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Challenges for Ho Chi Minh City

Presentation at Ho Chi Minh City,
1 December 2006

Outline of the Presentation

- Where Ho Chi Minh City stands
- How Ho Chi Minh City is being transformed
- Development challenges

Where Ho Chi Minh stands

- Population: 7.2 mil. (6 mil. Permanent and the rest are non-permanent residents)
- Income per capita in HCM is \$2000 versus \$640 of the whole country
- An economic hub, driving force for growth:
 - Contribution to GDP: about 22% of total GDP

Ho Chi Minh city: Growth analysis

GDP growth during 2001-2005:

- Average GDP growth in HCM 11% versus 7.5% of whole country

Economic structure: More industrialized

- Industry & Service sectors in HCM 99 % of GDP versus the 79% of the whole country
- Service sector: Share decreased from 51.9% in 2001 to 50.6% of total GDP in 2005. The sector is expected to provide room for further growth

Contribution to Growth during 2001-2005

- FDI contribution in HCM city almost doubles that to the whole country (21% GDP in HCM versus 12% for the whole country in 2005)
- State sector contribution in HCM city is less the whole country average(33.8% versus 40%) while non-state sector contribution is at par

Ho Chi Minh city: Growth analysis

2001-2005 sectors	% Share in GDP	% Growth rate of Value Added	Contribution to GDP Growth rate in percentage point	Contribution to GDP growth rate in percentage share
Agriculture	1.6	5.0	0.1	0.7
Industry	47.8	12.4	5.9	53.7
Services	50.6	10.0	5.0	45.6
Total	100.0		11.1	100.0

How HCM economy is being transformed?

Increasing role for the formal private sector

Most new jobs created by private sector: most are in industry and service sector

Move up in the value chain of Vietnamese products

Acceleration of rural-urban transition

Further international economic integration, including connectivity to Great Mekong Subregion (GMS)

Development challenges

Challenges:

- Livelihood, *inter alia*,
 - Job creations
- Acceleration of rural-urban transition
- Business environment
 - facilitating sustained strong growth in private investment and employment
- Human resource development
 - Develop labor skills in line with market demand and facilitate technology transfers

Development challenges

- Access to land, finance : a concern of most firms
- Governance (weak governance raise transaction cost)
 - inefficient use of scarce public resources
 - Urban policy framework
 - Institutional structure and processes
 - Capacity

Development challenges

- Infrastructure bottleneck:
 - energy shortage,
 - inadequate transport,
 - and inadequate urban facilities

Translation of vision into action

With accelerated process of urbanization, the city needs to be "proactive" and not "reactive" in taking actions

THANK YOU