



Program Information Document (PID)

Concept Stage | Date Prepared/Updated: 27-Feb-2020 | Report No: PIDC28473



BASIC INFORMATION

A. Basic Project Data

Country Vietnam	Project ID P172780	Project Name First Mekong Delta Region Development Policy Operation (P172780)	Parent Project ID (if any)
Region EAST ASIA AND PACIFIC	Estimated Board Date Jan 21, 2021	Practice Area (Lead) Governance	Financing Instrument Development Policy Financing
Borrower(s) Socialist Republic of Vietnam	Implementing Agency Ministry of Planning and Investment		

Proposed Development Objective(s)

The proposed First Mekong Development Policy Operation (DPO) initiates a new programmatic series of three operations. The main purpose of the proposed series of DPOs is to strengthen economic transformation and climate resilience in the Mekong Delta region by (i) effective regional coordination with stronger institutions; (ii) spatially integrated policy reforms in priority sectors; and (iii) sustainable financing for efficient and green investment

Financing (in US\$, Millions)

SUMMARY

Total Financing	350.00
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DETAILS

Total World Bank Group Financing	350.00
World Bank Lending	350.00

Decision

The review did authorize the preparation to continue



B. Introduction and Context

The Mekong Delta region, administratively governed by one city under central authority and 12 provincial authorities, is one of the lagging regions in Vietnam, accounting for one-sixth of the poor households in Vietnam. The region makes up 12 percent of the country's territory and 19 percent of total population. It is also one of the most climate change vulnerable regions in the world. In 2017, Government Resolution 120 provided a shift in the development strategy of the region. The new directions aimed at: (a) diversifying agricultural production from low-value rice to higher value-added crops; (b) better linking commodity chains and improve participation in the global value chains; (c) developing green industries with low emissions; (d) developing services and nature-based tourism; and (e) improving connectivity including multimodal and resilient transport infrastructure. The Resolution also highlighted the imperative need for innovative reforms that will improve investment efficiency and maximize synergies within the region. Improved coordination was viewed as central to identify priority investments, adapt business and livelihood to climate changes, and minimize externalities from upstream activities in the Mekong river basin. The proposed operation links directly to these strategic directions.

The macroeconomic policy framework of Vietnam is deemed adequate for this operation. Economic growth has been resilient and macroeconomic stability has been broadly maintained.

The proposed operation aligns with both Focus Area 1 (enabling inclusive growth and private sector participation) and Focus Area 3 (ensuring environmental sustainability and resilience) of the FY18-22 WBG Country Partnership Framework (CPF) with Vietnam and the shifts identified in the Performance and Learning Review (PLR).

C. Proposed Development Objective(s)

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D. Concept Description

The operation is built around three pillars that will reinforce each other. Under pillar 1, the program prioritizes strengthening coordination between central and local governments and across provinces in the MKD region through (i) the establishment of representative and accountable institutions, (ii) the development of integrated and spatially explicit regional and provincial masterplans, and (iii) the creation of a data platform for evidence-based decision-making—all key preconditions to address the longstanding fragmentation and rigidity in sectoral policies and investment decisions in the region. Under pillar 2, based on the above-mentioned institutional foundations, the program supports coordinated and spatially integrated policy reforms in selected priority sectors with a focus on natural and public assets—including integrated water management, better maintained irrigation systems through a tariff reform and more resilient transport infrastructure network—to foster transformation and diversification of agriculture and other industries in the Delta. Under pillar 3, the program supports strengthening sustainable financing for efficient and green investment in the region by the combination of more equitable fiscal transfers from the central to MKD provinces, the first-ever green bonds issuance, and the promotion of private financing in agriculture activities by easing access to land which is one of the key obstacles to investment. It will also support a series of reform aimed at increasing the efficiency gains in climate-smart investments through green/sustainable procurement and performance-based contracting for maintenance of inland waterways.



E. Poverty and Social Impacts, and Environmental, Forests, and Other Natural Resource Aspects

The proposed operation is expected to have a positive welfare impact for households in the Mekong region. This positive impact should manifest through three main channels, namely (i) sustained progress in the economic transformation of the region through the implementation of integrated and climate resilient investment projects in agriculture, water and transport infrastructure which will help to create new productive jobs; (ii) reorganization of land use to accelerate diversification of agriculture into higher value production that could significantly benefit poor farmers; (iii) reduced vulnerability and improved living conditions of households through smart climate friendly investments and financing to foster resilience and adaptability to projected global climate changes. Prior actions in the first pillar (strengthening regional coordination institutions, master-planning, and platform for evidence-based decision-making) are expected to have positive economic impacts at the regional level that will trickle down to households, but these are largely expected to be distribution neutral. Prior actions in the second pillar (integrated water and irrigation and transport infrastructure management) are expected to have direct benefits to agricultural households. Prior actions in the third pillar (promoting public and private financing for efficient and green investment) are expected to promote the region's resilience to climate changes and reduce households' vulnerability.

The proposed operation is expected to have an overall net positive impact on environment, forests and other natural resources. Most of the prior actions are expected to lead to positive environmental outcomes, and Vietnam's environmental policies and management systems will be able to manage any potential adverse effects. The prior actions in pillar 1 will strengthen regional coordination helping minimize any negative environmental externalities associated with policy decisions or investments. Similarly, the spatially integrated reforms under pillar 2 that are oriented towards more climate resilient use of land, water, and agriculture will have an overall positive benefit on the environment and natural assets because of reduced environmental pollution and improved resource management. The prior actions in pillar 3 by mobilizing green financing are expected to promote climate friendly investments that support reduction in GHG emissions, improve resource efficiency and promote sustainable management of assets. These policy measures are also expected to have a positive environmental impact. A few policy actions could have unintended negative environmental effects. For example, opportunities for land consolidation and increased area under high value crops could result in local land use and agricultural production plans that cause conversion and/or degradation of natural habitats. Similarly, modernization of irrigation infrastructure systems could cause localized flooding and conversion or degradation of natural habitats. However, the probability of these potential adverse environmental effects is low and their impact is modest.

CONTACT POINT

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APPROVAL

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Approved By

Country Director:	Ousmane Dione	20-Mar-2020
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