

Learning from Vietnam's Urban Upgrading Projects¹

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Executive Summary

When economic and political reforms were introduced in Vietnam to transition from a centralized economy to a socialist-oriented market economy in 1986, urbanization started to accelerate. The central government responded to the influx with an inclusive approach to urban development. Three World Bank-financed projects have played a major part in this: the Vietnam Urban Upgrading Project (VUUP, 2004-2014), the Mekong Delta Urban Upgrading Project (MDR UUP, 2012-2018), and the ongoing Scaling up Urban Upgrading Project (SUUP).

The projects incorporated the best global practices of the times and evolved by learning from each phase of implementation. The VUUP shifted away from the conventional practice of slum clearance and resettlement to focus instead on maximizing infrastructure coverage with in situ upgrading to stretch out investment dollars and reach the greatest number of beneficiaries. As the project progressed, key lessons were learned as well. Inter-agency coordination and capacity building for governments and communities, were found to be essential for success. The project adopted community engagement as a principle in all stages.

The MDR UUP used the VUUP approach in principle, but it took a regional focus to improve institutional coordination and learn from the experiences in each project city in the Mekong Delta, a highly populated, low-lying region of southern Vietnam. The SUUP builds on the MDR UUP to target secondary cities in the same region. The goal of the new project is to incorporate a disaster risk perspective within a comprehensive urban planning framework.

After nearly two decades of upgrading in Vietnam, important lessons have been learned. Of these, three were found to be critical to the success of these upgrading projects. The first was that using an integrated and incremental approach made it possible to facilitate infrastructure improvements in low-income areas from the bottom up to reach a larger number of beneficiaries, even while a national policy was still being prepared. Second, supporting a process of decentralized implementation with the appropriate institutional strengthening allowed the cost savings from procurement to be used in a timely manner to expand project coverage. The third was that putting a strong focus on community engagement in all stages of the projects proved to be instrumental in keeping the investments relevant to the communities and building in community ownership for infrastructure operations and maintenance as well as ensuring the long-term sustainability of the project.

Despite all these efforts and the best of planning intentions, the projects faced challenges in their implementation. Important lessons from the experience of the urban upgrading projects in Vietnam are: first, a systematic plan for citywide upgrading was needed to handle any impacts on neighborhoods not included in the projects. Second, for better outcomes in urban upgrading, housing microfinance should be considered an integral part of an upgrading project as it facilitates housing investments and asset accumulation. Third, a support structure for decentralized decision making must be provided at all levels of government. Last, but not least, support systems must be set up to enable effective community participation.

Section 1: Background

Vietnam's economy has been growing rapidly since 1986, when economic and political reforms were introduced to transition from a centralized to a socialist-oriented market economy. While this has been accompanied by fast urbanization and a reduction in poverty,² the poverty rate remains high and is worse in urban areas. The urban population growth rate was 3.1% in 2014, fueling expectations that more than half of the country's population will live in cities by 2045, or approximately 53 million people.³ This could increase poverty and put a greater strain on urban infrastructure and services. In 2015, over 34% of Vietnam's total population (30 million people) was living in urban areas,⁴ and 6.6% of them were in poverty.

While Vietnam's urban population is concentrated in five cities that have populations of more than 1 million, cities of medium size (100,000 to 500,000 inhabitants) are also growing.⁵ The number of urban centers across the nation rose from 629 in 1999 to 805 in 2017, and most of them are struggling to keep up with the growing demand for housing and infrastructure. In 2015, a multidimensional poverty measurement was adopted to include access to infrastructure and services in addition to the traditional income-based approach. This has exposed the low levels of access to basic services and infrastructure in small and midsize cities as compared with the five big cities.

One region experiencing the impact of urbanization on multidimensional poverty is the Mekong Delta (MDR),⁶ where a fifth of Vietnam's population lives. The region, which has strategic economic importance because of its large agriculture production, has an urbanization rate of 25% and the highest level of multidimensional deprivation in Vietnam.⁷ In the MDR, 14% to 30% of the urban population live in unplanned low-income areas (LIAs).⁸ They are characterized by high population density, substandard housing, inadequate access to basic infrastructure and services, high environmental pollution, dilapidated tertiary roads, and low connectivity to wider infrastructure networks.⁹ Often the LIAs encroach on lakes, canals, and other waterways, exposing them to frequent flooding that has been worsening with climate change. The low elevation of the region makes it one of the most at risk in the world to suffer from the impacts of climate change.

After nearly two decades of inclusive urban development, a series of urban upgrading initiatives have been successful in addressing the challenges of population growth in city centers. Faced with rapid urbanization, the Vietnam government has made inclusive urban development a priority through several policy frameworks since the 1990s. This includes guidelines on national urban development, a land administration program to register property rights, housing finance, and disaster risk management (see Box 1). The government is also pursuing inclusive urban development through three World Bank-

²Vietnam's GDP per capita more than tripled from \$560 in 2004 to \$1,800 in 2013. The percentage of people living in poverty dropped from almost 60% in the 1990s to approximately 13.5% in 2014 (World Bank, 2017)

³ (World Bank, 2017)

⁴ (World Bank, 2017)

⁵ (World Bank, 2017)

⁶ The Mekong Delta has been becoming denser as it rapidly urbanizes, led by growing industrial investment and tourism, as well as improved agricultural productivity and better regional connectivity.

⁷ (World Bank, 2017)

⁸ (World Bank, 2012)

⁹ (World Bank, 2017)

financed projects: the Vietnam Urban Upgrading Project (VUUP, 2004-2014); the Mekong Delta Urban Upgrading Project (MDR UUP, 2012-2018); and the ongoing Scaling up Urban Upgrading Project (SUUP). The VUUP and MDR UUP covered nine cities with a total combined budget of \$926 million. The \$330 million SUUP is expected to extend upgrading efforts in seven cities in the MDR region.

Box 1: Timeline of Vietnam’s Introduction of Inclusive Urban Development Policies and Upgrading Initiatives

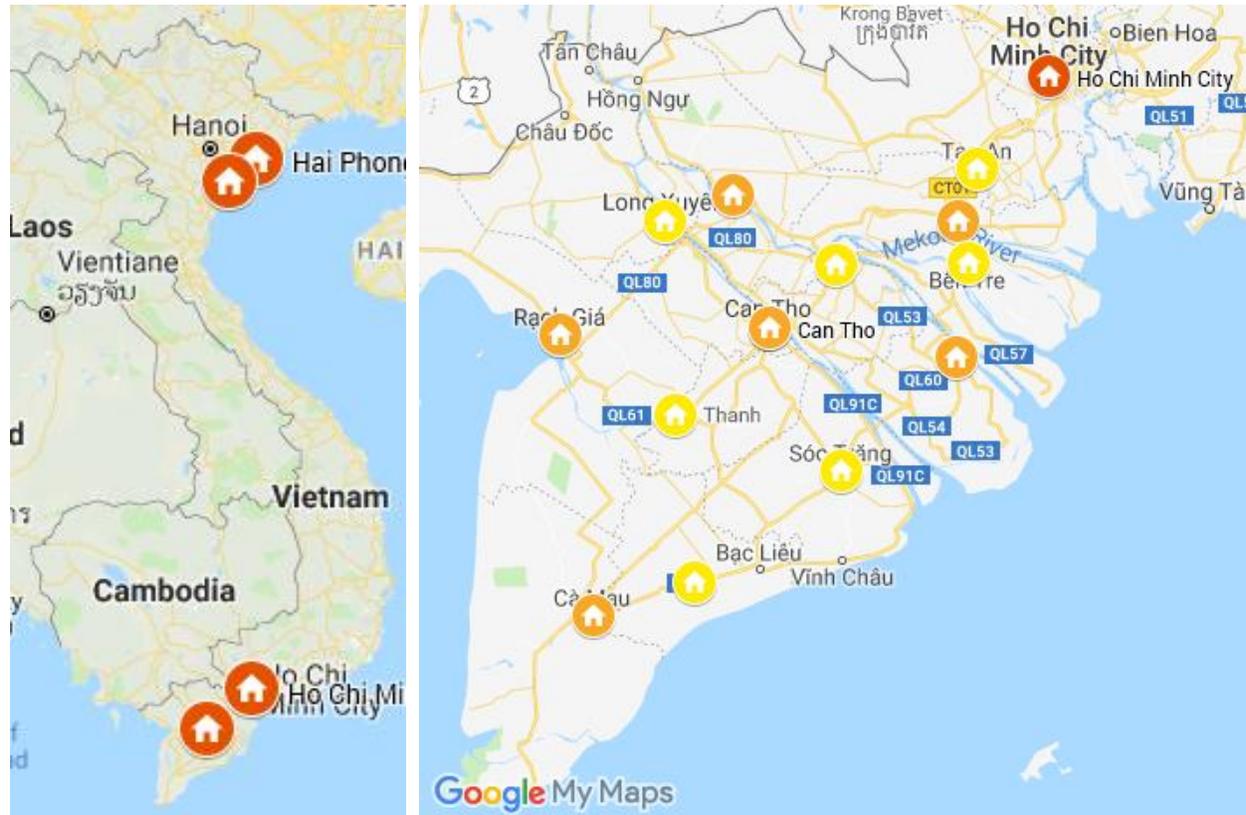
- **1998: The Orientation Master Plan for Urban Development in Vietnam to 2020** developed by the Ministry of Construction recognized the importance of providing security of tenure through the issuance of land use rights certificates, a key for increasing housing supply. It advocated for providing credit to poor people, creating partnerships between the government and civil society, improving access to information, and building social capital to help people break out of the poverty cycle. The master plan set targets for expanding the coverage of infrastructure services and addressed the limits of institutional capacity to manage urban growth. It prioritized better planning and building regulations as well as developing a more efficient real estate market.
- **The Building Ownership and Land Use Certificates** program was created for local governments to register property rights, making it possible for certificates to be used as collateral for a house loan or mortgage.
- **The National Urban Forum** was created to better coordinate donor investments and provide a platform of policy dialogue. It is comprised of the Ministry of Construction and other relevant ministries and government agencies, and key donors.
- **2004-14: The VUUP** piloted global best practices in urban upgrading based on the 1998 master plan in four large cities. The VUUP was a test run to provide lessons and guidelines for the National Urban Upgrading Program that was under preparation.
- **2009: The National Urban Upgrading Program and the Overall Investment Plan for Urban Upgrading up to 2020 (NUUP)** was prepared by the Ministry of Construction to replicate what was learned from the VUUP across the country, in particular by making community participation a norm in the upgrading process. With a well-defined focus on LIAs, the NUUP led to improvements to other built-up areas and urban developments in suburban zones.
- **2009: An Adjustment of the Orientation Master Plan for Urban Development in Vietnam to 2025 and Vision 2050** revised the targets for infrastructure and security of tenure through a national system of urban centers and, in particular, the development of secondary and tertiary cities.
- **2012: The National Urban Development Program (NUDP) 2011-2020** reinforces the focus on urban upgrading. It aims to develop model provincial capitals in different regions to respond to climate change and natural disasters in urban areas. The NUDP is aligned with Vietnam’s Natural Disaster Prevention and Control Law, which creates a comprehensive and integrated disaster risk management with targets for eliminating flooding in class-4 cities (mostly provincial towns) and infrastructure in class-3 cities (provincial cities and towns with urban wards and suburbs).
- **2012-2018: The MDR UUP** focused on six cities in one strategic region in order to facilitate better institutional coordination and the exchange of learnings among project cities, as well as to further define the operational framework of the NUUP. The MDR UUP contributed to the Vietnam government’s Comprehensive Poverty Reduction and Growth Strategy of 2003, in particular through the objectives of providing basic infrastructure to urban poor people and environmental sustainability protection. It was aligned with Vietnam’s Socioeconomic Development Strategy 2011-2020 and its Socioeconomic Development Plan 2011-2016, which aimed to identify measures to achieve high-quality and sustainable economic growth, in particular through the objectives of urban development and environmental protection.
- **2017 – ongoing: The SUUP** targets seven provincial cities in the MDR with the goal of incorporating a disaster risk perspective within a comprehensive urban planning framework that looks at proactive inclusive urban development beyond infrastructure provision in existing LIAs.

The VUUP targeted four large cities, two in the south and two in the north,¹⁰ based on the government’s 1998 master plan. The VUUP was implemented in 164 wards of 24 districts in the four cities, benefitting

¹⁰ Ho Chi Minh City (HCMC) and Can Tho in the south and Hai Phong and Nam Dinh in the north. HCMC is the largest city in Vietnam; Can Tho is the main urban center of the Mekong Delta; Hai Phong is the third-largest city in Vietnam; Nam Dinh is a grade II city. HCMC, Can Tho, and Hai Phong have provincial status.

over 700,000 people. The MDR UUP targeted six provincial capitals in the Mekong Delta region, upgraded infrastructure in 114 LIAs across six cities and benefitted about 625,000 people directly. The SUUP is being implemented in 30 LIAs in seven provincial cities in the MDR with an estimated target of directly benefiting 500,000 people.

Figure 1: Project Cities – Vietnam Urban Upgrading Projects



-  VUUP Project Cities: Ho Chi Minh City, Can Tho, Hai Phong, and Nam Dinh
-  MDR UUP Cities: Can Tho, My Tho, Cao Lanh, Ca Mau, Rach Gia, and Tra Vinh
-  SUUP Cities: Bac Lieu, Ben Tre, Long Xuyen, Soc Trang, Tan An, Vi Tanh, and Vinh Long

Urban upgrading in Vietnam incorporated the best practices of the times and evolved with each phase of implementation. The VUUP included global best practices, in particular two important prerequisites for urban upgrading: setting up coordination mechanisms between stakeholders, and effective community ownership of the project. This was done in two ways. Politically, it was achieved through participatory decision making and interactions with local governments, while economically it was done through small works contracts and security of tenure.

Based on international experience, the VUUP also took into account that building community participation takes time, marginal groups need support to avoid gentrification, low-cost options for upgrading can provide greater coverage, and mechanisms for operations and maintenance as well as monitoring and evaluation must be established. The VUUP moved away from what had then been conventional practices in Vietnam, including by:

- Maximizing coverage of investments through:
 - Adopting in situ upgrading instead of clearance and relocation. Relocation to distant locations destroyed the community’s social capital and entrepreneurial spirit. It also added the burden of travel costs to an already poor group. In situ upgrading preserved the social capital in LIAs and significantly reduced project costs on a per-capita basis.
 - Designing infrastructure using appropriate, flexible, and functional standards to optimize coverage, reduce resettlement needs and project costs, and better reflect community preferences. This was done instead of using the relatively uniform service standards recommended by the 1998 master plan, which would have made it more expensive to expand coverage. The VUUP took an incremental upgrading approach that based the design of infrastructure improvements on the willingness and ability of the communities and local administration to pay.
- Minimizing resettlement and keeping people from moving to hazardous locations, such as along canals or other right of ways. The resettlement sites were located as close to the city center as possible to reduce the impact on people’s way of life.
- Using a comprehensive multi-sector package that was prioritized by the communities rather than separate sector-specific investments that were often counterproductive.¹¹ The comprehensive package included infrastructure services, resettlement areas, land management, and microcredit support to poor residents for housing improvements and income generation. In addition to tertiary infrastructure in the LIAs, the VUUP invested in improving primary and secondary infrastructure where necessary to provide links to the tertiary infrastructure improvements at the community level. Experience around the world has found that improving tertiary infrastructure within neighborhoods was not enough. The effectiveness of the community-level improvements depended on whether they were correctly linked to a larger network in the city and whether the network was capable of absorbing new additions.
- Decentralizing planning and implementation to the local government level with community engagement was adopted as a prerequisite in the critical stages of preparation, design, and implementation.
- Providing capacity building at the city, district, and ward levels for participatory planning, design, and implementation (including procurement and financial management), as well as to improve operations and maintenance. Capacity building was also provided to communities so they could organize and participate more effectively, and to the project management units (PMU) in various aspects of project management.

The MDR UUP was developed to replicate the lessons learned from the VUUP, helping to facilitate better institutional coordination and the exchange of lessons and views among the project cities across an entire region. It also built on the operational framework of the NUUP. Based on the experience from the VUUP, the MDR UUP was designed to be more pragmatic by simplifying the package of services and emphasizing operational strengthening:

¹¹ The World Bank’s Water Supply Project, Three Cities Sanitation Project, HCMC Environmental Sanitation Project; the Belgian Technical Cooperation’s HCMC Canal Tan Hoa-lo Gom Sanitation and Urban Upgrading Project; the Swiss Development Cooperation’s Nam Dinh Urban Development Project; and the Asian Development Bank’s Housing Finance Project.

- A regional focus was pursued by selecting cities in a geographical cluster to strengthen the community of practice between cities and to demonstrate how urban upgrading can be replicated in neighboring areas. The cluster approach improved efficiency in operations and supervision.
- The project design for the multi-city, multi-sector project was simplified by reducing the components related to land management and housing microfinance. The focus was put on infrastructure improvements (tertiary, primary, and secondary), resettlement sites, capacity building for implementation and project management, and providing technical assistance to the Ministry of Construction to implement the NUUP. The project took into account the risks of cost overruns if estimates do not reflect inflationary trends or the counterpart budget for land acquisition for resettlement areas is insufficient. All cities prioritized their investments and identified those to be omitted in the event of insufficient project financing. In addition to the central government's support to the cities for their counterpart contribution, all of the cities made a commitment to cover any counterpart financing gaps.
- Top-level coordination was set up to improve the overall efficiency and quality of implementation at the local government level. A Project Coordination Unit (PCU) was set up at the Ministry of Construction for coordination, monitoring, quality assurance, and training. Increased institutional support was provided to ensure good coordination between government departments, effective communication strategies, tailored solutions for each investment, good project management, and strong interaction with communities.
- Sufficient time was provided for community participation. The project recognized that ownership and active support from the communities was essential for its sustainability, and that additional time was required for intensive consultation. This additional time was incorporated throughout the project cycle.

There have been challenges with the previous two projects. For example, while the projects targeted the most impoverished LIAs in the selected cities, other LIAs in the vicinity that were not upgraded sometimes suffered project externalities, such as increased flooding because of poor drainage as compared with the upgraded neighboring LIA. Much of the tertiary infrastructure has limited connectivity to primary and secondary infrastructure, and many LIAs are not well connected to other parts of the city.

The SUUP builds on the two projects by taking an integrated urban planning approach to improve the connectivity of priority infrastructure in the urban core and to upgrade selected LIAs by incorporating climate-adaptable, green infrastructure investments and enhancing universal accessibility. The SUUP also supported the revision of master plans with a climate change and disaster risk perspective to steer future urban growth into less hazardous areas and incorporate low-carbon development principles, while also addressing the infrastructure improvements in the selected LIAs.

Both the VUUP and the MDR UUP used international best practices in urban upgrading on a very large scale. Nearly two decades of upgrading in Vietnam have provided important lessons that can be learned from for future upgrading projects in the country—and around the world. This paper identifies three aspects that were critical to the success of these early upgrading projects. The first is that an integrated and incremental approach made it possible to facilitate infrastructure improvements in LIAs from the bottom up and to reach a large number of beneficiaries, even while a national policy was still only in preparation. Second, the use of decentralized implementation supported with appropriate

institutional strengthening paid huge dividends in exceeding infrastructure targets. The third key was putting a strong focus on community engagement in all stages of the projects to keep them relevant to the communities and build in community ownership for continued infrastructure operations and maintenance and long-term sustainability.

Section 2: Outcomes of Vietnam’s Urban Upgrading Projects

Infrastructure investments have dramatically improved living conditions in the LIAs—and met and exceeded project targets. The VUUP and MDR UUP focused on upgrading tertiary infrastructure and supporting primary and secondary infrastructure to improve the connectivity of the LIAs. The projects also provided resettlement sites connected to public services for the people affected by the upgrading, and supported the implementation and management of the investments. The upgrading included: (a) expanding, paving, and elevating alleys; (b) installing drainage and sewage systems, and dredging canals and ditches; (c) installing water supply systems in LIAs lacking safe water; (d) installing public lighting; (e) providing solid waste collection equipment; and (f) building schools, community houses, clinics, public spaces, and other such public facilities.

The approach gained widespread public support. A survey of the residents in the targeted LIAs found that 97.7% of the project beneficiaries were satisfied with the quality of the basic urban infrastructure facilities and services. The increased cost for the basic utilities of water, electricity, and waste collection was also deemed affordable.

Expanding roads and alleys to reduce flooding, improve connectivity

Before the projects, most households lived next to unpaved alleys less than 2 meters wide. These narrow alleys frequently flooded during the rainy season and were hard to access by larger vehicles. The alleys in the targeted LIAs have been widened, elevated, and paved. This has made it easier for fire trucks and ambulances to access households, making residents feel more secure. New drainage systems have been installed as well, reducing flooding in the rainy season and at high tide. Most households along the upgraded alleys elevated their houses in line with the higher alleys, helping to mitigate localized flooding. Many of the previously isolated LIAs along canals now have access to all-season roads and bridges connecting them to the rest of the city, shortening travel times for residents.

Challenges remain. The maintenance of drainage points, for example, has been an issue because residents were not instructed on how to maintain them, such as by keeping them clear of garbage. Some residents could not afford to elevate their houses either, and the alleys not upgraded suffered even more flooding. The roads in and out of the project’s LIAs are suffering worse flooding because their elevation is now lower than that of the upgraded LIA alleys. To deal with this, several solutions were applied. The drainage receiving points were lowered, and households were advised to create temporary water retention areas in their gardens.

Despite these challenges, the projects achieved more than had been expected. During the VUUP, 243 km of new and rehabilitated primary and secondary access roads were built along with 340 km of tertiary roads, more than double the project’s target. A total of 559 km of drainage was built or rehabilitated, almost 4 times the project target. Flooding was eliminated in the four cities. After the MDR UUP, more than 98% of the surveyed households now live in front of alleys that are more than 2 m wide, and a large proportion of the alleys have been expanded to widths of at least 4 m to allow car access.

Improving sewerage to reduce flooding, illness, and pollution

Before the projects, around one-fifth of households in the LIAs directly discharged their domestic wastewater and solid waste into canals and open drains, resulting in serious environmental pollution

and high health risks, especially during floods. Most of the LIAs were frequently flooded not only in the rainy season, but also throughout the year because of poor drainage systems and high tides. Waterborne and respiratory diseases were substantially higher in these LIAs than in areas with well-functioning drainage and sewage systems.

With the upgrades, the primary and secondary drainage systems were improved to connect tertiary systems in the LIAs to the city network. Flooding and its associated pollution have also declined significantly thanks to the improved drainage systems, the elevation of alleys, the construction of drains and sewers, and the rehabilitation and dredging of the canals, rivers, and lakes.¹²

Indeed, project beneficiaries have reported better health conditions because of the decline in flooding and the cleaner environment.¹³ Several diseases have almost disappeared or were greatly reduced. Better sanitation has improved public health, resulting in a reduction in health-related expenditures and increases in productivity because of reduced sick time.

With the VUUP, the number of households with domestic sewage systems connected to city's sewage system increased from between 26% and 74% to between 97% and 99%. A total of 99% to 100% of households now have standard hygiene toilets, up from between 20% to 27% previously. After the MDR UUP, 98% of households were connected to septic tanks or public sewers.¹⁴

Clean water supplies

Before the projects, a large number of households in the LIAs did not have access to clean water, leaving them to use water from neighbors or dirty canals. The projects invested in clean water connections, helping to provide them water and also increase revenue for the public water service as more households were connected to the system. The investment also reduced leakages, making water supply operations more efficient.

During the VUUP, 29,687 new household water connections were made, close to double the project's target. Access to clean water increased from between 49% and 69% in different cities to almost 100%. After the MDR UUP, the percentage of households in the LIAs connected to new or improved metered water supply systems shot up from an average of 21.4% to 99.4%. A survey at the end of the project found that more than 98% of respondents were satisfied with the quality of water supply systems in terms of 24/7 access and higher water pressure.

Safer streets with more electricity connections and street lighting

After the VUUP, almost 100% of households were connected to the national electricity network. According to feedback from the beneficiaries, the better illuminated alleys allowed residents to travel more safely at night. Theft and drug use has declined in the alleys, creating a sense of security for the residents.

¹² The percentage of surveyed residents who reported flooding in their alleys sharply decreased from 83% and 87% in 2012 in Tra Vinh and Can Tho, respectively, to 3% and 12% in 2016. Similarly, the duration of flooding fell in half in Can Tho and by two-thirds in Tra Vinh.

¹³ About 92.6% of the surveyed households reported that waterborne diseases have declined since the completion of the infrastructure works.

¹⁴ The proportion of households in the LIAs connected to the city's drainage system increased from 15.2% to 95.9%, and the proportion of households connected to septic tank or sewage system increased from 80% to 97.9%.

Solid waste improvements

Before the projects, households did not have a solid waste collection service, often because trash trucks could not access these areas. As a result, most households dumped their waste directly into the canals or open drains, blocking and polluting the canals and drainage systems. The waste bins and trucks provided by the projects helped ease the job of waste collectors and increased labor productivity. After the MDR UUP, the percentage of households with daily domestic waste collection increased from 23.9% to 97.9%.

Improving health care and encouraging more children to go to school

During the VUUP, 32 medical centers were built or renovated, and a total of 85 schools—33 kindergartens and 52 primary and secondary schools—were built. Women who send their children to national standard kindergartens are now able to work, boosting their family’s income. During the MDR UUP, public parks and community and educational facilities were built. New roads, alleys, parks, and streetlighting facilitated socialization through the more frequent use of public space for exercise or gatherings.

In many upgraded schools, students who used to attend only half days because of the limited capacity of the facilities now have the option of attending full time. Interviews with teachers and parents found that the new or upgraded schools provided a better environment for teachers and students, and that better sanitation facilities are crucial for improving health. This helped ease the overcapacity issues at schools in populated areas. Access to education was also improved by extending school hours. Some parents said that before the upgrade they were reluctant to send their children to kindergartens because of concerns about the quality of the sanitation facilities. Now they are happy to send their children to schools with improved facilities.

Box 2. A New School in Tra Vinh City

The Tran Quoc Tuan Secondary School in Tra Vinh was built with an investment of 20 billion dong (US\$860,000), conforming to national standards and benefitting the local population. It has 12 classrooms and functional rooms including a library, canteen, and special rooms for physics, chemistry, English, and computer science. The English rooms are equipped with advanced facilities.

The school opened in the 2017/18 school year with 20 classes from sixth to ninth grade and a total of 779 students. It has helped resolve overcrowding at the Ly Tu Trong Secondary School in a neighboring area. Beneficiaries of the school are both LIA and non-LIA families, and its operation has had a positive impact on society.

Playground, Classroom, Library, and English



Classroom of Tran Quoc Tuan School

Source: Interview with the school management.

Fully serviced resettlement sites,¹⁵ located close to the city center, have provided households with a better living environment and greater access to business opportunities.¹⁶ During the VUUP, 5,363 households needed to be resettled for canal improvements, including dredging as well as embankment and road construction. Households in these areas were squatters on the canals. They were living in precarious conditions without tenure security or access to amenities. This made it impossible to do in situ relocation for these families. Instead, the resettlement consisted of providing serviced plots (land ready to build on) or core housing and compensation for project-affected people. A total of 2,641 plots of land and 2,383 apartments were built. Basic infrastructure services consisted of roads, drains, electricity supplies, public lighting, schools, and markets. However, only 2,547 plots and apartments were used. Some households chose not to relocate, cashing out on their allocated plot instead to buy sites close to their old neighborhood so that they could maintain their economic opportunities and social ties.

During the MDR UUP, where involuntary resettlement was unavoidable, affected people received an appropriate cash compensation with an option to buy a plot of land. Resettlement sites were constructed in the early stages of project implementation so that the affected households could be relocated on time. In sites not ready to receive project-affected households (PAHs), cities used their available land to accommodate the PAHs' needs or paid them an allowance to rent temporary housing. This helped avoid construction delays for land clearance. To maintain the social network and cultural preference of the Khmer people (an ethnic group native to Cambodia), Ca Mau city built several on-site resettlement areas in the upgraded LIAs to accommodate the relocated households. They used public land and an innovative land exchange scheme similar to land pooling.¹⁷

All adversely affected people, including informal settlers, were financially compensated for their losses at replacement cost. They were also provided with support to maintain (or improve) the living standards and income-earning capacity that they had enjoyed before the start of construction. The project also provided special in-kind support to relocated households and vulnerable groups, such as vehicles to relocated households for moving to resettlement areas and assistance in arranging house construction and land issuance permits, and house certificates. In each city, a grievance system was established to address the PAHs' complaints about the land acquisition process, including compensation payments and resettlement issues.

The projects resulted in notable increases in household incomes for project LIAs,¹⁸ and at a rate that was higher than the overall provincial trend in some cities.¹⁹ After the projects, the income increases in the project areas matched the average in the city or exceeded it. The road widening and upgrading of drainage systems made the areas attractive for developing and running businesses from home. Many

¹⁵ 3,558 resettlement plots were developed in the six cities.

¹⁶ Resettlement sites are located in general 3 km to 6 km from the city center.

¹⁷ Land pooling or land readjustment is a means of assembling land for urban expansion or redevelopment. It allows PAHs to contribute a portion of their land to make space for urban infrastructure, remain in situ, and benefit from the improvements brought about by the project. It is widely considered to be more efficient and inclusive than land acquisition with compensation and off-site resettlement. In Ca Mau, the authorities used 1 ha of public land to build serviced plots to resettle 10 Khmer households within LIA1; in several other LIAs, the authorities developed on-site resettlement areas through a land exchange scheme through which households contributed a certain portion of their unserviced agriculture and residential land in exchange for multiple-serviced resettlement plots.

¹⁸ Based on project surveys.

¹⁹ Based on the Vietnam Household Living Standard Survey.

households that used to be very poor now own a valuable piece of land appropriate for opening restaurants, grocery stores, and cafes, and for offering maintenance and leasing services. Residents are able to rent houses, babysit, and do other part-time jobs to generate more income.

Between 2012 and 2016, the average household income in the project's LIAs in Can Tho and Ca Mau grew 1.36 times and 1.76 times, respectively, according to the project's end-line survey. That was higher than the increases of 1.14 times and 1.33 times in the city and province, according to official data from those districts.

Incomes have increased in the LIAs, primarily through additional rental incomes, in particular for households facing the upgraded and expanded primary roads. Businesses have benefitted from better access to customers and suppliers, and lower transportation costs. In one alley in Can Tho, 30% of the households sold their land to newcomers who have launched businesses such as running coffee shops, selling building materials, and repairing cars and motors. Some households improved their incomes by starting their own small businesses in selling construction materials, repairing motorbikes, or providing transportation services.

Box 3. Poor Households with Newly Upgraded Roads Improve their Livelihoods in Can Tho

Motorbike repair shop: A 70-year-old father, who lives with his disabled son, used to provide transportation services on his motorbike. His income was unstable and very low at 40,000 to 50,000 dong per day, equivalent to \$2 per day. At times, the family had to rely on material and financial support from neighbors. When Alley 42 was upgraded to a 20-meter-wide road, the father invested 10 million dong (\$450) to open a motorbike repair shop on his doorstep. Now his average income is 120,000 dong (\$5) per day and much more stable. The family no longer needs financial support from neighbors.

Construction materials shop: After Alley 42 was upgraded to a 20-meter-wide road, a man who used to ride a three-wheeled motorbike as his main livelihood started a business selling construction materials. The photo is where he stores materials and does business on Alley 42. Large trucks can easily access the location to pick up and deliver supplies.



Source: Interviews with the owners.

Interviews of households found that upgrading alleys helped increase occupation rates for taking in lodgers. Students or workers seeking to rent rooms said they want to live there because of the improved flood protection and safety in the areas. This has also increased the stock of rental housing for the transient population, which is often the poorest. However, the incomes of ethnic minorities and poor households in small alleys have not improved as much as those of households facing big roads, a sign of how limited access to finance, business skills, and attitude are the main setbacks for these groups in small alleys.

Box 4. Thanh Loi Private Enterprise in Tra Vinh Expanded its Business after Alley Upgrading



Thanh Loi has been in business for more than 25 years selling chili, spicy condiments, bottled syrup and other products. Its main markets are in Tra Vinh Province and five neighboring provinces in the Mekong Delta. Thanh Loi’s business started to surge in 2013 when Alley 51 was upgraded. The company used to hire employees to ride motorcycles to carry raw materials and final products to the main roads for loading onto trucks because the trucks could not access its workshop. Now the trucks can pick up and deliver goods directly to and from the workshop. The result: the volume of raw material sales has doubled. Thanh Loi invested 500 million dong to install new machines and expand its production line to increase output capacity in 2017. The company also raised 150 million dong from the Tra Vinh City Industry Extension Center for expansion. More recently, it invested over 1 billion dong to build a new warehouse and workshop with a total area of 500 sq m, and hired seven to eight employees to work on a full-time basis. Its revenue has doubled since Alley 51 was upgraded.

The photos show the company’s products, the new machines installed in 2017, and a newly constructed workshop for the seven to eight workers.

Source: Interview with the owner.

Box 5. Phat Trang Private Enterprise in Can Tho

Located on Võ Tánh Road are dozens of traders of agriculture products, of which Phat Trang is one of the biggest. Võ Tánh Road was upgraded under the MDR-UUP and became critical to economic activities. In the past, traders transported agriculture products by small trucks along Võ Tánh Road and other main roads in the neighboring area. Before the project’s intervention, Võ Tánh Road was seriously degraded. At the end of the road, for example, a serious landslide had slowed transportation. Many traders reported a decline in business, leading to job losses and lower income for employees, most of whom are local people. Once the road was upgraded, large trucks could easily access Võ Tánh Road. This has enabled traders to expand their businesses and create more jobs. Table 8.1 summarizes some of the positive changes in Phat Trang Private Enterprise.

Table 8.1. Positive Changes in Phat Trang Private Enterprise

Significant Changes	Before Võ Tánh Road was Upgraded	After
Volume (per day)	10 tons of fruits	14 to 15 tons of fruits (a 40% to 50% increase)
Labor	10 to 12 workers (100% were male; 70% were local people)	20 workers (100% are male; 70% are local); salary per worker: 12 million dong per month, which has increased gradually

Means of transportation	Smaller trucks and fewer vehicles per trading partners (corresponding to daily transaction volume)	Larger trucks that are easier to load, helping to attract more trading partners and wholesalers
Tax contribution	Five years ago, quarterly tax revenue was around 500,000 dong	The quarterly tax revenue in 2018 was around 2 million dong

Source: Interview with the owner.

Land prices in the project areas surged as a result of the improvement in living conditions from the better environment, accessibility, security, and amenities. With the widening of roads and alleys, the streets have become a place for business. Land values have increased. In MDR-UUP areas, property values increased by 50% to as much as 400%. Land prices are substantially higher along roads, rivers, canals, and waterfronts with embankments that have been improved by the project.

Data collected at the end of the project found that land prices had increased on average by 2.5 times to 5 times from before the project. A more detailed land market assessment conducted in March 2018 in Can Tho and Tra Vinh,²⁰ revealed that project investments in major roads and other primary infrastructure brought significant increases in land values, while land prices in the LIAs increased modestly. For the plots of land (mostly outside the LIAs) along the upgraded primary infrastructure, market prices increased 5 times to 11 times for residential and nonagricultural land in project areas between 2012 and 2018, while prices in out-of-project reference areas increased only by 2 times to 3 times. Within the LIAs, land prices increased by 2.1 times to 4.3 times, more than the 1.5 times to 2 times increases in reference areas.

The land prices listed by the government for tax purposes also increased in most areas,²¹ with the highest increases along the primary infrastructure in the project areas (3 times more in Tra Vinh and 5 times more in Can Tho). Increases in listed prices implied a potential increase of cities' land-related revenues because most taxes and fees are based on listed prices. Project areas recorded higher increases in the number of transactions and average registered prices than other reference areas, implying an increase in land-related revenue. Although systematic data is not available, on-ground interviews suggested that most poor households in the LIAs did not sell their houses after the project. Instead, many of them upgraded or expanded their housing or businesses.

Efficiency in issuing land use certificates allowed a greater number of residents to receive them.

During the VUUP, the creation of an online database management system was a breakthrough in managing the land and licensing for housing and land possession. There was a substantial reduction in the time and cost of acquiring Building Ownership and Land Use Certificates from over eight months to

²⁰ A rapid land market assessment was conducted in March 2018 by the World Bank to estimate the land values of the selected project areas in Can Tho and Tra Vinh as compared with those of reference areas outside the project. Each selected project area was matched with an area that had similar conditions in 2012 but was not included in the project. These reference areas were proposed based on project locations and demographic variables, with advice from local authorities and real estate agencies. In most cases, the reference areas were in the same wards and were close to the project areas.

²¹ Prices listed by the Provincial People's Committee (PPC). Every five years, the PPC issues a list of prices for land of different types and locations, mainly for the purpose of calculating land use taxes. The types of land include agricultural, residential, and nonagricultural lands. Locations are determined by the positions of the land relative to major roads.

15 to 40 days. During the project, 74% to 91% of households in upgraded areas received Building Ownership and Land Use Certificates.

Housing microfinance was successful in enabling a large number of residents to do home improvements, but the process faced sustainability challenges. Under the VUUP, the Capital Rotation Fund (CRF) was set up to provide microfinance loans for housing renovations and economic development initiatives to improve the flow of income for households through assigned partners. A clear and consistent handbook was created to help guide the CRF's partners in the implementation and operations of the project. The loan process was simpler than that of commercial banks, with preferential interest rates also offered.

The CRF was a motivation for poor people to decide to repair their homes. Easy access to capital and an appropriate repayment mechanism allowed households to confidently borrow to upgrade their houses. During the VUUP, 51,109 loans were awarded for home improvements, double the targeted amount. As a result, many temporary housing in the four target cities was replaced with stable housing. Most renovations were to upgrade floors (20% to 25%) because floods are quite common, as well as roofs (17% to 18%). Loans were also used to build individual toilets, greatly improving sanitation conditions in the LIAs. The repayment rate for housing improvement loans was substantial at 98%.

Although the microfinance program was successful, some of the partner microcredit institutions were not able to sustain the process. Microfinance funds managed by the Vietnam Women's Union²² were effective during project execution, but they faced challenges to develop sustainable and independent operations. The administration, information systems, internal controls, risk management, and accounting activities of the Women's Union did not receive enough support to ensure long-term sustainability. Additionally, the CRF's financial self-sufficiency coefficient was lower than conventional microfinance organizations.

²² The Women's Union is a sociopolitical organization that represents and defends the legal and legitimate rights and interests of women in Vietnam and has representatives at the grassroots level of wards or communes.

Session 3: Main Lessons Learned

The implementation of the VUUP and MDR UUP reinforced lessons that have been learned in urban upgrading globally since the 1950s, when the approach of slum demolition and relocation was widely used. The big lessons are minimizing resettlement through in situ upgrading and using flexible technical standards and quality resettlement sites. The per-capita and per-hectare cost of upgrading is significantly less than that of clearance and relocation. Resettlement was used minimally, such as if encroachment along a canal on the upgrading site threatened to increase flood risk and worsen sanitation conditions. When resettlement was necessary, locations were chosen close to the upgrading sites.

In addition, the Vietnam urban upgrading projects show how other factors were also key to their success and urban upgrading in general:

- An area-based, integrated planning approach to infrastructure improvements was more successful than separate sector-based interventions.
- Substantial implementation support along with capacity building for local government and institutions were essential for the effective and timely delivery of projects and the sustainability of investments.
- Strong community participation in all stages of the project was key to ensuring its relevance, implementation quality, and community ownership for sustained operations and maintenance.

3-1: Integrated Planning, Decentralized Decision Making and Coordination

An area-based, integrated multi-sector approach has been the hallmark of the Vietnam urban upgrading projects. The VUUP initiated an incremental upgrading approach for the design of infrastructure improvements by taking into account the willingness and ability of the communities and local administration to pay. With this approach, cities reduced their potential resettlement needs by 75%.

The VUUP and MDR UUP also introduced an area-based, multisectoral approach targeting poor neighborhoods that improved interdepartmental coordination. Before the projects, most cities had budget constraints, and so their investments were focused on trunk infrastructure. The upgrading efforts were piecemeal, that is, alley by alley, or sector by sector. This required substantial capital contributions from residents, making it difficult to target poor residents. The MDR UUP was designed to be more strategic and integrated across sectors and institutional hierarchies. The integrated planning process is to be extended in the SUUP with the inclusion of a disaster risk perspective, green infrastructure, and universal design.

Decentralizing decision making to local governments. The VUUP was implemented at a decentralized level by city authorities. This implementation procedure was preferred over a central agency approach because high levels of community participation have been found to improve the effectiveness of upgrading projects. In other words, the implementing agency should be as close to the residents as possible. The focus was put on strengthening the capacity of city agencies. A multi-disciplinary Project Management Unit (PMU) was established under the People's Committees of each city. The PMUs were put in charge of the management, implementation, procurement, and financial management of all

project components, and they reported to the city- and province-level Project Steering Committee that consisted of representatives of the relevant departments and utility companies. This decentralization approach with clear responsibilities and procedures helped accelerate the project's progress.

Commitment and coordination from the Vietnam government. The projects were well integrated with the Vietnam government's priorities for developing and implementing a coherent urban development agenda, gaining them a high degree of support from the national government. The projects were aligned with the National Urban Development Master Plan Framework as well as various national economic development and poverty reduction strategies. For example, the National Urban Upgrading Program and the Overall Investment Plan for Urban Upgrading up to 2020, approved by the Vietnam government in 2009, aimed to institutionalize the comprehensive pro-poor people planning measures piloted in the VUUP. The MDR-UUP was instrumental for the government to implement the NUUP, and the government, through the Ministry of Construction as the Project Coordination Unit, was actively involved in the preparation of the project. The PCU was in charge of coordination, monitoring, quality assurance, and training to improve the overall efficiency and the quality of implementation and supervision. Having a PCU at the Ministry of Construction was beneficial. Participating cities appreciated having a "go-to" unit in the Ministry of Construction to help them navigate policies and procedures. The PCU, in turn, demonstrated a high level of ownership of the project. The experiences from the urban upgrading projects were codified into a guideline issued by the Ministry of Construction that detailed the principles, institutional arrangements, processes, and lessons related to development of a CUP, the adoption of functional standards, community participation, operations and maintenance, and so on. This would serve as a guide for the cities to follow when scaling up such an approach in the future.

3-2: Investment in institutional strengthening

The projects allocated sufficient funding for technical assistance, training, capacity building, and implementation support for the PMUs and PCU. Under the MDR-UUP, five of the six cities had very low technical and managerial capacity. The first two years saw many challenges:

- Some PMUs lacked staffing in procurement, project management, and social safeguards, delaying the mobilization of support consultants;
- The process of preparing and approving a detailed design was prolonged because of the low quality of the basic design in feasibility studies, multiple changes, and cumbersome government procedures;
- The site clearance was delayed because of the limited experience of the government agencies in dealing with large-scale land acquisition and resettlement; and
- The inexperience in mobilizing community participation and the delayed approval of regulations for community contributions also caused setbacks.

Faced with this, the World Bank organized hands-on training and experience-sharing workshops. This helped to significantly strengthen the capacity of the PMUs. The training sessions and the hands-on support provided by the World Bank team and the Ministry of Construction, as well as through learning by doing, allowed the cities to greatly improve their capacity and performance in project management. As a result, the duration of national competitive bidding was reduced by 25% to 60% under the MDR-UUP, and the competitive offers from bidders resulted in price savings of about 20%. Because of substantial procurement savings, PMUs were able to identify complementary investments aligned with

the project principles to expand the coverage of infrastructure services, increasing the number of beneficiaries.

The MDR-UUP also ensured that proper institutional arrangements for operations and maintenance were put in place to improve the sustainability of project investments. Cities received training on developing mechanisms for operations and maintenance. For primary and secondary infrastructure, operations and maintenance is the responsibility of relevant departments under the City People's Committee. For tertiary infrastructure, the responsibility falls on the Urban Management Units at the ward level. In addition, the Ministry of Construction hired independent consultants who did regular spot checks of the construction quality. The overall quality was assessed as satisfactory, helping to make the investments more sustainable.

However, given the limited budget of many project cities, there is a risk that these cities may not have the budgetary capacity to carry out proper operations and maintenance, especially for infrastructure assets that do not generate user fees. Therefore, it was agreed that funds for operations and maintenance in the future would be taken from the government's annual budget. Some maintenance costs would also be taken from a small cash contribution from the local communities.²³ A guideline on operations and maintenance was developed and discussed at workshops with the PMUs and all relevant city and provincial departments.

The project also put in place appropriate arrangements for data collection and reporting. The PMUs were responsible for collecting and compiling data to assess the progress of the project in accordance with the monitoring and evaluation framework in each city. Each PMU had a dedicated officer in charge of monitoring and collecting data on indicators in accordance with the monitoring and evaluation framework.

The PCU at the Ministry of Construction, with help from the independent monitoring consultants, was responsible for delivering training for key PMU officers, consolidating data from the PMUs, conducting periodic monitoring of the implementation progress and compliance with World Bank policies and procedures, and reporting the quarterly and annual progress of project implementation and outcomes, including the indicators for the key outcome results and the intermediate results. The PCU had a strong field presence and conducted roving spot checks of construction practices, safeguards compliance, and other issues to provide immediate feedback to the cities and the World Bank. The Ministry of Construction's monitoring and evaluation consultants conducted a midline survey before the mid-term review of the project and then an end-line survey at the project's completion, along with focus group discussions and in-depth interviews with beneficiaries and project management personnel. The data, combined with a baseline survey on the feasibility studies conducted by each city, made it possible to do a meaningful assessment of project outcomes.

Support for the implementation of compensation and resettlement policies. During the VUUP project, 1,895 households were relocated. The majority of these households were in Ho Chi Minh City, who were relocated because of the rehabilitation of Tan Hoa-Lo Gom Canal. The provision of compensation and the resettlement faced complex challenges at every step of the process. First, a large portion of the relocated households were informal settlers without proper land tenure who would face the risk of

²³ A cash contributions equivalent to 3% of alley construction costs was collected from local communities during project implementation, which was to be set aside for the operations and maintenance of the tertiary infrastructure.

being evicted without equal compensation compared with those households with land tenure. Vietnamese law did not recognize the informal settlers as an eligible group for compensation, and they often ended up being pushed to another area where they once again set up informal settlements from scratch. Second, the compensation prices in these informal areas were regulated by the government's cost norms, which were far off market prices. This difference sparked widespread discontent in many infrastructure projects across Vietnamese cities because the affected households refused to take the government compensation price, causing significant delays for the project to get underway. Third, land acquisition and compensation were financed by a counterpart fund that was often inadequately provided because the provinces did not have full control over this allocation and also faced many competing demands from other sectors.

During the project's preparation, policy dialogues were held at various levels to create a compensation policy that did not differentiate between informal and formal settlers. It provided equal compensation to both groups, allowing informal settlers the opportunity to be resettled with proper land tenure so they could rebuild their livelihoods in the new area. This compensation policy was part of a resettlement framework approved by the country's prime minister. This framework was consistent with the policies of the World Bank and the government, and provided a legal basis for the participating cities to hire independent land price evaluators for the affected areas. The independent assessment prices were closer to the market price and generally accepted by the affected households, helping cities to expedite the compensation process. During implementation, the task team regularly held discussions with the highest authority in each city to ensure the annual allocation to the counterpart fund was made.

3-3: Strong participatory process

A key principle for the upgrading projects was community participation and contribution. In Vietnam, infrastructure investments—including upgrading—had always been done by the government with a top-down approach that allowed for very little input from local communities. Although community meetings were a normal practice to disseminate information on key government decisions, local people had no meaningful participation. With the World Bank upgrading projects, activities to facilitate the participation of communities in the LIAs were held throughout, from project preparation to implementation, as well as to encourage voluntary land donations and cash contributions.²⁴ Community meetings attracted 99.1% of households in the preparation phase and 97.8% in the implementation process.

During the project's preparation, a Community Upgrading Plan (CUP) was prepared for each targeted LIA through consultations with the LIA residents. The CUP established the layout and details of the infrastructure investments, and also outlined the participation process, community management structures, upgrading alternatives, costs, and cost recovery arrangements. It included financial and implementation arrangements for operations and maintenance, and a community environment management plan. Community contributions for the operations and maintenance of tertiary infrastructure were discussed with the communities as part of the CUP consultations. The CUPs took into account the district's ward investment and development plans, as well as each city's master plan.

²⁴ According to the approved resettlement plans, the project encouraged a voluntary donation of up to 10% of landholding by households living along the alleys set for expansion and upgrades.

Consultants hired by the cities worked with the community committees and utility companies to prepare the CUPs. The community committees consist of ward authorities, representatives of mass organizations such as the Women's Union, Youth Unions, and residents. The CUPs were prepared through a series of community meetings and the dissemination of information to different social groups, with a focus on ensuring female participation. The meetings were used to share information on what urban upgrading means and the range of options open to the communities. Discussions were also held at the meetings on problems and issues. Small teams of consultants and local community leaders went to meet with each household to share information on the project design and get their support. This process was tedious and labor intensive but instrumental to secure the targeted support, especially with regard to the contribution of land and money.

The PMUs and local authorities held regular consultations and information dissemination meetings with the project-affected people on resettlement policies, including the voluntary donation of land, compensation prices, and relocation options. A large number of public consultations about land acquisition and resettlement were held, and the compensation plans were publicly disclosed in communal areas. Special efforts were made to consult vulnerable groups such as ethnic minorities, poor people, and women. For cities with affected ethnic minorities, separate consultations were held with those minorities to develop the Ethnic Minority Development Plans to ensure that their needs were considered.

The communities participated actively in designing the project. They attended community meetings, argued and struggled over technical standards and designs, and came to agreements on the Community Upgrading Plans. To accommodate local residents who could not attend community meetings during the day because they are self-employed in micro-commerce, the meeting schedule was changed (in some cases, rescheduled many times) so they could attend. Many gender-segregated consultations were organized, and women's preferences were considered to rebalance the portfolio of investments. Women, for example, expressed more demand for water and sanitation. For voluntary land donation, proper documentation with signatures from both the husband and wife was strictly required to avoid hassles during implementation. The CUP process makes it possible to secure a sufficient level of buy-in from the local community to ensure both the successful construction of the project and the maintenance of the investments.

During implementation, community participation was carried out in the form of information dissemination, supervision, contributions, and voluntary land donations. Community supervision groups were established at the ward level to monitor construction activities, ensuring that the quality of the work was good. The group members were also trained to report any environmental issues. People participated in resolving common issues in their communities, such as flooding, security, and maintaining lighting systems. In Can Tho, this habit has been enhanced by official initiatives to form inter-household groups or install security cameras in the communities. Women also participated in the community supervision groups. The Women's Union was actively engaged at the ward and community levels in disseminating project information, providing feedback, and serving as liaisons between the community and the PMU. Local authority and community representatives were also trained in managing, maintaining, and operating the infrastructure after upgrading. Community supervision significantly contributed to improving the quality of construction.

Residents contributed their time and effort and also volunteered land to improve access within the areas being upgraded. They agreed to contribute to capital costs, pay for household connections, and take responsibility for aspects of operating and maintaining the infrastructure and services in the CUPs. The communities paid monthly bills for the new utility services out of 1.5% to 3.0% of their monthly household incomes, in line with national guidelines and an international consensus on affordability. Voluntary donations of up to 10% of landholding by the households living along the upgraded alleys were made for alley expansion, according to the approved resettlement plans. In the MDR-UUP, around 166,941 sq m of land area was voluntarily donated by 10,292 households in the LIAs in six cities, amounting to a total value of about 170.7 billion dong (US\$7.37 million).

The MDR UUP set up an innovation fund for the Green-Clean-Beautiful environmental protection campaign in collaboration with community-level organizations for youth, the elderly, women's unions, and other groups. The campaign attracted the interest of many communities and successfully supported the implementation of over 30 initiatives, such as tree planting, garbage collection, and limiting the use of plastic bags. The campaign also raised awareness about protecting the environment and public spaces. Some initiatives in schools have changed the attitudes and behaviors of students, who now pick up trash and water plants without being asked by teachers, and no longer break branches off trees or pick flowers²⁵.

The interaction and information exchange within the community has united local people as well as increased social capital. Strong community participation helped improve the quality of the infrastructure, instilled a feeling of project ownership, and built mechanisms for long-term sustainability. People's participation throughout the project helped it to be completed faster and better.

²⁵ Interview with teachers participating in the campaign.

Section 4: Conclusions

During the Vietnam upgrading projects, three aspects were critical for their success. The first is that an integrated and incremental approach made it possible to facilitate infrastructure improvements in low-income areas from the bottom up and to reach a large number of beneficiaries, even while a national policy was only in preparation. Second, the decentralized implementation process supported with appropriate institutional strengthening paid huge dividends in exceeding infrastructure targets. The third key lesson is putting a strong focus on community engagement in all stages of the projects to keep them relevant to the communities and build in community ownership for long-term project sustainability. While a lot can be learned from the long-term experience of urban upgrading in Vietnam, this paper also reflects on a few issues that could enhance its replicability in future projects.

The well-intentioned and integrated planning process was implemented in selected LIAs only, resulting in shortcomings at the city scale. The projects initiated an incremental upgrading approach. Alleys and roads now have drainage points, which has mitigated flooding and inundation in the rainy season and at periods of high tide. Most households in upgraded alleys elevated their houses in line with the raised alleys to mitigate localized flooding. Many previously isolated LIAs along canals now have access to all-season roads and bridges connecting them to the rest of the city, shortening travel time for residents.

But some challenges remain. Both the VUUP and MDR-UUP targeted the most impoverished LIAs in the selected cities, and they selected the LIAs based on pre-agreed criteria, leaving other LIAs for the future. Other LIAs in the vicinity that were not upgraded sometimes suffered project externalities, such as increased flooding because of poor drainage and a lower elevation of alleys as compared with the neighboring upgraded LIA. And some residents could not afford to elevate their houses.

In response, several solutions were applied, such as lowering the drainage receiving points and advising households to create temporary water retention areas in their gardens. Hydraulic modelling was done to identify corrective measures during the implementation phase.

Even so, a systematic approach of planning for upgrading at the city level with the appropriate risk assessments (including hydraulic modeling in the planning stage) and a toolbox of solutions (infrastructure, financial, and institutional) may have preempted some of the challenges. This provided an important lesson that urban upgrading should be done as a systematic approach for the whole city.

The discontinuation of housing microfinance after its initial success tightened access for low-income households to affordable financing for home improvements. The VUUP provided a comprehensive multi-sector package prioritized by the communities rather than the separate sector-specific investments that were often counterproductive before. The comprehensive package included infrastructure services, resettlement areas, land management, and microcredit for poor residents to use for housing improvement and income generation.

Although the microfinance program was very successful, some of the partner microcredit institutions were not able to sustain the process. In addition, the World Bank policy concerning financial intermediaries was becoming more stringent and complex for the team to supervise. Consequently, the microfinance component was dropped in the next phase of upgrading in the MDR-UUP.

As a result, poor households had limited access to affordable financing for home repairs that were required to fully take advantage of the infrastructure developments, such as when alleys were elevated for better neighborhood drainage. Since the microfinance component was very successful, the challenges could have been better studied and solutions could have been designed accordingly. For example, the project could have looked at an appropriate support mechanism for the microcredit institutions to sustain long-term lending—instead of dropping it altogether.

Decentralized decision making needed adequate support at multiple levels. The VUUP was implemented at a decentralized level by city authorities. This decentralized approach was preferred over a centralized one because effective upgrading projects require high levels of community participation and the implementing agency should be as close to the residents as possible. In the MDR-UUP, top-level coordination was set up at the Ministry of Construction to improve overall coordination, efficiency, and the quality of implementation at the local government level.

However, the limited capacity at Ministry of Construction on procurement and contract management also resulted in delays in mobilizing several quality assurance and implementation support consultants and technical advisory packages. Institutional capacity at the local and central levels should be sufficiently assessed and addressed in a timely manner during the project’s design and implementation phases.

Community participation is critical, but it needs support in multiple dimensions to be effective.

Community engagement was adopted as a prerequisite in the critical stages of preparation, design, and implementation. The project recognized that ownership and active support from the communities was essential for its sustainability, and so additional time was required for intensive consultation. This additional time was incorporated throughout the project cycle. During project preparation, a Community Upgrading Plan (CUP) was prepared for each targeted LIA through consultations with the residents. During project implementation, community supervision groups were established at the ward level to monitor construction activities.

However, the quality of the implementation suffered at times since the community was not adequately supported to conduct supervision. They lacked the technical know-how to monitor construction and did not know what to look for. This made it important to identify what roles the community can take responsibility for based on their capabilities. For example, while some communities may have construction workers as residents who can supervise construction, others may not. It is also important to identify what specific roles the community needs to support. A case-by-case mapping of the tasks and skills of the communities is vital to identify any specific strengths and consequently complement them with supportive training or resources.

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