



Program Information Document (PID)

Concept Stage | Date Prepared/Updated: 28-Jun-2019 | Report No: PIDC27374



BASIC INFORMATION

A. Basic Project Data

Country Vietnam	Project ID P171216	Project Name Second Ho Chi Minh City Development Policy Operation (P171216)	Parent Project ID (if any) P160480
Region EAST ASIA AND PACIFIC	Estimated Board Date May 14, 2020	Practice Area (Lead) Governance	Financing Instrument Development Policy Financing
Borrower(s) Socialist Republic of Vietnam	Implementing Agency The People's Committee of Ho Chi Minh City		

Proposed Development Objective(s)

This is the second operation of the DPO series to support HCMC to strengthen institutional foundations for sustainable urban development. Specifically, the development objectives of the series are to contribute to (i) Integrated and transparent spatial information for urban management; (ii) Strengthened management of public assets and liabilities; and (iii) Enhanced delivery of priority municipal services.

Financing (in US\$, Millions)

SUMMARY

Total Financing	125.00
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DETAILS

Total World Bank Group Financing	125.00
World Bank Lending	125.00

Decision

The review did authorize the preparation to continue



B. Introduction and Context

Country Context

Despite significant achievements over the past years, challenges remain in HCMC. As the City emerges into an Asian “megacity”, its leaders are confronting a host of challenges common to large urban areas across the developing world. The City has adopted seven breakthrough programs aiming to (a) enhance quality of growth and economic competitiveness; (b) improve quality of human resources; (c) reform public administration systems; (d) develop and gentrify urban settlement; (e) reduce traffic congestion and accidents; (f) mitigate urban flooding; and (g) lower environment pollution. The City is also putting serious efforts to harness its expanding ICT infrastructure and create an effective digital government and open data driven innovation ecosystem, to serve its millions of citizens and businesses.

Effective policy and institutional reforms are considered foundational and essential prerequisite for delivering the programs. But further success would require concerted actions in the areas of urban planning, municipal finance, quality of basic and advanced services, infrastructure development and poverty and social development. Indeed, these areas will exert a determinative impact on HCMC’s future competitiveness and its capacity to remain a zone of opportunity for Vietnamese people. With slowing budget revenue growth and little revenue policy and administration autonomy, it will be key to unlock the value of public assets as a core urban strategy, consider other sources of revenue mobilization and/or borrowing while ensuring prudent liabilities management.

The policy program supported by this operation is designed to reinforce targeted institutional reform measures in three out of seven breakthrough programs. At the same time, it supports cross-cutting and underpinning digital transformation and fiscal governance reforms.

Relationship to CPF

The proposed DPO is closely aligned with the Country Partnership Framework (CPF) 2018-22. The operation underpins a core strategic thrust of CPF to engage comprehensively and strategically with key subnational governments across Vietnam and to provide integrated, cross-sectoral support. As such, the operation supports several CPF objectives. It directly contributes to enhanced urban governance, better, more integrated urban planning, more efficient resource use, including of urban land and improved service delivery in HCMC and through potential demonstration effects across the country (CPF objective 4). The operation also contributes to strengthened fiscal management and competitiveness at the city level (CPF objective 1 and 2).

C. Proposed Development Objective(s)

This the second operation of the DPO series to support HCMC to strengthen institutional foundations for sustainable urban development. Specifically, the development objectives of the series are to contribute to (i) Integrated and transparent spatial information for urban management; (ii) Strengthened management of public assets and liabilities; and (iii) Enhanced delivery of priority municipal services.

Key Results

Key expected results of the supported policy and institutional actions include: for pillar (i) – improved information sharing for integrated and evidence-based urban planning and management; and enhanced transparency of urban zoning information provided to citizens, making zoning more credible by allowing external scrutiny; for pillar (ii) –



improved financial sustainability for the provision of wastewater, drainage and flood control services; consolidated and professionalized management of commercial housing assets as the basis for better revenue management; better coordinated debt management functions for both domestic and external borrowings; and for pillar (iii) – more simplified and efficient procedures to legally start operating a business; and strengthened management capacity towards more efficient use of resources for and improved services quality of public transport.

D. Concept Description

This operation deepens and consolidates reforms supported by the first DPO (P160480). Both program and individual actions were designed to align with government priorities and ensure implementability. Individual prior actions were also calibrated to the specific context.

The proposed policy program includes 8 prior actions, namely: (i) Issue binding common data standards to ensure interoperability of different databases and operationalize the shared data warehouse; (ii) Disclose vector-based zoning plans on-line for the whole of HCMC; (iii) Implement a gradual tariff increase to improve cost recovery levels for wastewater and water drainage services 2020-2022; (iv) Implement competitive auctioning for new lease of state-owned commercial building assets; (v) Establish comprehensive debt recording, reporting and monitoring for all subnational debt and selected contingent liabilities; (vi) Institutionalize a formal performance monitoring process to periodically assess and improve business entry procedures based on user feedback and internal review; (vii) Define the allocation of responsibilities and establish a coordination mechanism between MCPT and public transport operators; (viii) Implement competitive tendering for at least four bus routes on which multi-year contracts will be applied with provisions on strengthened quality standards and monitoring and enforcement mechanisms.

E. Poverty and Social Impacts and Environmental Aspects

Poverty and Social Impacts

Collectively, the proposed prior actions are welfare enhancing as they aim to enhance public service delivery, in a fiscally sustainable way, but with a focus on direct benefit to residents. Three of the 8 prior actions are distribution neutral with positive spillover effects. Both increased inter-agency spatial data sharing and expansion of on-line disclosure of land-use and construction zoning plans following well-defined technical standards will help remove information asymmetry, hence minimizing rent seeking opportunities in the permit application process, while reducing risks for both commercial and residential property owners and increasing permit processing times. This also has clear benefits to household building new homes. Positive gains from better fiscal management are also benefiting citizens more broadly. In the meantime, the gradual wastewater tariff increase potentially have marginal negative short-term welfare impacts. However, related payments are estimated a very small share of household expenditures (less than 0.34% of expenditures for the bottom quintile) hence the impacts are very small. Nevertheless, the Bank is working with the government to undertake the distributional impact analysis of alternative tariff structures to minimize the impacts on the poor while achieving cost recovery. The implementation of competitive auctioning for commercial housing assets may create winners and losers, but with varying degrees of welfare impact. This would likely lead to an increase in rentals for businesses operating from city owned commercial housing, increasing their operating costs, but not by a high enough margin to threaten viability of the enterprises. To the extent that the additional revenue is used to improve service provision for the poor, the policy would consequently have a positive welfare distribution favoring the poor. The actions in transport sector are complementary and together they are expected to have a positive and progressive welfare impact. The proposed policy measures will improve the quality of public transportation services provided, optimized to meet demand, while containing fare increases for the poor. Various aspects of the bus services are being assessed, considering perspectives of diverse users by gender, age, income, with/without disabilities, etc.



The upcoming introduction of electronic ticketing system will allow the City to better target their subsidies, by directly supporting lower-income users, rather than subsidizing the operators. Additionally, route re-organization will be based on an accessibility analysis, with an aim to improve access to jobs/markets/services for as many people as possible, and thus, the re-arrangement will improve accessibility for the vast majority of the users.

Environmental Impacts

Policy actions supported by this DPO series are unlikely to cause significant negative or positive effects on HCMC’s environment. Overall, the prior actions will likely lead to positive environmental outcomes, and so the net effect of the DPO reforms is expected to be positive. In particular, implementation of the prior actions related to the smart city initiative, disclosure of land zoning plans, improvement in management of commercial housing assets, and integrated management of all modes of public transport would lead to better management of land use and zoning, which is crucial to avoid environmentally -and economically- costly urban sprawl; environmental saving from avoiding parking, transport, material production and reduction of physical space. The prior action on wastewater tariff would reduce water/air pollution, health risks and impacts of flooding, due to an increase of treated wastewater and improved water drainage services. The prior action on integrated management of all modes of public transport would reduce air pollutants, level of noise and acoustic contamination from vehicle sources. All these potential positive environmental effects are not likely to be significant. Some anticipated environmental adverse effects are related to the operation, maintenance and disposal of ICT equipment (prior action on smart city initiative); poor households not be able to afford increased tariff schedule and related services, increased pressure on water resources and limited access to improved sanitation (prior action on wastewater tariff); and potential environmental issues due to speeding up of business start-up times and licensing procedures (prior action on business licensing procedures). Although the outcome of the screening exercise that these effects are not likely to be significant, there have been some recommended actions to avoid or reduce such effects.

CONTACT POINT

World Bank

Quyên Hoàng Vũ, Sebastian Eckardt
Senior Governance Specialist

Borrower/Client/Recipient

Socialist Republic of Vietnam

Implementing Agencies



The People's Committee of Ho Chi Minh City
Thang Phan Thi
Director General, Department of Finance
ptthang.stc@tphcm.gov.vn

FOR MORE INFORMATION CONTACT

The World Bank
1818 H Street, NW
Washington, D.C. 20433
Telephone: (202) 473-1000
Web: <http://www.worldbank.org/projects>

APPROVAL

Task Team Leader(s):	Quyên Hoàng Vũ, Sebastian Eckardt
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Approved By

Country Director:	Ousmane Dione	28-Jun-2019
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