in the Decree 57 about the post-investment supporting mechanism:

“The State budget provides the post-investment support: when the project’s investment items are completed and accepted, 70% of the support budget will be disbursed according to the investment items; After the project is completed, accepted and put into production and business, 30% of the remaining support capital will be disbursed” (Item 4, Article 15).

OBA is interpreted as the enterprises invest the WASH works first, then the state will provide the support after the construction is completed and operated.

The OBA delivery model was applied in previous projects of EMW like CHOBA² 1 and 2. Some other international donors have also implemented this method in the development project such as World Bank, Asian Development Bank. However, the OBA delivery model appeared to be new or ‘modified’ to some partners at locality. This could be because of lack of legal document stipulating the application of OBA delivery model in WASH, especially for the marginalized households.

Effectiveness of OBA subsidies

The subsidies have been effective in reaching WOBA’s targets of poor/near poor and Gender and Social Inclusion (GESI) households’ latrine uptake and water connections. It helps improve the environmental sanitation in the community. It also helps the community to achieve the target on environment of the New Rural Development Program.

By June 2021, WOBA achieved 12,767 latrine constructions, representing 64% of the project target for latrine uptake. 3,445 GESI households completed latrine, of which 1,994 households had

persons with disabilities. The water connection output is slower with about 45% of water connection targets achieved. Fig 1 shows the increased in sanitation coverage for the target groups in five project provinces. Fig 2 shows the results in water component against target and baseline.

Fig 1. Increased % of sanitation coverage for all poor/near poor and GESI households by province

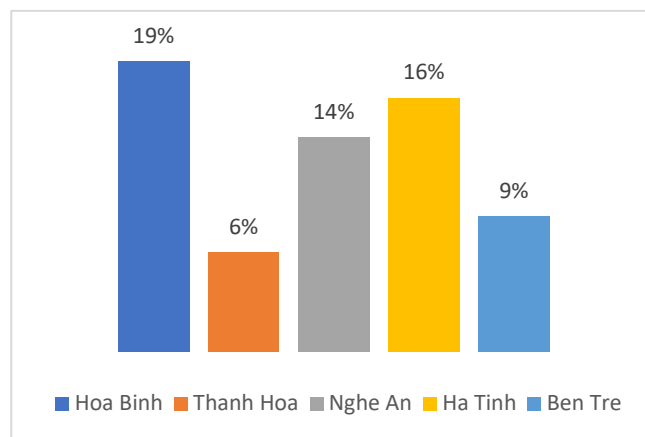
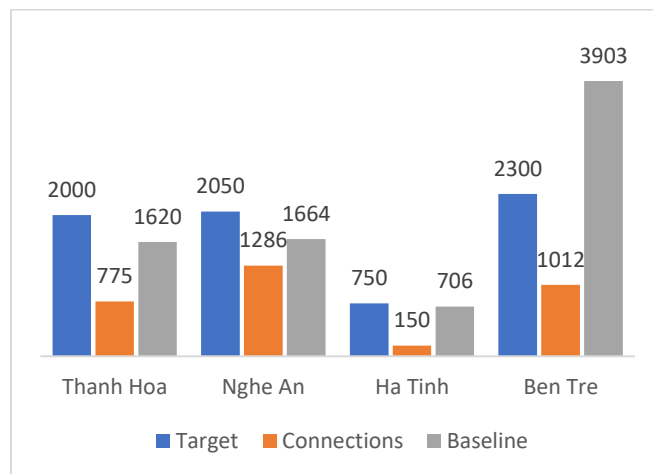


Fig 2. Number of households connected to water against target, and baseline



Although TN/EMW has employed OBA in previous projects, this mode of support is quite different from the previous support models of other projects for the poor or difficult households in WOBA project’s local areas. In the previous support models, the subsidies were provided to households

² Community Hygiene Output-Based Aid (a previous EMW project)

before construction. There are some disadvantages of these pre-paid models when families could not implement and follow through their commitment. Thus, results-based management or subsidy payment after construction - OBA model - is considered by most people interviewed in the MTR to be appropriate because it encourages households to commit to building latrines for themselves.

In reality, because many households do not have enough money to buy the materials for building latrines, the WU members at the commune (CWU) plays the role of a guarantor for the household to borrow without interest the materials or hire masons for building latrines from the local construction material agents or those suppliers who know both the household and the CWU very well. Households repay the debt when they receive WOBA subsidy or support from relatives. All beneficiaries interviewed paid the construction material agents or masons as soon as they received the WOBA subsidies.

Challenges of OBA

The OBA payment process requires verification of completed latrines as a condition of subsidy payment. The verification survey also collects information about the costs of building. Table 1 shows the average costs of latrines in the five provinces and the subsidy amounts. The subsidies average from 8% (Ben Tre) to 2% (Nghe An) of the total costs of building latrine for poor/near poor households, and 10% to 4.5% of the total costs of building latrine of the GESI households

In some cases, although the subsidies from the project were paid after latrine completion, the CWU looked for other sources to support households such as donations or other local assistance programs. This has led some households to perceive that OBA is a form of government support or did not care about sources of support.

Table 1. Average cost of latrine and family savings used to pay latrine (per verification data)

	Average cost of building latrine (million VND)	Average family savings ³ used to pay latrine (million VND)	Total subsidy for poor/near poor (million VND)	Total subsidy for GESI (million VND)
Ben Tre	12	10	0.9	1.2
Ha Tinh	25	23	1.15	1.5
Hoa Binh	13	10	0.8	1.5
Nghe An	33	30	0.8	1.5
Thanh Hoa	32	32	1.32	1.8

According to the WU interviewees, although subsidies are effective to increase access to basic WASH services, the OBA model should be applied only for those with adequate financial resources to build their latrines with the WOBA subsidies. Many poor/near poor or GESI families hesitated to register with WOBA because they did not have sufficient resources to build latrine. The WU introduces the loans with low interest from the Vietnam Bank for Social Policies (VSPB) to some households during their mobilization but because the VSPB's fund for this loan in many communes is limited, it has not adequately supported all households with needs and interest in latrine take up. In addition, those households without any income sources besides monthly allowances from the State, could not access the VSPB's loans.

Although the subsidy for GESI households is higher than that for poor and near-poor households, it is not sufficient for these households who are very poor and often have to care for family members with disabilities, elderly people who are unable to work. The WU interviewees felt that the subsidy amounts are not adequate to build the "basic" septic tank latrine, the preferred latrine type, which costs on average VND 10- 15 million (not including the septic tank latrine combined to bathroom). These

³ Actually, this money that HHs used to pay latrine can be not only from the savings of HHs but also from the loans or the donation/subsidy from other programs.

subsidies also equal to a half the cost of a standard double vault latrine estimated which is about VND 3 million.

The WU members believed that this support may motivate poor or near-poor households to build latrines, but the main problem is that many of the project's target beneficiaries do not have financial resources or cannot access appropriate financial resources. The one level subsidy is not appropriate to apply to all poor and near poor households, who have different socio-economic conditions that impact their affordability. According to one WU staff,

"The authority only supports 1 million or 2 million for a latrine for example, but a household is spending VND 30-40 million to build latrine, so the subsidy is so small. There are families who also want to build latrine, but that amount of support is small, so they can't do it."

The subsidy amounts are insufficient to support households who live far away from the water pipeline and have to pay higher cost of connection. There is no government investment or project investment to help the water operators in these localities to extend their service network. This has resulted in many households unable to sign up to water services through WOBA.

Another challenge of OBA method in WOBA is that the project uses the government lists of poor households as baseline data to identify beneficiaries. Due to the target of annual poverty percentage reduction of the New Rural Development Program⁴, some households were removed from the list of poor households as part of the commune's reduced target of poverty. This means that the list of eligible households to WOBA may miss capturing poor households due to changing levels of poverty. Moreover, the list could change from the time of mobilization to the time of

latrine completion which is a problem for monitoring and evaluation.

"With the NRDP, the village has eliminated the real 'poor and the near-poor'." (Beneficiary, Thanh Hoa)

Thus, from the perspectives of households the process of identifying WOBA target beneficiaries is not inclusive because there are those with needs and desire to connect the water supply system or build the hygienic latrines and have not been able to access WOBA.

Co-financing and institutionalizing of OBA

As part of WOBA, TN/EMW signed agreement with the Provincial People's Committee (PPC) to co-finance latrine subsidies for households. According to partners in the MTR focus group discussions, co-financing fund enhances the responsibility and engagement of the authorities in the project. Without the counterpart fund from the government, funding from the donors can be considered as donation, and thus difficult to get the government to be involved in the implementation. When there is a requirement for government co-financing, the PPC has to direct the related parties to participate in the project activities, monitor and push their implementation. In this way, co-financing by government in WOBA may not change the institutional structure in the government system in the short-term but it can help to promote the participation of stakeholders in the implementation process of OBA approach.

In the focus group discussion at the national level, some partners commented that WOBA is not the first project applying OBA. Many donors have also implemented this method such as World Bank, Asian Development Bank. Some partners recalled the application of OBA in previous projects of EMW

⁴ Item 4 in NTP of New Rural Development: target Satisfying criteria No. 11 on poor households in the National Criteria for New Rural areas. By 2020, 60% of communes will meet criterion No. 11 on poor households; reduce the average poverty rate of the whole country from 1.0% - 1.5%/year (particularly in districts and communes with

special difficulties, it will decrease by 4%/year) according to the national poverty line in the 2016-2020 period. <https://thuvienphapluat.vn/van-ban/Van-hoa-Xa-hoi/Quy-et-dinh-1600-QD-TTg-chuong-trinh-muc-tieu-quoc-gia-xay-dung-nong-thon-moi-2016-2020-320132.aspx>

like CHOBA⁵ 1 and 2. However, the OBA delivery model appeared to be new or ‘modified’ to some partners at the provincial, district and commune levels due to the co-financing arrangement,

“Previously, Ben Tre received from NGOs a full package and without allocating counterpart funds. The people who receive the grants were in a passive position in terms of giving and receiving. Currently, the project is implemented in such a way that the local people understand their roles and responsibilities so that must contribute in terms of personnel and counterpart funds. This is a modified mechanism. There is no mechanism of “give and take.” (Participant, FGD, Ben Tre, Water)

Partners at all levels highly appreciated the OBA model, which they understood as “build latrine first, get the subsidy later” for its encouragement of marginalized households to build latrine or connect to the tap water supply system. In the opinion of the partners, this model should be applied because WASH take up is the community responsibility.

“In Nghe An, the authorities have been applying this model. It could continue in the future.” (Participant, FGD Nghe An, Sanitation)

It should be noted that OBA is understood by all partners and stakeholders as needs-based support model rather than to create market demand at the household levels. There appears to be some reservation about engaging private sector to build sustainable WASH market system through OBA. This seems to be because of the involvement of the WU as the key implementer of OBA who has a political responsibility to support the community rather than creating demand generation for market creation. The partners considered the participation of private suppliers in WOBA or the relationship of the WU with private suppliers as a factor of “market” rather than important actors in the market.

Although the partners do not object to market approach in delivering WASH services, they do not seem to support the idea of OBA institutionalization as systematic activation of the WASH services market. It appears that the resources provided from the WOBA are limited in the context and needs of its partners to apply OBA as market strategy for the project’s poor and GESI beneficiaries. Similarly, the co-financing commitments from PPCs is seen as complementary to output-based aid rather than institutionalizing a public-private-partnership during and post WOBA. It is quite evident that subsidies are seen as donation or rewards and the co-financing is an implementation mechanism for the PPC to direct the parties involved.

Policy implications for OBA

Institutionalizing OBA thus seems unlikely in the context of WOBA’s target households, the current subsidy amounts, and affordability of both households and the private enterprises, particularly capacity for private water companies to achieve revenue and profit sustainability.

The OBA model assumes an even playing field for both supply side (private sector operators) and demand side (households) across villages, communes, districts, provinces. We have learnt from WOBA that in order for OBA to be sustainable mechanism to provides WASH access for marginalized households, OBA design should consider:

- differentiation of products and subsidies to accommodate different households’ needs
- differentiation of financing either through loans or subsidy levels to accommodate different levels of affordability and WASH products

⁵ Community Hygiene Output-Based Aid (a previous EMW project)

- alternative methods besides using government list of poor and GESI are needed to ensure no one is left behind

The trialability of any intervention is about having the space for ongoing evaluation to reverse course of implementation if warranted. In this case, the OBA model in the SANOPA⁶ group, could be used as a pilot to trial a range of financing mechanisms for the private sector like loan, instalment payment, credit arrangement or types of blended finance like equity bonds, or involving social enterprises rather than the WU.

Based on the evidence of this MTR and other studies on OBA model by EMW and other international donors in Vietnam, OBA could be incorporated in the National Strategy for WASH in rural areas or other forms of policy settings to legitimize OBA in WASH delivery. Such policy reform should be accompanied by specific initiatives to support private sector operators and households in accessing finance to take up WASH products. TN/EMW could play an active role to advocate for such policy changes to improve effectiveness and sustainability of the OBA model to provide marginalized households equitable access to WASH services.

[For the full report of the Mid-Term Review, please email Dr Lien Pham at \[lien.pham@eastmeetswest.org.au\]\(mailto:lien.pham@eastmeetswest.org.au\)](#)

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⁶ The name of the EMW/WU sanitation enterprise