### PROJECT INFORMATION DOCUMENT (PID)
#### APPRAISAL STAGE

<table>
<thead>
<tr>
<th>Project Name</th>
<th>VN Urban Upgrading Project Additional Finance</th>
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<tr>
<td>Region</td>
<td>EAST ASIA AND PACIFIC</td>
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<td>Sector</td>
<td>Sewerage (80%); Housing finance and real estate markets (10%); Housing construction (5%); Sub-national government administration (5%)</td>
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<td>Project ID</td>
<td>P115897</td>
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<td>Borrower(s)</td>
<td>SOCIALIST PUBLIC OF VIETNAM</td>
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### Environment Category
- Environment Category: [X] A, [ ] B, [ ] C, [ ] FI, [ ] TBD (to be determined)

### Date PID Prepared
- May 6, 2009

### Date of Appraisal Authorization
- May 5, 2009
1. Country and Sector Background
The VUUP credit in the amount of SDR 148.8 million, then equivalent to US$ 222.47 million, was approved by the Board of Executive Directors on April 29, 2004 and became effective on October 6, 2004. Standard IDA credit terms apply, with a 10 year grace period and 40 years to maturity. A Japanese PHRD implementation grant in the amount of $4.5 million was approved at the same time. The Project is due to close on December 31, 2012, the original closing date.

The original Project consists of seven components implemented by five different Project Management Units. The first six components – tertiary infrastructure upgrading, primary and secondary infrastructure upgrading, resettlement housing, land and housing management, housing improvement loans and capacity building – are designed as an integrated package and are implemented by Project Management Units in the four targeted cities. The seventh component – national urban upgrading – is implemented by the Ministry of Construction and aims to establish a national urban upgrading program to scale-up upgrading for the improvement of environmental living conditions in low-income cities across Vietnam. These arrangements will remain unchanged under the additional financing.

The parent Project is expected to improve urban environmental living conditions through the improved access and expansion of urban infrastructure, mainly waste water collection, storm water drainage, access roads and paving, water supply, public lighting and community facilities, the benefits of which would accrue to approximately two million people, including approximately 1,000,000 low-income urban residents in the cities of Ho Chi Minh, Can Tho, Nam Dinh and Hai Phong. These original objectives will remain under the additional financing and the additional financing will be required for the Parent Project to realize fully the Project objectives and original scope and scale of projected beneficiaries. The overall design, scope and scale of the Project will remain unchanged. However, the improvement of the Tan Hoa – Lo Gom canal sub-project in Ho Chi Minh City is proposed to be financed with IDA funding under the additional financing, rather than through a parallel financing from AFD as originally expected.

2. Objectives
The original objectives of the Project are: to assist the Borrower to alleviate poverty in urban areas by improving the environmental living conditions of the urban poor in the Project Cities through the use of participatory planning methods and the promotion of more inclusive and pro-poor urban planning processes.

3. Rationale for Bank Involvement
At the time of Project appraisal in early 2004, the total Project cost was estimated to be approximately US$417.5 million, of which US$222.47 million was to be financed by IDA. Counterpart funding, AFD and PHRD funding was to make up the rest of the financing sources, as identified in both the PAD and legal documents. This amount of financing was expected to enable the expansion and improvement of urban infrastructure in both low-income communities and its corresponding primary and secondary networks sufficient to benefit approximately 2.0
To achieve the objectives of the Project, and in particular to ensure that benefits accrue to the estimated 2.0 million Project beneficiaries, it is estimated that an additional US$160.0 million will be required (HCMC $128.8, Can Tho $11.62, Hai Phong $10.45 and Nam Dinh $9.14 million). The additional financing would cover the financing gap resulting from inflation (US$31 million) for investments in Can Tho, Hai Phong and Nam Dinh and to cover the cost of completing the upgrading of the Tan Hoa – Lo Gom Canal which will not be financed by AFD as originally expected. The cost of upgrading the canal is based on the final detailed engineering designs as of December, 2008 representing the most accurate costs and the cost increases since appraisal of the Parent Project.

The additional financing will allow the Project to achieve its objectives in all four cities. The financing of the Tan Hoa – Lo Gom Canal in particular is a critical piece of the Project to ensure the sustainability of the investments in the low-income communities in the Tan Hoa – Lo Gom canal district of Ho Chi Minh City – the focus of the Project in Ho Chi Minh City and one of the lowest income areas in Ho Chi Minh City. The canal is a source of direct pollution and flooding in the basin due to its low hydraulic capacity. Houses in the basin are frequently inundated by up to a meter of mixed flood water and sewage which gives rise to water borne diseases such as diarrhea and typhoid and flooding seriously impacts economic activities. More than 1.0 million people will benefit from the improvement of the canal.

4. Description

The Project consists of seven components:

**Component 1, Tertiary Infrastructure Upgrading and Service Improvements:** This component consists of the integrated upgrading of basic infrastructure such as drainage, waste water collection, electricity and lighting, street access improvements and water supply and the provision of social services such as schools, pre-schools and health centers in targeted low-income communities. The hallmark of the component is the introduction of community participation in the development, approval and oversight of the community upgrading projects.

**Component 2, Primary and Secondary Infrastructure Improvements:** The component is focused on the upgrading of large primary and secondary infrastructure networks that are necessary to sustain the tertiary level investments. This can include investments in roads, water distribution systems, drainage, waste water collection, among others. Investment priorities have largely been in the area of macro drainage and wastewater collection, which are among the largest infrastructure deficiencies in urban areas.

**Component 3, Resettlement Housing:** The upgrading of large infrastructure systems requires the resettlement or compensation of affected households. Many families living in precarious
conditions along the margins of drainage canals are required to be resettled both to improve their living conditions, and to accommodate space for the upgrading and improvement of the infrastructure networks. This component includes the construction of resettlement housing and compensation of affected households.

**Component 4. Land and Housing Management:** This component is aimed at building the capacity of local government, under the decentralization of responsibilities, to better manage land and housing assets in the city. It focuses on establishing electronic land administration and housing management information systems, the updating and digitization of cadastral maps and the simplification of procedures for the provision of land use certificates.

**Component 5:** The objective of this component is to provide access to poor households for the purpose of housing improvements. The component also aims to strengthen the capacity of the micro credit institutions involved in its delivery, specifically the Women’s Unions, Capital Aid Fund for Employment of the Poor and the Mekong Housing Bank.

**Component 6, Capacity Building:** The component is designed to provide training and build capacity to city officials and community groups in participatory planning, urban planning, community organization, community sanitation awareness, project management, financial management, procurement, safeguards monitoring and monitoring and evaluation of the projects.

**Component 7, Development of a National Urban Upgrading Program:** Through the Ministry of Construction, this component supports the development of a national strategy for urban upgrading, including conducting demand assessments, sharing of experiences and lessons learned in urban upgrading and the development of a national strategy to scale-up upgrading practices such as participatory planning and effective peri-urban development.

The Project is designed such that each of the four cities implements its own investment program following the decentralization policies of the Government of Vietnam. As such, the Project can be viewed as four individual projects in one program, plus a national component implemented by the Ministry of Construction. The IDA Credit is allocated among the four cities: Can Tho US$26.9 million; Hai Phong US$29.5 million; Ho Chi Minh US$137.9 million; and Nam Dinh US$28.0 million. The National Urban Upgrading Component, to date, is financed 100% from the parallel PHRD Grant in the amount of US$750,000. The remainder of the PHRD grant funds are implemented directly by the four cities for capacity building.

*Additional Financing Project Summary*

The Parent Project was designed to be implemented in two phases: phase one covers civil works from components 1, 2 and 3 that were available for appraisal at the time the Project was prepared. Phase 2 includes civil works in components 1, 2 and 3 that were to be developed and appraised during implementation. The other components are not divided into phases. Additional financing is being sought only for components 1, 2 and 3. In Can Tho, Hai Phong and Nam Dinh, the Additional Financing will cover a financing gap in component 1, 2 and 3. In HCMC the Additional Financing will cover the cost of the Tan Hoa – Lo Gom canal improvement project.
5. Financing
Source: ($m.)
BORROWER/RECIPIENT 250
International Development Association (IDA) 160
Total 410

6. Implementation
The implementation arrangements will remain unchanged from the Parent Project as these have proven to be satisfactory and adequate for the activities proposed under the additional financing. A multi-disciplinary Project Management Unit (PMU) has been established to implement the Parent Project and is directly managed by the City People Committees (PC). Steering committees under the direction of the PCs and with involvement of representatives of all city departments are included to provide advice and support to the PMU and to facilitate project implementation.

7. Sustainability
With the continuing fast urbanization of Vietnam which is expected to double its urban population between 2000 and 2020 to nearly 50%, the objective to alleviate poverty in urban areas by improving the environmental living conditions of the urban poor through the use of participatory planning methods and the promotion of more inclusive and pro-poor urban planning processes remains highly relevant. Expanding access to basic urban services to the urban poor will become increasingly critical in this rapid urbanization environment and the demand will continue to increase. In addition to continuing to support the CAS objectives that were in place at the time of the original Project appraisal, the Project is also consistent with the current Country Partnership Agreement. As an integrated approach to improving the living conditions of the urban poor, the current Vietnam Urban Upgrading Project would support all pillars of the Country Partnership Strategy for FY07-11 which provides the overall rationale for World Bank involvement in the sector. It does this by supporting improved municipal services, expanding services to the urban poor, improving the urban environment and promoting greater participation in the local planning process.

8. Lessons Learned from Past Operations in the Country/Sector
The Project incorporates:
- Strong stakeholder participation
- Targeting of low-income households
- A focus on appropriate technology and design standards
- Integration of urban investments to decrease costs and increase benefits
- Micro Credit operations for housing improvement

9. Safeguard Policies (including public consultation)
OP 4.01, Environmental Assessment: The Project is classified as Category A. The VUUP subprojects are expected to have mostly positive environmental and public health impacts by contributing to improvement of the city’s infrastructure, safe water and electricity supply,
sanitation services, efficient and safer roads and resettlement sites. Adverse impacts could arise through: (a) temporary pollution (dust, noise, vibration, surface run-off), excavation work, and disturbances to local transport, waterways or drainage systems, that could occur during construction; (b) wastewater discharge from the sewers and canals; and (c) transportation and disposal of dredged/excavated material.

An environmental appraisal of the Tan Hoa – Lo Gom Canal improvement sub-project was carried-out as this is a new IDA funded activity, as a condition for appraisal of the Additional Financing. The impacts of the investments in THLG canal are mainly related to the dredging activity, transportation and disposal of the dredged material; excavation work and transportation of materials for the construction of canal embankment, roads, bridges, sewerage and drainage. These impacts would include dust, noise, vibration, odor, disturbance to local traffic and the drains discharging to the canal, as well as temporary increase of pollution load in the canal water. With a system of a box culvert, and CSOs - interceptors to be built, respectively, in the canal upstream section and along the canal in its downstream section, water quality in the canal will be considerably improved. An increase of pollution load is expected during the dry season in the canal downstream and the area of its outlet to the Tau Hu - Ben Nghe canal, for which construction of a wastewater treatment plant is being planned in the upstream of the outlet. Modeling of the pollution dispersion at the outlet area was conducted as to assess the extent of such an increase, with the notion that the total pollution load discharging to Tau Hu- Ben Nghe canal will remain unchanged compared to the baseline data. It is suggested that the dredged material, which is contaminated by organics and a number of heavy metals, be transported by waters to a disposal site at the city's waste treatment complex, which is being developed on a distance of 25 km from the canal,(17 KM by water). Commitment of the HCMC URENCO allowing the disposal at this site has been secured.

In addition to the standard mitigation measures to be applied by contractors to the construction work, the EIA report suggests constructing a screen at the THLG outlet and a dyke around the unloading area of the disposal site. This would help to minimize the impacts of pollution dispersion to the receiving waters of the Tau hu - Ben nghe canal and also the waterways to be used for the transportation of the dredged material.

OP 4.11, Physical Cultural Resources: The proposed additional financing for Ho Chi Minh City triggers an additional safeguards requirement for Physical Cultural Resources. Consultation with the owners of the 6 cultural properties (temples and shrines) which would be wholly or partially affected was carried out. As a result, measures mitigating impacts of construction work have been proposed in the EIA and a resettlement plan has been developed in the RAP. The mitigation measures were consulted and agreed with the properties owners. These would include relocation and/or compensation for the wholly affected shrines; standard construction methods, fencing and appropriate work scheduling for the temples which would be partially affected during construction.

OP 4.12 Involuntary Resettlement: The Parent Project triggered the World Bank policy on Involuntary Resettlement (OP/BP4.12). A Resettlement Policy Framework was prepared and endorsed for the whole project. Based on it, a Resettlement Plan was prepared for the Tan Hoa – Lo Gom canal improvement subproject. A total of 2,201 households with 13,206 persons will be
affected, of which 1,351 households with about 8,106 persons are fully affected and 850 households with about 5,100 persons partially affected. There are 215 households, whose business will be affected by the subproject. Most of the affected households (82%) are concentrated in District 6 and the rest are located in Tan Phu (16%) and district 11 (2%) of the City.

OP 4.10 Indigenous People: There are no ethnic minorities living in the project areas. So this policy is not triggered.

10. List of Factual Technical Documents

A. Bank Staff Assessments

Financial Management Capacity Assessment, April 2009
Detailed Financial Projections, April 2009
Detailed Economic Analysis, April 2009

B. Other

*Ho Chi Minh City Housing and Land Report*, Annette Kim, 2001


*Preparation Report for Housing for the Poor Component*, Terry Standley, April 2003

*Analysis of Housing Improvement Loan Component, Report 1*, Judith Brandsma and Loan Duong, April 2003.


*Pre-Feasibility Studies*, PMUs of Hai Phong, Nam Dinh, Can Tho and Ho Chi Minh Cities; Vinaconsult, CDC, Thikeco, and Van Xuan Ltd. respectively, April 2003.

*Feasibility Studies*, PMUs of Hai Phong, Nam Dinh, Can Tho and Ho Chi Minh Cities, Vinaconsult, CDC, Thikeco, and Van Xuan Ltd. respectively, November 2003.

Socio-Economic Survey Reports, PMUs of Hai Phong, Nam Dinh, Can Tho and Ho Chi Minh Cities, Vinaconsult, CDC, Thikeco, and Van Xuan Ltd. respectively, September 2003.

Report of Preliminary Survey on Khmer Ethnic Minority, Can Tho City, Thikeco, April 2003

Community Upgrading Plans, PMUs of Hai Phong, Nam Dinh, Can Tho and Ho Chi Minh Cities, Vinaconsult, CDC, Thikeco, and Van Xuan Ltd. respectively, September 2003.

Operational Manuals for Tertiary Upgrading, PMUs of Hai Phong, Nam Dinh, Can Tho and Ho Chi Minh Cities; Vinaconsult, CDC, Thikeco, and Van Xuan Ltd. respectively, October 2003.


Environmental Assessment and RAP Summary, Phase 1, December 2003.

Feasibility Study Summary for Tan Hoa – Lo Gom Canal, Billie Black & Vitch, March 2003

Feasibility Study for Component 1, phase 2 in Nam Dinh, Infra-Thang Long, July 2008

Construction Investment Report for Component 1, phase 2 in Hai Phong, VIWASE, July 2008

CEMP for Component 1 phase 2 (Category B), Hai Phong Sub-project, VIWASE,

CEMP for Component 1 phase 2 (Category B), Can Tho sub-project, Infra-Thang Long, …. 2009

RAP for Component 1 phase 2, Can Tho sub-project, Infra-Thang Long, ….2009

Environmental Impact Assessment for Component 2 Phase 2, Can Tho sub-project, Infra-Thang Long, March 2009

CEMP for Component 1 phase 2 (Category B), Nam Dinh sub-project, ……..

RAP for Component 1 phase 2, Nam Dinh sub-project,

Environmental Impact Assessment for Component 2 Phase 2, Nam Dinh sub-project, Infra-Thang Long, April 2009

Environmental Impact Assessment for Tan Hoa – Lo Gom Canal, CEECO, March 2009


Resettlement Action Plan for Component 2 Phase 2, Can Tho sub-project, (PENDING)

Presentations for Additional Financing Workshop, HCMC, Can Tho, Hai Phong and Nam dinh PMUs, January 2009.
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