

**PROGRAM INFORMATION DOCUMENT (PID)  
CONCEPT STAGE**

Report No.: 119119

<b>Operation Name</b>	First Ho Chi Minh City Development Policy Operation
<b>Region</b>	EAST ASIA AND PACIFIC
<b>Country</b>	Vietnam
<b>Sector</b>	Governance (30%), Macroeconomics and Fiscal Management (20%), Social, Urban, Rural and Resilience (10%), Trade and Competitiveness (15%), Transport and ICT (15%), and Treasury (10%).
<b>Operation ID</b>	P160480
<b>Lending Instrument</b>	Development Policy Lending
<b>Borrower(s)</b>	THE SOCIALIST REPUBLIC OF VIET NAM
<b>Implementing Agency</b>	Ho Chi Minh City's People's Committee
<b>Date PID Prepared</b>	May 18, 2016
<b>Estimated Date of Appraisal</b>	July, 2017
<b>Estimated Date of Board Approval</b>	November 30, 2017
<b>Concept Review Decision</b>	Following the concept review, the decision was taken to proceed with the pre-appraisal of the operation.

**I. Key development issues and rationale for Bank involvement**

1. 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.

2. 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.

3. 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.

## **II. Proposed Objective(s)**

4. The operation supports 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 fiscal governance; and (iii) Enhanced delivery of business registration and transport services.

## **III. Preliminary Description**

5. The proposed policy program currently includes 6 prior actions for DPO1 and 8 potential triggers for DPO2. The policy and institutional actions aim to: for pillar (i) – improve information sharing for integrated urban master-planning, management and decision-making; and enhance transparency to inform commercial and residential construction permit applicants and make zoning more credible by allowing external scrutiny; for pillar (ii) – consolidate and professionalize management of housing assets as the basis for better revenue management; integrated debt management function established for improved monitoring, reporting and management of public debt; and enhance medium-term fiscal planning for improved fiscal discipline and spending efficiency; and for pillar (iii) – simplify business and investment licensing procedures; and strengthen management capacity towards more efficient use of resources for and improved services quality of public transport. Prioritization of the policy actions supported by the program is based on the expected impact, ownership within the government, and feasibility of proposed measures within the indicative timeframe for the DPO series.

6. The policy program is underpinned by a comprehensive and deep policy engagement, technical assistance and analytical work. The program design takes into account political and technical feasibility, and implementation capacity. 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. Overall, this resulted in a pragmatic but substantive set of prior actions that could be effectively implemented and sustained through the operation.

7. The DPO builds on extensive experience and reviews of previous DPO series in Vietnam – including the Poverty Reduction Support Credit (PRSC), the Economic Management and Competitiveness Credit (EMCC), and the Fiscal Governance (FG) DPOs – and of subnational DPOs in other countries, and lessons from the Retrospectives and Good Practice Notes for Development Policy Lending at both national and subnational levels.

## **IV. Poverty and Social Impacts and Environment Aspects**

### *Poverty and Social Impacts*

8. Most of the proposed actions are distribution neutral, but there are two areas where more information is required and distributional effects are to be determined, namely zoning and public transportation.

9. A number of proposed prior actions and triggers are distribution neutral, some with potential for positive welfare spillovers. Their implementation improves efficiency and transparency in the planning and fiscal management of the city, and simplifies business licensing

procedures that should level the playing field for the private sector thereby encouraging private investment and stimulating job creation. Their benefits to the population are symmetrical.

10. Some of the other prior actions may have varying degrees of welfare impact. These will be analyzed in due course of program preparation. Appropriate mitigation measures will be proposed if the negative welfare impact is projected.

11. First, an increase in rentals for businesses operating from city owned commercial housing will increase their operating costs, though not by a high enough margin to threaten viability of the enterprises. How the additional revenues are distributed will determine the overall welfare effect of the prior action. 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.

12. Second, the first order effects of the on-line disclosure of land-use and construction zoning plans has clear benefits to household building new homes, therefore have positive impact. But they have asymmetric and negative second order distribution effects, so the overall impact is yet to be determined. The transparency this brings reduces rent-seeking opportunities for public officials dealing with permits, thus reducing informal payments and reducing permit processing time for households. However, this transparency makes it easier to identify houses that are in violation of zoning rules and regulations. The net welfare effect with thus depend on the number of households deemed to be in violation, the penalties to be levied and anticipated impact on the valuation of the properties.

13. Third, with adequate mitigation measures, the proposed policy measures to improve the quality of public transportation services provided are expected to have a net positive welfare effect. The upcoming 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. It is possible that some people will get worse off due to the re-arrangement, but these are likely to be in low density areas where bus ridership is low, while service provision in high density areas where the poor live will likely expand.

#### *Environment Aspects*

14. Policy actions supported by this DPO series are unlikely to have negative effects on the country's environment and natural resources.

#### **V. Tentative financing <sup>1</sup>**

Source:	(\$m.)
BORROWER/RECIPIENT	0
International Bank of Reconstruction and Development (IBRD)	100
Borrower/Recipient	
Total	100

1/ KfW has expressed interest to provide parallel budget support in the amount of US\$100 million.

## **VI. Contact point**

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