

City Development Options for Haiphong Charting a Path to the Year 2020

DRAFT FULL REPORT

Tim Campbell
Urban Partnership, TWU

30 July 1998

Preface

This report is based on intensive efforts of ten experienced Bank staff and consultants who visited Haiphong during June, 1998.¹ Haiphong has been selected by the Government of Vietnam as a pilot case study on urban and environment development for the nation, based on the city's leadership among Vietnamese cities now engaged in modernization. This report therefore serves several purposes. It is a way to frame the city's needs for assistance and to indicate promising options for development. At the same time, it forms a cornerstone for analytical work needed to deepen the Bank's understanding of urban development in Vietnam. Urban development and environmental change in both Haiphong and the country are seen in the context of the Bank's mission of public sector reform and poverty alleviation. (The reader should note that in addition to the inputs for this study noted in footnote one, two separate studies-- on city finances and strategies of the city's poor, including social issues such as drugs-- are to be conducted over the next several months and will be integrated into this report at a later stage.)

A preliminary version of this report was presented orally to city officials at the conclusion of the mission on June 19. The present version, to be translated into Vietnamese, will be delivered in early August for consideration by the city and for debate and discussion during a follow on mission in September.

Executive Summary

The report presents a firm analytical basis for steering economic growth and infrastructure services for Haiphong, links this growth to the surrounding region, and ties urban growth issues to the problem of poverty reduction in similar regions around the country. The report identifies the most

¹ The reader should note that this document is based on separate papers by Nigel Harris on economic development, Carl Bartone on solid waste management; and extensive notes by Utpal Mukhopadhyay on environmental management; David Hanrahan on industrial pollution; Roberto Santoro on infrastructure and maintenance; Angela Griffin on governance and management; and Aiko Sakurai on private sector participation. The mission would also like to express great appreciation to Nguyen Cong Thanh and Shane Rosenthal of the field mission, to Ms Nguyen Ngoc Ly, environmental specialist UNDP, and to Joyce Coffee, consultant from MIT.

important areas of need to support a growth strategy in Haiphong, and offers advice and alternative options in the areas of government and management. The purpose of this work and the options presented here are in keeping with *Doi Moi* reforms applied at the local level, aimed at increased efficiency in collective decisions, spending, and management.

The essential message from this report is that the city can add an entirely new dimension to its development strategy by supporting the growth of light manufacturing industries which are exporting garments and shoes. One way to do this is to invest to fill in missing or incomplete, but small scale, infrastructure-- the paving of neighborhood streets, completing road connections, improving water and drainage, and upgrading downtown areas. These investments will help to support export growth. More importantly, they will smooth the way to a service-based economy. But to achieve competitiveness with other cities, Haiphong must also modernize its mode of governance in terms of efficiency and demand-responsiveness. This report recommends a strategy-- called a “small bricks” strategy focused on small scale improvements in neighborhoods-- by which both governance and physical improvements can be achieved.

Towards a Strategic Vision. A city development strategy for Haiphong begins with an understanding of its rapidly changing productive structure-- one that is moving from heavy industries to labor intensive, light manufacturing exports. The most important finding of this report is that Haiphong's has as-yet untapped potential in the promotion of light manufacturing exports and a stronger service based economy. These options promise to complement, perhaps even outweigh, the benefits of promoting export processing zones and industrial parks. The city's strategic interest is not, at the moment, being directed to support the creation of jobs in labor- intensive export of shoes and garments nor in the development of a “softer” services basis to support future growth. Rather, the city's strategic attention is turned in the direction of heavy industry and industrial parks. The changing nature of the city's needs, small scale production amidst neglected neighborhood infrastructure and maintenance, suggests that a broader range of options can be developed to give Haiphong a more robust economy. At the same time, environmental and governance issues are inextricably linked to successful investments, and measures need to be taken on both these fronts to improve the city's prospects for growth and its efficiency of management and governance. A key strategy for all these objectives is for the city to become more actively involved directly at the neighborhood level where public infrastructure is under capitalized and where the city has already demonstrated excellent results in service delivery (for instance, in improving water supply).

Proximate Steps. The analysis concludes that the city has ample scope to broaden its development strategy to include components beyond, perhaps even more important than, the special economic zone. Further, the city has the financial and revenue base to afford to greatly increase its capital investment to support new components, but it should weigh tradeoffs in spending on a few large investments, like the Binh bridge, or many smaller ones, like streets, drainage, and other neighborhood improvements. In concrete terms, the city may wish to take one or more of the following actions:

- ?? develop tradeable services: tourism, banking, finance, culture and other branches, and services to support growing exports;
- ?? expand the current development strategy for the city to include ways to support small scale city-building actions designed to fill in gaps in existing neighborhood infrastructure to support labor-intensive manufacturing exports and create new amenities to begin creating a services city;
- ?? create a business council of local and regional figures, with international consultants, to develop an action plan to modernize the city as a business environment;
- ?? bring Haiphong's environmental quality to within the quality standards of internationally competitive cities in the same rank, and mobilize interest and community participation to identify environmental problems, set priorities, and agree on concrete steps to move forward;
- ?? mobilize local neighborhood groups to participate in the creation of facilities and services (called hereafter, a "city bricks" program) needed to improve health and welfare and to support small scale improvements (streets, lighting, draining, water and sewerage);
- ?? use the "city bricks" program to strengthen linkages between government departments (possibly by using community-based programs) to achieve greater efficiency in city government (in identifying needs, applying city revenues, implementing projects);
- ?? invest in solid waste landfill and educate citizens about recycling and payments;
- ?? create a general plan for the city, perhaps featuring "city bricks program" and obtain resources to develop basic information tools like GIS and land use controls.

This report is to be presented in September for discussion and debate by city officials in order to chart a way forward for Bank and donor assistance.

City Development Options for Haiphong Charting a Path to the Year 2020

DRAFT FULL REPORT

Preface

Executive Summary

Contents

I. Making a Living-- The Economic Development of Haiphong

- From steel to garments, shoes, and tourists
- Diagnosis of coming change
- The Red River Delta
- Options for a broader-based strategy
- Corridor to China

II. Haiphong's Urban Environment and Industrial Pollution

- Environmental problems are small, but many and diffused
- Pollution sources
- Environmental amenity

III. Land Use and Infrastructure Services to Citizens

- Basic infrastructure and planning
- Urban solid waste management

IV. Management, Finance and Governance

- Increasing efficiency
- Fettered autonomy
- Demand based governance
- Administrative accountability and competitiveness.

V. New Fronts for Action and Needs for Assistance

- Towards a strategic vision
- Proximate steps
 - Economic development
 - Environmental action plans
 - Efficiency in governance and city building: governing by "small bricks"
 - Solid waste

VI. Bank and Donor Assistance

Nonlending assistance

Donor coordination

Lending

Annexes:

Annex 1: Terms of Reference for Study of Poverty and Social Issues

Annex 2: Terms of Reference for Study of City Finance

References

City Development Options for Haiphong Charting a Path to the Year 2020

DRAFT FULL REPORT

Envisioning the future. Every city has an identity, and Haiphong's has been changing quickly with little notice. Cities that progress do so by focusing on who they are and where they want to go. This is Haiphong's first challenge on the pathway to a strategic vision, and top city management, together with people from all segments of the city, could advance common interests by engaging in this task. Cities have found many ways to achieve a collective understanding of the city and to organize its energies-- city wide consultations, surveys, study tours, professional planning. For example, Tijuana, Mexico engaged a management consulting firm to structure a process of collective thinking among broad segments of the population-- citizens neighborhood groups, chamber of commerce, industrial association, sports clubs, the church, banking and insurance industry, export groups, and the like. These groups engaged in a year long process of meetings and even a study tour to Spain where a similar process was followed several years earlier to achieve a strategic vision for Bilbao, Spain. Cities as diverse as Chattanooga (Tennessee, USA), Cordoba, Argentina, and Lille, France make special efforts to mobilize important elements of the population and rally them around a common idea.

Cities which are successful in this visioning and strategic planning share a common denominator: meaningful participation-- of neighborhood groups, NGOs, private sector, women's groups and others. The record from leading cities around the world is that to be effective, top city managers have to tap into public opinion and retain popular interest in defining the future. Planning and acting without this ultimately limits the range and effectiveness of the city's options. One of the recommendations in this report is that a similar process may be useful to sharpen the objectives and mobilize community support in Haiphong.

I. Making a Living-- The Economic Development of Haiphong

From steel to garments, shoes and tourists². Haiphong has a range of development options, but the ones now showing the most success-- light labor-intensive manufacturing for export-- have not received the attention nor support of the public sector, which is focused on steel, ship building, and industrial parks. The story of the city is one of successive waves of radical structural change over the past 40 years. A brief overview covers the following shifts:

(i) the trading-administrative center of the early 1950s (with government employment covering nearly half the recorded labor force);

² This case is spelt out in greater detail in a forthcoming Bank working paper, "The Economic Development of Haiphong," by Nigel Harris.

(ii) to the heavy industry/war economy city of the 1960s and 1970s (with industrial employment rising from under 5 percent in 1955 to 36 percent by 1975;

(iii) to the trading-light and export-oriented manufacturing city now emerging in the 1990s (in the 1990s, shoe production expanded from half a million to 6.7 million pairs); this last shift is also in part one between older male heavy industry workers to young, female migrant workers. The shoe industry expanded from 1% of the city industrial labour force in 1975 to nearly 20% in 1995.

The city has managed these processes of radical restructuring with relatively little damage on the way, suggesting that despite the relative rigidity of the State structures, the work force has considerable adaptability.

Diagnosis of coming change. Further structural change will now be precipitated by the continued reform program. From experience of cities elsewhere, we can already envisage what this might be:

(i). On the assumption that reforms will ultimately lead to some form of land market (or at least, a market in land use rights), the current trends in private manufacturing to locate on and beyond the periphery of the city (both the urbanized area and the administrative district), will be copied by the State Owned Enterprises (SOEs), particularly if equitization and socialization leads to great commercial orientation; SOEs many of them making heavy losses, will then find it profitable to sell their inner city locations and move to the periphery of the city or to the towns and villages of the Red River delta.

(ii) the continued containerization of the port facilities will increase the demand for a larger land area for stacking cargo, leading to relocation of facilities to the existing wharves to the south of the city outside the main urban area (with the development of transport connections to the dockside which avoid the urban area). This will open the existing inner city waterfront to redevelopment for non-port activities. The development of inland container terminals-- and possibly a "dry dock" in Hanoi-- will both remove from the port important existing activities and hence reduce the size of the labor force. Dry dock facilities will also remove the incentive to port-related manufacturing to locate factories in and around Haiphong and thus further encourage the dispersal of manufacturing to the rural delta region and along the highways. In short, port functions will become separated from the city economy with relatively little interaction.

(iii) these changes will considerably increase both the demand for, and the geographical extent, of the city's servicing functions-- to service both dispersed manufacturing (finance, trade and distribution, business and producer services, logistics and management), the rural population of the delta (education, health, culture etc.) and a much enhanced flow of tourists.

The Red River Delta . We assume a continuation in the rapid growth of Vietnam's labor-intensive manufacturing based upon rapidly growing exports, but now based upon the densely populated delta region, supported by the relatively high proportion of educated in the delta work force. The towns and villages of the delta and the corridor to Hanoi, rather than the two cities at each end of the corridor,

will be the immediate beneficiaries of the process. The area corresponds to the government's northern development triangle. Thus, Haiphong-- with Hanoi-- could play a vital role in the government's aim to "eradicate rural poverty." However, to fully realize Vietnam's comparative advantage in export manufacturing, an increasingly efficient transport system will be required, one with declining unit costs. Haiphong has the potential to become a vital multimodal transport junction, offering the lowest transactions costs in transshipment between river and sea, air, road and rail transport systems.

Options for a broader based strategy. In the medium term, the city needs to address the key issues involved in enhancing its service functions-- from the very large trade sector, to finance (which will inevitably grow disproportionately with the growth of the commercial credit system, the stock exchange and equalization etc.), hotels and restaurants, trade and business services, transport and storage, education and health, culture and sport. Tourism- all that expands the market for the city's output by consumers coming there-covers a wide range of activities other than what is currently called tourism (visitors to the southern beaches) to traders coming to the city to trade (and staying in city hotels), education (students coming to the city's universities), health (out of town patients using medical facilities), culture and sport. The current problem of tourism in the narrow sense is that the large number of visitors stays so short a time and spends on average very small sums. This places a growing emphasis on the economic importance of the quality of life in the city, from the provision of efficient public services to the enhancement of the physical fabric and of archeological and religious sites of the city. A strategy to induce tourists to stay longer is a key component of any tourist strategy and involves making the city an exciting cultural and educational place to visit.

The proposal to create a Special Economic Zone should be seen in this context-- Haiphong as the servicing center to a large dispersed manufacturing rural region extending through the delta and to Hanoi (thus giving some content to the idea of a development triangle), the closest comparison being with the original Special Economic Zones of the Pearl River delta in China's Guangdong province (Harris, et al, 1996).

The Corridor to China. On a broader geographical scale, Haiphong's economic future also relates to the possible corridor development north-west of Hanoi to Lao Cai and the border with China's Yunnan province. The border appears to be growing very fast in economic terms. One estimate has it that border trade is expanding by 40 per cent annually, much of it outside the control of the authorities. Sooner or later, this clandestine economy will have to be brought within official supervision, at which stage it can be exploited as a mechanism for the economic development of border provinces. This would carry the development impulse through some of the poorest provinces in Vietnam, and link the development of northern Vietnam to the growing markets of south-western China. This could produce not only a major increase in China's trade through Haiphong port, but also the development of Vietnamese-Chinese joint ventures in export-manufacturing as well as cargo handling and processing facilities in the Northern Highlands and along the route to the coast. Again, the demand for Haiphong's service functions would grow disproportionately with any such opening up.

The economic development of Haiphong must be seen as an opportunity for the economic development of the northern region. At the moment, no institutions exist to manage this interprovincial

strategy, so questions of the mechanisms of implementation loom large in any future plan of action. This diagnosis for Haiphong also has important implications for the donor strategy in Vietnam. The case of Haiphong's growth shows the mechanisms by which rural industrialization in the Red River Delta, and perhaps beyond in the northern provinces, may be stimulated, or at least facilitated in a development strategy that addresses the problems of rural poverty by fostering urban growth.

II. Haiphong's Urban Environment and Industrial Pollution

Environmental problems are small, but many and diffused. Data on ambient environment quality is not easily available (although such data is being collected), but some initial conclusions can be made from discussions with local officials and from the brief site visits. In terms of the traditional pollution problems, there has been concern over the obvious impact on air quality of the Haiphong Cement plant, and there appear (from a brief site tour) to be some problems near the glass factories. Overall, the air quality during the site visit appeared quite good. The level of motorization is currently low, but congestion and vehicular pollution could become problems in the future. This might be a particular problem in Haiphong because of the high social use of the wide footpaths and the consequent immediate impact of increased vehicle emissions.

Similarly, there was no data available during the visit on surface water quality, although some monitoring is carried out. Visually, the quality in the main river and tributaries was moderate: the worst area visited was a large channel/drain in the east of the city, where a number of complaints has been reported. Sampling data would be required to assist in understanding whether industry or domestic discharges were the main problem. There were also reports of complaints about industrial discharges into the main Cam river from the port area, but no data was available and this area was not visited. Given the lack of control of industrial discharges it is probable that there is some pollution of groundwater, but since this is not a significant source of water supply, the problems are not immediate. Management of municipal waste is improving, but final disposal problems remain (and are discussed in more detail, below).

Pollution sources. The major industrial pollution sources are known to the authorities. It was reported that there are about 56 centrally controlled industries in Haiphong Municipality and 90 locally controlled, and of course not all of these are significant sources of pollution. At the same time, the very large number of small and medium enterprises -- reported to be more than 9000 -- can cause local problems and can result in a serious cumulative impact. At the same time, domestic sources of air pollution (stoves and transport), water pollution (such as septic tanks or washing water discharges) and of course of solid waste were reported and need to be evaluated.

It is time consuming and expensive to develop a detailed inventory of all of the industrial, commercial and domestic sources of pollution. However, experience has shown in other cities that a basic understanding of the principal sources and their impacts will be required in order to develop an overall strategy of pollution abatement and a concrete action plan, as discussed below. Cities in Asia

(Bombay, Colombo) and Latin America (Colombian cities of Bogota, Cali, Medellin and Cartagena) have developed environmental action plans based on diagnostic information gathered by city agencies about pollution sources.

Environmental amenity. One matter that is going to increase in importance as major downtown industry is relocated or closed, is the reclamation or restoration of the “brownfield” sites that become available. Some of these, such as the old dump near the cement plant, could pose major problems because of the uncertainty about previously dumped materials and substances. (The former dumpsite at Thuong Ly falls into this same category.) Other sites could probably be redeveloped for new uses, such as commercial purposes, residential housing, or facilities for handling tourist boats. Such possibilities need to be examined in the broader context of urban land use.

Consideration of the urban environment tends to focus on the problems of pollution but it is important not to ignore the broader aspects of environmental quality. For example, the creation and maintenance of a city which is a desirable place to live and work will require careful attention to matters such as the safeguarding of green spaces; noise and congestion; levels of traffic and accidents; and maintenance of the cultural and historic aspects which give the city its character. On a wider scale, there are increasing pressures on the recreational and tourism areas around the main urban core. Protecting these resources also needs to come onto the city’s agenda.

III. Land Use and Infrastructure Services to Citizens

Our analysis focused on land use and a few key services-- basic infrastructure and urban planning, and solid waste management-- to which relatively little attention has been paid by other donors. Neither the city nor donors have given much priority to neighborhood improvements. Bank and donor assistance has been focused largely on rehabilitation of major systems in water distribution and sanitation, in management of transportation, and (at the national level) in health and education projects. In addition, solid waste and neighborhood services have important impacts on the poor, as well as the city. For these services, the city is barely able to carry out day to day business in maintenance and repair and has fallen behind in investment to pave streets, construct drainage, install lights, and build community facilities like sidewalks, open spaces, community centers, and parks and gardens. Handling of street commerce, presently spilling into main thoroughfares, will become more of a problem as motorization continues in the city.

Basic infrastructure and planning. Investment from own revenues in new infrastructure capital stock at \$2 per capita is well ahead of Cebu and Colombo, but well below Callao, Sofia, and Curitiba, after taking account of respective average incomes. Capital investment in cities of Bulgaria, Philippines, and Sri Lanka is dominated by central government sources. (See Table 1.) Cities in Brazil and Peru generate much more of their own resources for capital investment purposes. For instance, Curitiba, with a per capita income of about four times that of Haiphong, invests in per capita terms around 25 times more than Haiphong. In effect, Haiphong’s community infrastructure is not being

regenerated at a level in keeping with the city's finance base. Haiphong, in other words, could probably afford to step up its revenue raising and do more for itself in terms of capital investment, at least measured in terms of comparison cities.

The bulk of its energies and its strategic attention-- aided and abetted by the interests of the central government-- are geared to industrialization and "opening up the city" to the outside economy. The master plan sketches out three axes of development: one north of the Cam River; a second, to the east of the city and downstream around the future industrial processing zone at Dinh Vu; and the third south toward Cat Bi Airport. To make this vision a reality, the plan outlines an ambitious investment program to supply major pieces of infrastructure. The plan estimates that more than \$1 billion is needed in large scale new towns and satellite cities, industrial parks, cross town transit connections, the Binh bridge across the Cam River, and the special economic zone. The plan does not spell out the respective roles of public sector and other actors, nor are the many proposed investments ranked in order of priority.

Normally, cities pay too little attention to these large scale, framework elements of the city, and in this sense, the city and national planners have focused correctly. However, as mentioned earlier, this focus has ignored infrastructure and services components needed to support the city's growth. Because the plan does not reflect important recent shifts in the structure of the economy, nor take into account the growing environmental concerns described above, the plan cannot perform its basic technical and political functions, such as providing a broad view of development, indicating direction of growth, and suggesting public and private sector responsibility. The plan should help decision makers to focus their scarce time and energies, as is done in cities like Curitiba, Brazil; Bangalore, India; Warsaw, Poland; St. Petersburg, Russia, and many others.

Another problem is that large scale industrial support projects require intensive doses of professional time on the part of the planning staff, and leave little time for attention to the smaller scale issues basic to city building, like neighborhood improvements. Moreover, the pace of recent developments has put the Planning Department in a "catch up" rather than leading position, contributing to a loss of whatever guiding and coordinating functions the plan might have had. Underlying and exacerbating these problems is the absence of basic planning tools. Planners and investors, businesses and service providers, have little or no access to timely data on the demographic profile, current and prospective land uses, service and infrastructure levels. Furthermore, the city has little or no capacity to produce small scale

Table 1: Comparator Cities for Haiphong

Country	City	Population (000s)	Per Capita Income (1993 est)	L.Gov. Revenue per capita	L.Gov Cap. Expenditure per capita	Local Gov. Employees (per 000)	Water/Waste Connections (%)		Child Mortality (per 000)
Philippines	Cebu	2,840	745	5	1	1	91	-	-
Sri Lanka	Colombo	4,390	1036	3	4	15	64	60	29
Vietnam	Hanoi	1,100	695	-	-	-	80	40	-
	HAIPHONG	750	600	11	2	36	-	35	-
Peru	Callao	1,000	673	54	22	3	70	69	24
Bulgaria	Sofia	1,100	-	218	91	2	99	98	18
Brazil	Curitiba	1,300	2400	207	54	17	96	75	29
All AsiaPacific			-	49	234	10	63	38	51

The cities are selected to represent a cross section of cities approximately the same size, wealth, and circumstances as Haiphong (e.g., port city). Data taken from various sources, including World Bank and UN publications, sector reports, and official government publications and data from World Bank mission. Figures may not be completely comparable. All monetary figures in 1993 estimated US\$. The sign “-” indicates data not available.

maps which are basic for gauging demand, assessing patterns of location, and exercising regulatory and control functions over growth and development.

Lessons from many parts of the world show that these basic tools of urban planning are indispensable for managing growing cities, and Haiphong will need to upgrade its planning tools and data systems if it wishes to control its destiny. To cite a few outstanding examples by way of illustration, cities with successful planning and regulatory controls have most, if not all of the properties on some kind of geographical information system which plots location, registers occupancy or title, indicates service levels for the major utilities, and often reflects current or estimated value of properties. These cities draw upon this basic information to help make investment decisions about such issues as mix and levels of investments, priorities and sequencing, and locational decisions. Many cities also have detailed data about economic activity (number and size of producing units, employees, value of production and exports, and the like). Again, Curitiba, Brazil; Tijuana, Mexico; Sofia, Bulgaria; and Hong Kong and Singapore have data of this kind for several decades.

The Department of Labor and Social Welfare, produces data of this kind, but the value and impact of the data are severely limited by its restricted circulation. Having the data will help the city to realize that an important part of its future is taking place spontaneously on the periphery. A planning and growth strategy will need data of this kind for strategic and fine grain planning, and Haiphong could benefit from exposure to cities which have recently or are now implementing data gathering and management systems.

Urban solid waste management. Solid waste management is one of the most expensive and labor-intensive services provided by a city, and an analysis of the institutional performance of, and financial arrangements for, solid waste management services offer yet another opportunity-- in effect, a start up option involving a single sector-- to improve services and capacity more generally in the city.

Service collection and cost. Currently the Haiphong Urban Environment Company (URENCO) provides service to about 70 percent of residential households in Haiphong. Unserved households live in areas of difficult access and on the rural fringes of the urban area. Targets for the year 2000 include expanding services to reach more than 90 percent of residential households and 100 percent of institutional, commercial and industrial (ICI) clients.³ Present waste collection is reported at about 200 tons per day (TPD), and is expected to reach 350 TPD in the medium term with increased collection services and urban and economic growth. Waste characteristics appear similar to that reported for other Vietnamese cities with high biodegradable fraction, moisture content and density.

URENCO's current annual budget for solid waste management is 12.2 billion out of a total company budget of 15 billion dong (roughly US\$930 thousand out of US\$1.15 million). Most of the solid waste budget covers the wage bill for the company's 996 employees. These figures, yielding over

³ With the assistance of the FINIDA-supported Haiphong Water Supply and Sanitation Programme, some pilot activities have been initiated to test service expansion through community-based collection options including improved user contribution and the introduction of container systems .

about US\$18 per tonne collected and disposed in Haiphong. These figures are quite low, compared with averages for low income countries of between US\$50-US\$100 per tonne (Cointreau-Levine, 1994), and suggest incomplete coverage and or disposal. While collection services are well-organized and supervised, efficiencies could be improved by eliminating the double-handling of waste during handcart collection and transfer operations. The introduction of appropriately designed container systems with improved user participation could eliminate unnecessary double-handling and increase efficiencies.

Disposal. An old open dump site at Thuong Ly (15 ha site located some 4 km northwest of the city center) ceased operation in 1997, but remains as an environmental concern because of runoff and leachate. URENCO would like to close this site but lacks resources. A closure plan should be developed that would permit the recovery of the site for other municipal land uses compatible with its former use.

For the past five months, the city is using the newly opened Trang Cat (14km from the city center on the coast) which was built with FINIDA support. It is a small (5 ha) site with only three years' capacity, which includes three clay-lined cells with leachate collection and a two pond leachate treatment system. Provision was also made for the inclusion of landfill gas wells to be installed during operation. Notwithstanding the original design, the site is currently operated as an open dump because of lack of equipment (only one operating light bulldozer) and soil cover. Better data on waste generation and characteristics is needed for the purpose of long term planning and design of appropriate collection, treatment, and disposal technologies.

The city has received offers of treatment technologies based on incineration and highly mechanized composting which were not implemented. At first glance, they appear unaffordable and poorly matched to local needs and to the city's waste characteristics, climate and operational and financial capacity. There is clearly a need to identify more appropriate treatment and disposal options.

Cost recovery. With regard to financing solid waste operations, URENCO has had success in increasing self-financing through the application of user fees from about 10 percent of cost in 1993 to about 30 percent currently.⁴ At present, URENCO estimates it is collecting about 57 percent of potential user charges and would like to improve collection efficiency and increase cost recovery to VND5 billion annually. Collection rates could be increased, as noted below, but before doing so, institutional and service responsibilities should be more fully integrated or coordinated, as noted below.

Institutional arrangements. While nominally URENCO is the provider of solid waste management services, it is only responsible for operations and maintenance, and appears to have little voice in new investments. Better integration is desirable between planning, investment and operation. Also, some institutional anomalies exist as a result of the recent split of the former Urban Environment Company into the Sewerage and Drainage Company (SADCO) and the present URENCO. For

⁴ User fees for urban households are presently 1000 dong/capita/month while periurban households pay 500 /capita/month. Large ICI customers pay between 40,000-50,000 dong/cubic meter, while small businesses are charged 15,000 dong/user/month.

example, URENCO remained with bucket latrine and septic tank services, while SADCO was assigned responsibility for future solid waste landfill and treatment (and has been allocated a 60-64 ha site at Trang Cat for this purpose, and nominated as local counterpart for loan offers from Australia and South Korea by the Haiphong People's Committee). The first inconsistency was resolved through assigning septic tank services to SADCO (as of 1 July 1998) and instituting a program to convert all bucket latrines to septic tanks. Thus, SADCO will be responsible in the future for all liquid waste services in the city. Correspondingly, all solid waste services should clearly be assigned to URENCO.

Finally, a number of service coordination issues merit attention -- such as the linkages between surface drain cleaning (SADCO) and street sweeping (URENCO) and removal of construction debris piles (by the Urban Construction Company which does road maintenance).

IV. Management, Finance and Governance

One of the strongest challenges for the city is to increase the efficiency of city government, and much of this challenge can be met by improving management, finance, and governance. We note that financial management, and increasing cost recovery and building up a revenue stream through improved tax collection, are topics to be covered in greater detail in an upcoming study of Haiphong's finances. Also, the UNDP program of public administration reform (PAR) is about to be launched and will address internal administrative processes and coordination among departments-- particularly in planning; in managing local building and land use changes; and to a limited degree, in tax collection. Therefore, this report addresses finance and administrative efficiency only tangentially, and will concentrate on management and governance practices.

Increasing efficiency. The Bank team appreciates the reform and experimental spirit of the Haiphong city government, and precisely because of this spirit, feels that Haiphong is in an advantageous position to assume the leadership among the nation's cities by extending the *Doi Moi* reforms to the local level. These reforms, in our view, require improvements in areas-- known as transparency, accountability, and "contestability" in modernizing governments in other parts of the world-- and these reforms will help to increase efficiency in management of the city.

In essence, the *Doi Moi* reforms, translated into terms of city administration, mean that the city should function with greater autonomy in interpreting the needs of citizens, delivering services and infrastructure to meet these needs, and collecting taxes and fees to finance them, to carry out these functions in an open and transparent way, and then to be held accountable for the results. These systemic arrangements are made internally in the sovereign right of nations to design a system of governance that best suits that nation, and our analysis does not pretend to pass judgment on the political propriety of these arrangements. Indeed, in the present circumstances-- of being invited by the Government of Vietnam to reflect on local government dimensions of *Doi Moi* reforms-- we see our role as gauging the efficiency effects of the arrangements, using comparisons from other cities to verify

and illustrate our judgments, and allowing these observations to be presented to, and weighed on their own merits by, the Haiphong city authorities.

With this understanding in mind, the urban team has identified several characteristics of the governance system in Haiphong (and other cities in Vietnam and, for that matter in similar transition economies) which impede efficiency in at least three ways.

Fettered autonomy. First, the various levels of government are not, by international standards, independent of one another, and rather than working in partnership, lower levels (provincial and municipal) tend to be controlled by superior level authorities. The four levels of government create confusion and replication of responsibilities. The direct line of “guidance” from each Ministry to each city Department blurs the decision making process and dampens incentive in the city to take initiatives. For instance, by “returning” only 15 percent of the 3.3 trillion dong collected in taxes last year to finance city services and investment, the city is made to operate as an agency of central government, rather than a partner, much less an initiative taker, as in comparison cities. Thus, the central government sets the income cap each year for the city and makes many of the decisions relating to investments, use of land, and land development (those involving more than a few hectares and more than about \$50,000 in value). In the international standard of practice, these decisions are made at the lowest possible level. For instance, land use decisions in most Eastern European capitals have now been turned over entirely to the city administrations, except where public housing estates are involved. Indeed, in Sofia and Budapest, municipalities have been given full responsibility for land and residential housing which was formerly the responsibility of the central government. In the case of revenues, many local governments receive shared revenues from central governments, but are free within limits to expand taxation coverage and sometimes valuations to increase city tax income. Some cities in Latin America have increased own source revenues by several fold.

Demand based governance. Second, the city’s relationship with its citizens does not have the character of customer or client-relations, as is the case with most modernized governments. This customer relationship means that governments respond to citizen demand by understanding what citizens and taxpayers want from their government and formulating programs and spending, as well as tax and fee revenues, to provide these services. In the current system in Haiphong, demand and investment decisions are determined openly in broad consultative fora, but without a constrained budget, meaning that neither citizen nor policy maker are compelled to make tradeoffs (sacrifice some services, health care for instance, to get more of another, e.g., paved roads). Rather, spending priorities (the mix of services and investments) emerge from council and intergovernmental consultations and consensus unconnected from citizen demand, and the overall level of spending is determined by arbitrary budget limits based on expected income, also disconnected from services and investments.

The city has already demonstrated both competence in and scope for experimentation at the Quan level and below in exploring new ways to deliver services (see Coffee, 1998). For instance, the reforms in drinking water services-- in which management and billing were decentralized to Quan level resulting in reductions in water losses and arrearages-- are very much like the reforms needed for improving management in other areas, for instance, streets, drainage, lighting, and the like.

Neighborhood scale improvements require community interaction-- for verifying need and planning the mix and costs of improvements-- and this approach very much resembles the reforms already instituted in the case of water supply. Many cities in other parts of the world have experimented with similar arrangements in solid waste, small scale neighborhood improvements, even micro enterprise, and world wide best practice can be brought to bear should city leaders feel it appropriate for Haiphong.

Neighborhood Improvements in Mexico, Bolivia, Indonesia, Philippines and New York.

Many countries in the region and other parts of the world have been building cities “from the ground up” by involving neighborhood residents in decisions about priorities, form of cost recovery, and implementation details. In each of these cases, local community groups are made responsible for important aspects of community building. They define need in open democratic assemblies, help to carry out investments, often by contributing unskilled labor in work crews or provision of tools and materials, and they help to recover costs through direct contributions, benefit levies, property taxes or (in the cases of water and electricity and gas) user fees (Campbell, 1997).

Mexico invested about US\$2 billion annually through community groups in programs such as these during the first part of this decade, and leveraged through counterpart contributions perhaps another US\$300 million (Campbell and Freedheim, 1994). Bolivia’s National Participation Law gives community groups an important role as “watchdog” over municipal administrations. Indonesia, and the Philippines invested nearly \$1 billion, again leveraging local counterpart, for improvement programs in Indonesia’s Kampongs (low income settlements) and, in the Philippines, squatter areas in Manila’s Tondo Foreshore (World Bank, 1996). Each program relies heavily on grass roots community involvement. Business Improvement Districts (or BIDS) are an analogous form of action in New York where community residents, corporations, and commercial establishments take part in setting goals, helping to implement investments, and improving security in neighborhoods. These cases demonstrates the importance of involving local neighborhood groups in managing, governing, and building cities.

Administrative accountability and competitiveness. Third, both the city’s relationship to the national government, like its relationship to its customers, the voters, and taxpayers, constrains the capacity of city departments to act efficiently, to take initiative to cut costs and deliver services more efficiently. Since income is not under the control of the service directors, the levels of spending by city departments bears no relationship to demand. All departments are underfinanced, but the centralized controls over policy and priority function to smother incentive for department heads to innovate, to seek greater efficiency and improve productivity. Further, legislation prevents the city from shedding staff, even though some departments may have inadequate resources for a full years’ work, as in the construction company.

Sharing or unclear lines of authority make some processes more cumbersome than they need be. For instance, land use certificate cannot be issued by the Planning Institute until cleared by the department of Planning and Investment, and some decisions may even be referred to the Prime

Minister. The requirements set by Government for the issuance of land use certificates are often impossible for citizens to meet, and impossible for the city to verify, and therefore the Institute's permit process is ignored in the urban area.

The city has introduced some competitive elements in its administration to approximate private sector efficiency, but it has much further to go with respect to staffing and professionalism. For instance, the Construction Department is required to compete for 23 percent of its work and only "wins" three out of 10 bids. Other competitors for construction work in Haiphong appear to be state owned companies. Investment to improve productivity is denied by the budget process and constrained by the employment policy. The Department's administration costs appear excessive-- over 20 percent in the pavements and roads budget. Advertising of tenders is common practice, and licensed contractors can bid for works. The "profit" that companies are required to deliver, and on which 25 percent tax is paid to the Government, is calculated on the unspent difference between income and expenditure.

V. New Fronts for Action and Needs for Assistance

Towards a Strategic Vision. The most important conclusion of this report is that Haiphong's future depends importantly on promoting light manufacturing exports and a stronger service base as a complement to its largely unwritten strategy of fostering industrial parks and export processing zones. The changing nature of the city suggests that a broader range of outcomes can be developed-- in tourism, services, finance, banking, and the like-- to give Haiphong a more robust economic future. At the same time, the city can afford larger per capita investments. One strategic decision that must be weighed, is whether and how much of these investments should be distributed in small scale installments in neighborhoods, or lumped into strategically placed large scale investments, like the Binh bridge or cross-town arterials. Governance issues are inextricably linked to these considerations. Neighborhood development strategy (called the "small bricks" approach in the report) provides a way to engage in issues of reform and efficiency in governance, and this approach is singled out because the city has already demonstrated excellent results in service delivery at this level in water supply. A similar approach would appear promising in solid waste and in small scale investments. In sum, the city can grow into a new future as service provider and tourism center, and can begin taking steps in that direction by working at the neighborhood level, to build missing pieces and improve degraded areas by taking small steps.

Proximate steps. To begin, the city can consider taking one or more of the following actions:

Economic development. Neither Haiphong, nor Vietnam as a whole, has extensive experience with managing the economic transformation now emerging, and there is immense scope for technical assistance, and where appropriate, capital support, for restructuring. In particular, help will be needed in many areas, and the priority and magnitude of assistance is a matter now to be weighed. Some of the areas for priority concern over the mid-term include the following:

- ?? development of strategies to upgrade an expanding financial sector (with appropriate hardware, including a modernized telecommunications system);
- ?? deepening of the tourist sector and the development of specialized forms of tourism (health, cultural, ecological, archeological, architectural etc.);
- ?? upgrading of an intermodal transport junction, with associated business services;
- ?? planning of the redevelopment of former port and manufacturing areas to enhance the capacity of the city to perform its servicing functions;
- ?? enhancing the business climate.

Environmental action plans. The broad approaches to managing the urban environment should be aimed at bringing Haiphong's environmental quality to within quality standards of internationally competitive cities in the same rank and to mobilize interest and community participation to identify environmental problems, set priorities, and agree on concrete steps to move forward. In the area of municipal and industrial pollution, the main approaches to be considered for upgrading the environmental performance of the municipal authorities would include:

- ?? collecting, analyzing and presenting data on ambient environment quality and related parameters as a basis for action;
- ?? strengthening the capability of DoSTE and DoI;
- ?? creating a deeper awareness and public support for environmental measures.

Other activities might include developing an environmental information system, neighborhood and shoreline action plans, and brown fields and city center redevelopment projects.

Efficiency in governance and city building: governing by “small bricks.”

Because the City has already achieved success at the neighborhood level, we recommend building on this experience to improve a broader range of neighborhood infrastructure and, at the same time, to tie this approach to strengthening city governance. Municipal and neighborhood improvement projects financed by the Bank and other donors offer ample precedent for how this might be done in Haiphong. The city can capture several objectives-- improving environment of light manufacturing, upgrading residential circumstances of the poor, and improving the environment and amenity for the downtown area-- by offering credits at the neighborhood level to upgrade streets, drainage, parks, markets, and the like. To do this, the city needs to mobilize neighborhood and small scale enterprises. Small scale projects at the neighborhood level, financed with loans or credits from donors as in many countries of the region, could be a part of the city development strategy. Additional steps could include:

- ?? mobilize local neighborhood groups to participate in the creation of facilities and services needed to improve health and welfare and to support small scale production (streets, lighting, drainage, water and sewerage);
- ?? use the “small bricks” program to strengthen linkages between government departments, possibly by using this community-based approach, to achieve greater efficiency in city government in identifying needs, applying city revenues, implementing projects;
- ?? create a general plan for the city and for the downtown area, for culturally historically significant buildings, and for organizing street commerce;
- ?? make basic improvements in traffic circulation (separating small vehicles from autos)
- ?? develop basic information tools like GIS and land use controls.
- ?? study tours to selected cities (e.g., Curitiba and Santos, Brazil and Seoul, Korea) to examine first hand the approach, tools, and techniques of planning, investment, and economic development in successful cities.

Solid waste. URENCO has identified several priority needs for achieving improvements in solid waste service delivery and improving public health and environmental protection, and these represent another, complementary option for the city:

- ?? public health education programs and promotion of community participation aimed at changing user behavior to improve public health, increase recycling, and improve payments;
- ?? improvement of collection services through community participation and containerization;
- ?? urgent investments in landfill expansion and access road widening, and in landfill operations including a landfill compactor, and closure and recovery of the Thuong Ly dumpsite;
- ?? staff development, in particular for disposal operations;
- ?? introduction of a hospital waste management program.

In addition, in the longer term, URENCO should work to introduce appropriate treatment technologies coupled with waste reduction and recycling to diminish the volume of waste to be landfilled, coupled with direct residential customer payment for precollection, perhaps linked to microenterprise or community based precollection operations. Work will also be needed to establish local ordinances and give greater attention to hazardous waste management.

VI. Bank and Donor Assistance

The Bank, together with other donors, can offer help in most of these areas, depending on interest and priorities of the city as well as the national government. In principle, assistance can be categorized in areas of lending, nonlending, and donor coordination. It is important to point out that the options spelled out above far exceed the short and mid term capabilities of any city, and that city officials in Haiphong need to weigh their options carefully and fix priorities before assistance can be used effectively.

Nonlending. Because of the very many options and possibilities which lie before the city, nonlending assistance (and donor coordination) are especially appropriate in the short run to help sort out issues and develop clearer ideas and priorities. The Bank can offer assistance in the form of building a stronger knowledge base, for instance in mobilizing the Bank's EDI to engage leading practitioners to take part in seminars, training and technical assistance and by bringing the Bank's own extensive knowledge to bear on selected city issues. Indeed, further work on urban issues in selected cities in Vietnam has been planned for implementation over the next ten months.

Donor coordination. Donor assistance from more than a dozen sources already touches on issues raised in this report, and the Bank can play a very important role by making assistance more strategic or more focused so that it is more effective, for instance in addressing in a coordinated way the issues of urban and rural poverty, business development, regulatory regimes, or by coordinating help on solid waste disposal or transport issues. The Bank could help mobilize support for learning, study tours, and policy seminars. One example might be to assist in the formation of a council of local and regional figures, with international consultants, to develop an action plan to modernize the city as a business environment.

Lending. The Bank can offer loans (credits) to Vietnam to finance a wide variety of capital investment needs, and these will always be linked in some way with agreed Bank objectives of reform and poverty alleviation. Lending for municipal infrastructure at the neighborhood level would appear to be the most appropriate fit for Haiphong, and projects in Jakarta, Manila, and many in Latin America offer a model of terms and conditions that might apply in some form to lending assistance for Haiphong. Besides financing investments, Bank lending could finance a study tour of Brazil and other port cities in transition.

Annexes

Annex 1: Terms of Reference for Study of Poverty and Social Issues

The purpose of this study is to understand the dimensions of urban poverty and to supply city decision makers with factual information about the location and conditions of the urban poor and the dynamics of strategies among low income households to cope with poverty. The poverty and social issues study is designed to complement sectoral studies in other areas important to the city, such as its economic composition, infrastructure needs, environmental quality and pollution, finance, and corporate management capacity. The overarching aim of all these analytical views is provide the senior management of the City with strategic vision of problems it currently faces, to provide perspectives of the City's future development options, to spell out policy and program responsibilities for each level of government to advance development, and to identify assistance needs in order of priority (but without necessary reference to source of help).

The aim is to create a profile of the poor of Haiphong City from whatever primary or secondary sources are available (including undertaking primary research where required). It is probably not possible to give any overall accurate estimates of the numbers involved, but rough guesses - at least by key localities - would be useful. Indirect inferences from other data will also be helpful - for example, from medical records of the incidence of particular disorders. While all relevant sources of information should be used, an estimate of the relative reliability of the different sources should be included. We estimate that about 500-1000 households should be interviewed, starting with a sample of about 10 percent of the eventual number for purposes of field testing concepts. Bot qualitative and quantitative data should be recorded for purposes of portrayal and statistical analysis.

The elements of concern:

I. Who are the poor?

1. Household/family structure - single person; married couple; no. of children; other relatives in the household (parents, siblings etc.); number of females; number of earners and dependency ratio. Ages of all household members. Are any members of the household disabled - list disabilities, frequency and how far this prevents regular or occasional work. For women, frequency of pregnancies. List illhealth by household member - type of disorder, length of time involved and degree of incapacitation. For widows, circumstances of loss of husband (divorce, death etc.)

2. Educational level attained by members of the household (years of schooling); other training or skills acquired; which members can read and write? do all children in the family attend school - sometimes, always, never.

3. Work history - hours worked in the preceding week by household member; types of work most commonly undertaken in the past year; estimates of periods of unemployment - by hours per day, days per week, per month or by year (seasonally); maximum hours worked per day; where is the work most commonly undertaken - time taken to get to the workplace? Ancillary work undertaken - list types and frequency undertaken (eg loading/unloading/sorting/cultivation/fishing.clothes washing/trading etc). Are members of the household away from home for work? do other members of the household migrate for work - how often and to where? Relative contribution to household income by different members (proportions only); work history of the household's children (part-time, fulltime; by particular days of the week, month, season);

4. Migration status - place of birth (district/province) by household member; if born elsewhere than Haiphong,, age at which came to Haiphong (and circumstances of, and reasons for, move - alone, with spouse/parents/siblings/friends etc)? does the respondent have relatives (spouse/parent/siblings etc) at place of birth/land or livestock ownership? Occupation of parents. Does the respondent send remittances to relatives remaining at place

of origin - size, frequency. Does respondent receive material support from place of origin - cash, food supplies (size, frequency). Does respondent visit place of origin - frequency, length of stay.

5. Consumption and assets. Basic diet: how often does the household eat? frequency of consumption of rice/fish/meat etc. Other foodstuffs consumed - types of vegetables etc.

Assets owned/shared in the household - stove/table/chairs/beds/radio/sewing machine/bicycle/ other.

II. Where are the poor?

1. Housing - separate house or apartment? does the household own or rent this place? or other ? size of space concerned and facilities; how long has the household been there? give brief outline of the residential history of the household - places and times occupied, frequency of moves (and reasons for movement).

2. Access - to water (distance walked if water fetched from outside the dwelling); sewerage (distance walked if outside dwelling); electricity - for lighting, cooking etc.; distance to workplaces and means of transport (walking, bicycle, bus etc); proximity to primary health clinic, to primary schools; proximity to food suppliers/stalls/markets etc. Proximity to environmental hazards - major road junctions, polluting factories etc.

3. The distribution of the poor in Haiphong - key localities and relative size of the clusters of the poor; general environmental conditions of poor localities.

Annex 2: Terms of Reference for Study of City Finance

The purpose of this study is to understand the financial sustainability of the City of Haiphong in the context of a strategic view of urban development. In particular, the finance study should gather data on expenditures and sources of revenue in all major sectors and analyze this data and identify major issues to serve as an input into the strategic view of urban development. The financial management study is designed to complement sectoral studies in other areas important to the city, such as its economic composition, infrastructure needs, environmental quality and pollution, levels of poverty, and corporate management capacity. The overarching aim of all these analytical views is provide the senior management of the City with strategic vision of problems it currently faces, to provide perspectives of the City's future development options, to spell out policy and program responsibilities for each level of government to advance development, and to identify assistance needs in order of priority (but without necessary reference to source of help).

The financial analysis of the City can be thought of in terms of a financial flows analysis. The scope of work should cover items listed below, for which data should be gathered from 1985, 1990, 1995 and the latest year(s) available, e.g., 1996 and 1997 if possible. Content of analysis should include the following:

- ?
 - ?? the major areas of expenditures for which the city is responsible (e.g., roads, drainage, parks, health, education, welfare)
- ?
 - ?? the sources of revenue including transfers, which covers total taxes by source (property lease, property transaction, business taxes, customs taxes, user fees, etc.)
- ?
 - ?? total transfers from the central government on an annual basis as well as those negotiated for specific investment projects, e.g., for large scale investments
- ?
 - ?? total debt service and other off budget considerations
- ?

The report should identify the major trends in finance, looking particular for changes in financial balance, noting major shifts in income or expenditures over the years, and also identify the chief issues for the City in financial terms. (It may be useful to take as a benchmark what might be necessary to move the City toward great fiscal responsibility, even sustainability, in keeping with the 1997 Budget Reforms.)

The counterpart for the study would be the Director of Finance in Haiphong. The Ministry of Finance is also expected to be an important corroborating source of information and must be included in the work. Letters from the World Bank will provide introduction and request cooperation from these authorities.

The report should cover about 30 pages with supporting tables and data and be completed by no later than the end of August. It should be submitted in 2 copies to the Banks Office in Hanoi and 2 copies plus diskette to the Urban Partnership in Washington, DC (email transmission is also acceptable). The work will be reviewed and allowance should be made for comment and revisions.

Payment will be made in lump sum basis, 30 percent on signing, 40 percent on completion of draft, and the balance following revisions and final submission.

c:\tc-temp\fin-tor.doc

References

Campbell, T 1997

Innovations and Risk Taking: The Engine of Reform in Latin America and the Caribbean. World Bank Discussion Paper No. 357. Washington, DC: World Bank.

Campbell, T., and Sara Freedheim, 1994.

“Basic Features and Significance of PRONASOL, Mexico’s National Solidarity Program.”
Decentralization to Local Government in LAC: Source Book on Policies and Practices that Work. Source Book Note 2. LATAD, July.

Coffee, J 1998

“Improving Water Services in Haiphong.” forthcoming. Hanoi, Vietnam: World Bank.

Cointreau-Levine, S 1994

Private Sector Participation in Municipal Solid Waste Services in Developing Countries. Volume I. The Formal Sector. World Bank: Urban Management Programme.

Harris, N and I. Fabricius (editors) 1996

Cities and Structural Adjustment, London: DDU/UCL Press

UNDP, 1998

PAR Programme in Haiphong. UNDP Haiphong.

World Bank 1990

Learning by Doing. Upgrading and Sites and Services.