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Ho Chi Minh City's Urban Transport Challenges

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EXECUTIVE SUMMARY

- Unregulated real estate development, population growth and rising rates of motorbike and car usage in Ho Chi Minh City have given rise to an increasing congestion problem in the city, putting a strain on its existing transport infrastructure.
- Transportation projects themselves lack coordination due to Vietnam's decentralized urban planning apparatus, FDI dependency and legal pluralism, which serves to produce competing and conflicting agendas and projects.
- This lack of coordination is often seen as an urban planning failure. However, a pragmatic, incremental and long-term view of Vietnam's political and economic limitations is required if a fair assessment of the situation is to be acquired.

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INTRODUCTION

Ho Chi Minh City (HCMC) has seen its population and the number of vehicles on its roads rapidly increase over the last ten years. Today, there are close to 8 million motorbikes in the city, and over half a million cars.¹ The city has engaged in a range of responses to these strains on transport infrastructure and congestion. Most recently HCMC authorities, following their counterparts in Hanoi, have been considering the implementation of a motorbike ban in the urban core, to be implemented as early as next year. Urban planners have advised against such a drastic measure, citing that such a ban privileges one of the primary causes of the traffic—the growth in the number of cars in the city, while regressively punishing those without cars who presently have limited public transportation options. HCMC, however, does have a comprehensive public transportation plan in place, involving a series of ring roads, light-rail/metro-rail lines, bus rapid transit and city bus corridors. While these plans are ambitious and on the surface represent a comprehensive approach to public transport, the city will need to overcome a number of challenges first.

For one, urban development in Ho Chi Minh City is simultaneously a highly bureaucratic and flexible process, a paradox born out of the city's development at the nexus of state and market practice—what is now referred to as late socialism. Decentralized government agencies and foreign investors who bring capital and infrastructure expertise to the city negotiate a wide range of possibilities. The result is a heterogeneous urban landscape where each project is made piecemeal, often in defiance of the central city master plan.

Cutting across this urban patchwork are large-scale transport infrastructure projects conceived, planned and built by foreign investors and development institutions: Highways, roads, metro/subway developments, bus rapid transit, city bus systems, etc. Such projects are often planned as coherent wholes, but must subsequently be disarticulated and disassembled to deal with the political, legal and bureaucratic realities of the city. Further, transport infrastructure projects themselves are not only made piecemeal, but are themselves diverse with regards to their sources of investment, models of development, and the conditional and contingent connections forged with government agencies. As a result, those who produce urban space in Ho Chi Minh City have developed a range of adaptive strategies to see their projects come to fruition amidst these uncertainties.

INFRASTRUCTURAL CHALLENGES

According to a former director of the Department of Architecture and Planning in Ho Chi Minh City, planning for infrastructure is difficult, largely because every five years, master plans must be altered in two ways. First, urban master plans are often altered by political changeover. Second, urban plans must be updated to conform to an increasing number of new urban development projects, the majority of which sidestep urban regulations and planned development principles. This, as informants in the real estate sector have indicated, is due to a pervasive regulatory opacity caused by the confluence of three main factors: decentralization, legal pluralism and dependency on foreign direct investment. As a result,

¹ Department of Transport, Ho Chi Minh City.

some planners see the master plan as a document that effectively works backwards, by conforming to a defiant past rather than confidently projecting a progressive future.

Decentralization

Decentralization policies have created overlapping regulatory jurisdictions and a general lack of clarity about the scope and reach of government agencies. In Ho Chi Minh City (HCMC), the decentralization of planning approvals has unleashed new powers of the province, city and its districts. These smaller political units, following Annette Kim, operate like “fiefdoms” where district leaders can develop their own urban investment and development plans.²

For example, while the Department of Architecture and Planning (DAP) creates the master plan for the city, it does not coordinate with the city’s Department of Transport (DOT). A former planner in the Department of Architecture and Planning suggested during an interview that their version of the master plan lacked coordination with a separate agency that was governed according to political motivations outside the technical purview of the DAP. This tension between politically-oriented governing bodies like the HCMC People’s Committee and more technically-oriented agencies, is a major subject of government reform efforts—most notably initiatives under the purview of Public Administrative Reform (PAR). PAR attempts to separate the political functions of the communist party from the bureaucratic functions of the state, a process that is nevertheless shaped by political struggles for city and state resources.³

This paradox creates a form of government that is extremely flexible on the one hand, capable of making and bending plans and creating exceptions to rules in order to meet the needs of foreign investment and cater to the needs of city developers, and on the other, it is a system that cannot forecast city development according to a centralized logic. This inability to predict how conflicts are settled between contrasting regulatory regimes requires much political know-how among those engaged in urban development.

Legal Pluralism

The effects of decentralization are compounded by uncertainties produced by multiple overlapping legal orders.⁴ These stem from legacies spanning French administrative law, borrowed Soviet legal principles, Vietnamese communist principles from the central planning era, transition era laws, (many of which were experimental, I might add), and western legal principles now imposed as standards of global finance and development.

Adding to these multiple orders of legality are conflicts of law and city regulation. There

² Kim, Annette Miae. 2008. *Learning to Be Capitalists: Entrepreneurs in Vietnam's Transition Economy*. New York: Oxford University Press.

³ Painter, Martin. 2003. “Public Administration Reform in Vietnam: Problems and Prospects.” *Public Administration and Development* no. 23 (3): 259-271.

⁴ Legal pluralism is a term coined by Sally Engle Merry. See: Merry, Sally Engle. 1988. “Legal Pluralism.” *Law & Society Review* no. 22 (5): 869-896. Merry, Sally Engle. 2014. “Global Legal Pluralism and the Temporality of Soft Law.” *The Journal of Legal Pluralism and Unofficial Law The Journal of Legal Pluralism and Unofficial Law* no. 46 (1): 108-122.

are at least a dozen regulatory agencies in the city, such as the Department of Architecture and Planning, the Ministry of Construction, the Department of Investment and Planning, the Department of Land and Natural Resources in addition to city and province level political institutions like each city and district's people's committee. While the state produces general laws, each respective ministry has the power to interpret these laws by issuing circulars and decrees—ones that often contradict one another.

FDI/ODA Dependency

Thirdly, defiance of urban plans comes about because the need for transnational investment supersedes these plans. For example, the current 2013 (adjusted) transportation master plan for HCMC has a total of 469 projects. Although these projects are approved, the Department of Planning and Investment estimates that the city's budget accounts for only 5% of the total funds (US \$121 billion) required to execute these projects.⁵

Thus, according to the planning consultancy, Centre de Prospective et d'Etudes Urbaines or PADDI in HCMC, projects of equal importance can be pushed through or held back depending on whether they can be made attractive to private investment capital and ODA loans or assistance.⁶ Infrastructure projects themselves are therefore drawn into the competitive logic of global capital. In transportation alone, there are at least six separate projects funded by different international cooperations: The Japanese International Cooperation Agency (JICA), the World Bank, the Asian Development Bank, the German government, and the European Investment Bank,

Since the city lacks funds to support over 95% of its approved transport infrastructure projects (totalling US \$121 billion), it has to rely on foreign capital in the form of official direct assistance (ODA) or private foreign direct investment capital (FDI). It has therefore incentivized infrastructure and engineering firms to engage in real estate development and speculation in property markets. This is achieved primarily through the mechanism of "build, transfer or build, operate, transfer" agreements (BOTs/BTs) in which the city exchanges land (and utilizes its powers to convert rural land to urban real estate) to secure investments from both local and global engineering and construction firms. Korea's GS Engineering and Construction (formerly part of LG), for example, obtained land for its Nha Be new town development in the periphery of the city through its investments into Saigon's ring road infrastructure, a US \$340 million project. Today, GS is completing parts of the engineering and construction for the elevated subway lines in District 1 and has received urban land to be developed into real estate.

HETEROGENEOUS INFRASTRUCTURE

The state's reliance on foreign investment to finance and construct its transportation infrastructure, in conjunction with decentralization and legal pluralism, produces a heterogeneous set of pathways for infrastructure projects to be planned, financed and

⁵ Musil, Clement and Morgane Perset. 2015. "Financing Transport Infrastructures in Ho Chi Minh City (Vietnam): Tools, Innovations and Challenges." *Urban Development Management Support Centre--PADDI* no. Working Paper Series (2):1-19.

⁶ Ibid.

developed, often times in competition with one another. What results is a patchwork of transportation infrastructure plans and projects that lack coordination. So while the problem of transportation infrastructure is often treated as a technical problem requiring technical solutions by foreign investors and planning agencies, such plans are often undone by the political infrastructure of the city and state governments.

There are currently six metro lines planned for the city, funded by a combination of different foreign investors such as the Japanese International Cooperation Agency, the Asian Development Bank, the European Investment Bank, the KFW Development Bank (Germany), and the Spanish government. Lines one and two are partially funded as is line five while the other three lines are currently looking for financing. There is also a plan for a Bus Rapid Transit system in HCMC, funded by the World Bank. These plans work in concert with a series of concentric ring roads or belt roads surrounding the urban core. According to the Urban Development Management Support Centre in HCMC, otherwise known as PADDI, investors often bring their own conditions to each project, usually revolving around procurement of technology, equipment, natural resources and contractors. For example, JICA has conditions for the use of Japanese technology and equipment for their line. Others also have similar provisions. Further, currently, there is no citywide agreement for a shared governing body to oversee and maintain the entire metro system, although some ODA agencies publicly support such a move. The result is a transport system currently under construction without provisions in place guaranteeing a unified system.⁷

ODA COMPETITION

Additionally each project spans large swaths of the city, requiring coordination across multiple bureaucratic, political and geographically designated institutions like districts and provinces and regulatory and planning agencies each, of whom produce separate plans or produce legal interpretations independently of one another. Those planning infrastructure projects must therefore coordinate the competing interests of jurisdictions and overlapping regulatory rationalities of the agencies involved. Furthermore, ODA investors do this planning work while competing with one another for technical cooperation contracts with the Vietnamese government. This coordination is a monumental task that requires project heads to envision a complete project only to disarticulate and disassemble them into component parts in order to negotiate and meet the demands of specific agencies, districts, neighborhoods and other stakeholders, while reacting to challenges from competing ODA-funded projects.

One example are the early transportation plans proposed for both Hanoi and Ho Chi Minh City by the World Bank. The plan was to introduce Bus Rapid Transit (BRT), based on Bogota's Transmilenio infrastructure, to Hanoi and subsequently to Ho Chi Minh City.⁸ The project, initiated in 2005 through a feasibility study, and approved in 2007, was intended to be a comprehensive green transportation system, with multiple lines intersecting

⁷ Clement Musil and Charles Simon. 2015. "Building an Ambitious Public Transport System in Ho Chi Minh City (Vietnam). Working paper of the Urban Development Management Support Centre (PADDI).

⁸ See: <http://projects.worldbank.org/P083581/hanoi-urban-transport-development-project?lang=en&tab=overview>

a large ring road. The project, garnering a \$124 million loan from the World Bank, made it through the planning and design phase and was approved for implementation. In the words of a former World Bank coordinator of BRT projects in Vietnam:

“The bank put in all the effort in creating this BRT network, but once this is kind of in place, then all these other ODA agencies come. So the European Development Bank is one, and the ADB is another one, and JICA is another one. What happens is that all of the high demand BRT routes, you know you would begin with one of those complex but high ridership routes to build revenue and ridership, faith in the BRT as a form of transportation, are taken up by other banks that throw money in theory to complete the detailed design phase and make them into some form of rail system. This environment is problematic, because people will throw money to get [Vietnam] into loans without regard to existing plans and projects.”⁹

Here, the former BRT project coordinator describes a complex process of getting to the BRT’s project implementation phase, only to see the European Development Bank (approx. US \$81 million), the Asian Development Bank (approx. US \$293 million) and the Japanese International Cooperation Agency (approx. US \$132 million) strike deals with the government to introduce competing rail projects. These rail/metro projects essentially reallocated high ridership routes from the BRT project—routes necessary to make the BRT system financially sustainable. While the BRT project was by no means the first to arrive, the account shows that there were many ODA agencies vying for technical cooperation loans for transportation projects on the city’s high ridership routes.

HCMC’s BRT project experienced similar difficulties. It was initially conceived as a citywide network of BRT lines in 2007, but was scaled back to a proof of concept design on a high ridership route by the time the project was approved in 2015. This route was later moved to a low ridership corridor along the Saigon river on Vo Van Kiet Expressway in favor of a metro-rail project. Ironically, the Vo Van Kiet expressway is an infrastructure project recently completed by JICA, one of the competing ODA investors building line one of the HCMC Metro (rail) system. According to the former World Bank BRT coordinator, a portion of that road will most likely now have to be demolished to create the reinforced bus lane for the BRT.

DEVELOPMENT WITHOUT TRANSPORT INFRASTRUCTURE

Because of these problems of coordination, many large-scale developments that would require transport infrastructure simply ignore the question all together. This approach is often made visible during the rainy season, when new luxury development areas like the Thao Dien area of District 2, which hosts some of the city’s most expensive real estate, are subject to intense flooding—a byproduct of piecemeal real estate development without city investment in drainage and waterway systems.

⁹ Interview with former World Bank BRT projection coordinator. March 8, 2017.

Currently, Vietnam has two notable real estate developments that will likely put greater strain on the city's existing congestion and pollution problems. The real estate conglomerate, Vingroup is currently constructing its Central Park and Golden River luxury apartment complexes that will introduce 14,000 new luxury units in the city core without a meaningful plan to address the significant added impact to traffic, power and water management. Developments like these have prompted both Hanoi and HCMC authorities to consider a variety of regulatory responses. In one case, the Department of Transport simply denied the existence of traffic jams, citing that the city had zero days of gridlock, while admitting the existence of a secondary category of "heavy traffic." The city is also currently entertaining the idea of a motorbike ban in selected portions of the urban core, a measure that urban planners and transportation experts argue will be detrimental to the city if no alternative forms of travel like a coordinated bus and rail system are implemented.¹⁰ Such a ban would hurt the city's poor and middle-income residents who have limited public transportation options.

CONCLUSION

Legal pluralism, decentralization and FDI dependency encourage a flexible approach to state and city governance. This functions now as a key operating logic in the real estate sector, as a primary mode of accumulation and as a driver of city and national economic growth for Vietnam.

Thus, rather than seeing scaled-back infrastructure projects as failures of planning, it is important for policy makers to recognize the inherent tensions and structural limitations involved. Reforming these legal, political and economic structures are long-term endeavours.

In this light, it is important that city authorities push for incremental improvement in the coordination of agencies with similar goals. For example the Department of Transportation and the Department of Architecture and Planning should produce coordinated plans for the city's transportation infrastructure. Similarly, ODA organizations should recognize how inter-agency competition and FDI dependency in Vietnam contributes to infrastructure heterogeneity and to the lack of planning coordination across the city.

¹⁰ Hai, Vo. 2017. "Hanoi Revives Plan to Ban Motorbikes in Uphill Battle against Congestion." *VN Express International*, June 3, 2017.

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