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FOREWORD

I am pleased to present the housing profile report of Viet Nam. The report provides us with an in-depth analysis of the various dimensions of housing and highlights some constraints that require the attention of public policy.

The report is timely as we are currently preparing for the Third United Nations Conference on Human Settlements, known as Habitat III, which focuses on housing and sustainable urbanisation. The conference will be an opportunity for the international community to take stock of the achievements of the Habitat Agenda and the progress achieved during the last twenty years in urban and housing policies. The Housing Profile report of Viet Nam will certainly contribute to the effort of the government of Viet Nam to review and advance the urban agenda in the context of the sustainable urbanisation paradigm and to provide wider accessibility to adequate housing, as outlined in the Habitat Agenda (1996).

The achievement of this goal in Viet Nam is part and parcel of the country's current urbanisation strategies and the urban policies currently being designed and implemented by the government of Viet Nam. The Housing Profile report reveals that Viet Nam has achieved significant improvements in these fields.

UN-Habitat brings the findings and recommendations to a wider public that will also help the government and its partners to formulate evidence-based policies and implement well-informed decisions. It will also reveal areas where further research and in-depth market studies are needed.

The report shows unequivocally that the housing sector touches many aspects of the economy of Viet Nam. The functioning, structure as well as policies to regulate the housing sector will definitely have direct impacts on the future of Vietnamese cities. This makes the report an excellent companion for policy makers, housing and urban practitioners and relevant organizations working in this field.

I congratulate the government of Viet Nam for the bold step to undertake this study that reveals aspects of availability and affordability of housing and its inter-linkage with city growth, and unfold how the key elements of land, basic services, housing finance, building materials, construction technology and labour are governed and linked to other urban policy dimensions.

The rapid changes undergoing the economy and society of Viet Nam call for preparedness and forethought and this report is just one of these stepping stones in preparing the country for a sustainable urban future. UN-Habitat stands firmly as a development partner committed to this goal.

Dr. Joan Clos
Under-Secretary-General, United Nations
Executive Director, UN-Habitat
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<td>ACVN</td>
<td>Association of Cities of Viet Nam</td>
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<tr>
<td>AusAID</td>
<td>Australian Government Overseas Aid Program</td>
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<tr>
<td>ADB</td>
<td>Asian Development Bank</td>
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<tr>
<td>AFD</td>
<td>Agence Française du Développement</td>
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<tr>
<td>AIDS</td>
<td>Acquired Immuno-Deficiency Syndrome</td>
</tr>
<tr>
<td>BOLUC</td>
<td>Building Ownership and Land Use Right Certificate</td>
</tr>
<tr>
<td>BOT</td>
<td>Build, Operate, and Transfer</td>
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<td>Department of Transportation</td>
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<tr>
<td>DONRE</td>
<td>Department of Natural Resources and Environment</td>
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<tr>
<td>DRV</td>
<td>Democratic Republic of Viet Nam</td>
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<tr>
<td>FDI</td>
<td>Foreign Direct Investment</td>
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<td>FINNIDA</td>
<td>Finish International Assistance</td>
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<td>HA</td>
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<td>HCMC</td>
<td>Ho Chi Minh City</td>
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ONGO Non-Government Organisation
NLF National Liberation Front
ODA Official Development Assistance
PC Peoples’ Committee
PPC Provincial Peoples’ Committee
PPP Purchasing Power Parity (Chapter 1)
PPP Public Private Partnerships (other Chapters)
RC Reinforced Concrete
RETF Real Estate Transaction Floor
SBV State Bank of Viet Nam
SIDA Swedish International Development Agency
SOE State-owned Enterprise
UFW Unaccounted-for-water
UNDP United Nations Development Programme
UNFPA United Nations Population Fund
UN-Habitat United Nations Human Settlements Programme
VACC Viet Nam Association of Construction Contractors
VBSP Viet Nam Bank for Social Policies
VHLSS Viet Nam Household Living Standards Survey
VND Vietnamese Dong
VUUP Viet Nam Urban Upgrading Project
VWSA Viet Nam Water and Sewerage Association
WHO World Health Organisation

VIETNAMESE DONG EXCHANGE RATES TO THE US DOLLAR (1)

ONE USD EQUALS:
VND 20,884 (2013) AS OF 14 MAY
VND 20,951 (2012)
VND 20,510 (2011)
VND 18,613 (2010)
VND 17,065 (2009)
VND 16,302 (2008)
VND 16,105 (2007)
VND 15,994 (2006)

(1) Period’s average local currency unit per US dollar official exchange rate, rounded off below decimal point. Data from World Bank.
VIET NAM’S URBAN HOUSING SECTOR: AN IMPRESSIVE RECORD

Viet Nam has registered tremendous achievements in the urban housing sector over the last decade. For example, the number of housing units has increased in urban areas from 4 million in 1999 to 6.8 million in 2009. Modern housing typologies have been introduced or induced by the market and have gained in popularity, particularly high-rise multi-family apartment buildings. There is today a diversified housing stock that is relatively new, offering a good basis for improved housing accessibility. Housing space has also improved dramatically, with the country’s average urban housing floor area rising from 5.8 square metres per head in 1996 to 17.5 in 2010. Social groups such as students, workers at industrial parks, and urban low-income people have started to benefit from social housing programmes. The private sector has grown significantly, helping to bring buoyancy in housing and real estate markets. The real estate industry in general, including housing in particular, has contributed significantly to the country’s GDP growth.

EVOLVING LEGAL, INSTITUTIONAL AND POLICY FRAMEWORKS

In the last 20 years important housing policies and associated legal frameworks have been put in place. Many laws and regulations have come in force to ensure that the citizens have rights to use land and own their housing as well as to transfer these rights. Regulations have been enacted to improve housing market mechanisms and insure fairer rules for buyers, sellers and producers. Private property rights have been introduced through land use and building rights certificates that can be bought and sold in the market, offering positive signals for attracting more investment into the housing sector. Some decision-making power has been decentralised to local levels. Urban development and housing policies have been articulated, and housing has been recognised as an important element in the government’s socio-economic plans. Policies have enabled a transition from housing as a social good to a market-oriented housing provision system. Legislation has been written to encourage the mobilisation of all resources for housing development.

POPULATION AND URBANISATION

Viet Nam has an estimated total population of 88.8 million that has as experienced a moderate growth of between 1.7 and 1.2 percent per annum during the last 30 years, accompanied by a steady decline in national fertility rates. The population is relatively young with a median age of 28 years. Viet Nam can be considered as under-urbanised or late in urbanising, with just 30 percent of its population living in urban areas. According to UN projections, the urban population will not exceed the rural population until 2040. Successive wars and policies of the past have discouraged urban investment and urban migration in favour of rural development. Urban population growth rate has averaged 3.5 percent per annum since 2000 meaning that the country is presently going through one of the fastest urbanisation processes in the region. This means that about one million people will be added to the urban population every year in the years to come.

ECONOMY

In 1986 socialist-oriented market reforms were introduced under the Doi Moi policy. Private ownership was encouraged in industries and other sectors of the economy. From 1990 to 1997 Viet Nam achieved an average annual GDP growth of 8 percent, and the economy continued to grow at an annual rate of around 7 percent from 2000 to 2005, making Viet Nam one of the world’s fastest growing economies. Growth remained strong even in the face of the 2008 global recession, with the country registering a GDP growth of 6.2 percent in 2011. In 2012, Viet Nam’s nominal GDP reached USD141.67 billion, with a nominal GDP per capita of USD 1,595.81. In Purchasing Power Parity (PPP) terms, GDP reached USD 301.7 billion giving Viet Nam an economy which ranked 42nd in the world in terms of size. PPP per capita stood at USD 3,250, approaching that of a middle income country. Viet Nam may be the fastest growing of emerging economies by 2025, with a potential growth rate of almost 10 percent per annum in real dollar terms that could push it up to around 70 percent of the size of the UK economy by 2050. However, the country has suffered from chronic inflation. The annual rate of inflation in the country rose to 20.9 percent in 2011 from 11.9 percent in 2010, and the Vietnamese Dong was devalued three times in 2010 alone. Perhaps even more troubling than high inflation and unemployment were indications that the benefits
of the country’s economic growth are not being shared equally, and that disparity among the incomes of the rich and poor had increased. The national Gini-coefficient was 0.43 in 2010 which has increased over time (0.42 in 2002 and 2004). Considering that a Gini-coefficient of 0.4 is regarded as the international warning level, Viet Nam is at dangerous levels of inequality.

GENDER

The constitutional and legal framework for gender equality has existed in Viet Nam since 1945, and under the subsidised economy period women enjoyed a very high status. But fundamental and widespread economic and social changes occurring since the 1986 reforms pose many gender challenges. There is a risk that women may lose ground on their past achievements.

Women have strong representation in the economy. They are significant contributors - making up 65 percent of the agricultural, 43 percent of the industrial and 70 percent of the informal labour force. In urban areas many women have shown great entrepreneurship and have become the main income earners for their families, running thousands of home-based and street side businesses. Other women have not been so fortunate. Public sector retrenchment under economic reform has had a disproportionate impact on women in low-paid jobs.

There is a growing awareness in Viet Nam that neglecting women's role in the economy will place constraints on economic success. Viet Nam's Plan of Action following the United Nations Women's Conference in Beijing recognised a continuing need for policies and programmes that will maintain and increase women's role in economic and social development.

HOUSING POLICIES IN VIET NAM IN A NUTSHELL

From 1954 to 1976 in northern Viet Nam and continuing after reunification, from 1975 to the economic reforms which began in 1986, there were no articulated national housing policies. The government adopted a command-economy approach, and housing was seen as a necessary social good rather than a commodity. Government programmes in housing were limited to building and subsidising rental housing for state cadres and workers who lived in urban areas.

Following the 1986 Doi Moi reforms (renovation), the country progressively transformed from a centrally-planned command economy to a socialist-oriented market economy. Subsequent reforms extended to the housing, urban land, and real estate sectors and the first articulations of a housing policy and associated legal instruments were introduced during the 1990s. The Vietnamese Government approved a National Housing Development Strategy to 2020 and Vision to 2030 in 2011 to improve state intervention in housing production and enhance access of government defined-target groups to social housing.

In recent years the Vietnamese government has developed legislation covering subjects which have an impact on housing processes. For example the Land Law (2003), the Construction Law (2003), the Investment Law (2005), the Enterprise Law (2005), the Real Estate Business Law (2006) and the Urban Planning Law (2009) are just some examples of the efforts being made to create a legal environment for the housing market to work. Many laws and regulations have been enacted to ensure the right to use land and to own housing as well as legal provisions enabling the transfer and sale of these rights. Regulations have been enacted that aim to improve housing market mechanisms and insure fairer rules. Some decision making powers have been decentralised to local levels. Comprehensive urban development and housing policies have been articulated, and housing has been recognised as an important part of government socio-economic plans. As a result of all these measures, the country's housing stock has increased dramatically.

INSTITUTIONS AND ACTORS IN THE HOUSING SECTOR

The highest level government body dealing with housing in Viet Nam is the National Steering Committee for the Housing and Real Estate Market Policy. Established by the prime minister and headed by a deputy prime minister, it guides the implementation of housing and real estate business laws; assesses housing and real estate development trends, and proposes, guides, and supervises the implementation of suitable housing policies. The Ministry of Construction (MOC) is the lead ministry in housing and urban development in Viet Nam. MOC prepared the “Urban Orientation towards 2025” and is generally responsible for urban and land use planning. Its mandate covers the construction and infrastructure sectors, as well as policies and strategies for housing development and the real estate market sector.
Certain decision making powers have been decentralised to local levels. Provincial people’s committees (PPCs) are responsible for local housing development programmes, establishing city or provincial housing development funds, developing annual capital plans for housing development, and issuing regulations on selling and renting social housing. The government has encouraged the private sector to participate in the development of social housing. Unfortunately, the role and contribution of the business sector for social housing production is limited since the necessary enabling systems and procedures have not been adopted to fully carry state policy through to fruition. Although no legal framework for civil society exists in Viet Nam, there are a number of civil society organisations which work on aspects of urban development. The Viet Nam Urban Forum is where opinion and knowledge among government agencies, non-government organisations, individuals and donors are shared in order to contribute to urban development policies. The Association of Cities of Viet Nam (ACVN) is where city leaders share experience, co-operate, and support each other in urban development and management.

HOUSING STOCK

Housing in Viet Nam is overwhelmingly owner-occupied. Self-owned housing accounted for 86.1 percent of all housing units nationally in 2009, and in urban areas this figure reached 80.8 percent. Unlike censuses in most countries, and in spite of its name, the Census of Population and Housing carried out in Viet Nam does not count housing units or buildings. It is a pure population census, based on a person’s official residence. Assuming “households with housing” is equivalent to housing units, there were 6.76 million units in urban areas in 2009, an increase of 68 percent over the 4.03 million units recorded in 1999 (for rural housing units, the increase over the same period was only 22 percent). Of the 22.19 million units in Viet Nam which could be said to represent the housing stock in 2009 (not counting un-occupied units), there was little information that allowed organising this stock into meaningful categories or housing typologies. Shop houses, apartment tower blocks, older colonial villas, luxury villas, small single story and multi-story buildings (commonly informally built) are common housing types in Vietnamese cities. Semi-permanent, informally built, small single and multi-story housing mainly in fringe and peri-urban areas are becoming the predominant housing typology in the country, representing over 50 percent of the country’s urban housing stock. The multi-storey shop house has become the archetypal urban dwelling in Viet Nam, with a narrow frontage and long plot depth, with 100 percent plot coverage and commercial activities on the ground floor.

According to the 1999 Census of Population and Housing, of a total of 35.9 million urban housing units, 4 percent had living areas of less than 15 m², i.e. could be considered one room units. Another 34.4 percent of the urban housing stock measured 15 to 36 m², and another 29.5 percent measured 37 to 59 m². This means that in 1999 a total of 68 percent of urban housing units had living spaces of less than 60 m², with the average around 44 m² per unit. For the country as a whole, floor area per capita has increased rapidly over the past decade: from 9.7 m² in 1999 to 16.7 m² in 2009 (nationwide).

HOUSING PRODUCTION

There is no data in Viet Nam depicting the implementation and completion of housing construction which would enable some estimates of increase and pace of construction per annum. Using census figures, it is estimated that during period 1999 - 2009 a total of 2.735 million occupied housing units were added to the urban housing stock. This represents an increase of 68 percent over the 10 years and an average annual production of 273,500 units per annum. About 60 percent of total urban housing production 1999 - 2009 – or some 1.6 million units – was small, single-storey informal housing units mainly located on urban fringes. The majority of this informal construction was residential (and almost all of this being owner-occupied), while an unknown but sizable minority of this construction was for single room rental mostly to migrant workers. The number of housing units under 15 m² in living area was 161,000 in 1999 and had increased dramatically to 946,000 by 2009, representing an annual increase of 78,500 units or 29 percent of all urban housing production.

Self-built housing production is most dynamic on the urban fringes and peri-urban areas of the largest cities. This is commonly a self-build and individual developer process without involvement of corporate entities. A large proportion of self-built housing is informal as it is constructed without official permission from the local authorities. Land purchase, permitting, finance, and management of construction are carried out by individuals and are meant for self-consumption or for sale/rent on the market, or a mix of both. It is difficult to quantify how much housing is being produced by large formal developers, but it is probably only a small fraction...
of total urban housing unit production. The production of social housing aimed at low-income households is a recent phenomenon in urban Viet Nam, and only gained prominence in 2007. For years the state has been constructing housing for teachers and military personnel and certain civil servants, but mainly in remote areas.

In terms of informal settlement upgrading, there are many efforts which a focus on the improvement of environmental and living conditions, the largest of which is the World Bank’s Viet Nam Urban Upgrading Project (VUUP) which began in 2004 with an initial budget of USD 300 million. The aim of the project is to improve the living and environmental conditions of the urban poor in the four cities of Hai Phong, Nam Dinh, Can Tho and Ho Chi Minh City.

HOUSING NEEDS, DEMAND AND AFFORDABILITY

The Viet Nam Housing Sector Profile estimates future gross housing needs based on demographic parameters and on existing housing stock shortfalls, projected and compared to government estimates. Trends in household size and household formation help define these future housing needs. Average household size has been declining in Viet Nam, in urban areas it declined from 4.27 persons per household in 2002 to 3.82 persons per household in 2010. It is estimated that there will be an additional 13.9 million new urban households added to the population by 2049, and it is projected that there will be a need to provide an additional 3.14 million urban housing units to accommodate this growth. It is estimated that 65 percent of the new housing units to accommodate the current growth will be in urban areas, which would result in the production of 325,000 units per annum in 2019 compared to 275,000 per annum achieved in the period 1999-2009. It is also assumed that 10 percent of new households in urban areas would be expanded, improved or feature rehabilitated housing from the existing stock.

It is projected that 394,000 housing units need to be provided annually until 2049. This translates to 1,079 housing units to be produced daily or 45 housing units per hour in order to accommodate current growth projections. This quantitative outcome can be translated into different housing options that include serviced plots, minimal units for evolutionary self-help housing, housing vouchers, building material credits, un-serviced plots.

In addition to gross housing needs, the Viet Nam Housing Sector Profile focuses on effective demands for housing and its affordability. Presenting a series of assumptions based on housing prices of three different housing types, average household incomes and wages, and the different income brackets per quintile. In 2010, average monthly income per capita was estimated as VND 2,130,000 (nearly USD 80 at November 2012 rates) which translates into a household income per month of VND 8.137 million. Civil servant salaries currently average approximately VND 3.5 million (nearly USD 130). The average starting salary of employees with a bachelor degree is VND 3 to 4 million. Estimates for wages and income in Hanoi, Ho Chi Minh City and other provinces and cities allows a calculation of a median household income of VND 6.3 million per month in 2010 (roughly USD 231 at November 2012 rates).

It is estimated that at current construction costs for a housing unit of 60 m² would cost VND 700 million or roughly USD 35,000 at November 2012 rates. This would be affordable for only the top 5 percent of urban households. Such a dire affordability picture for the average household in Viet Nam is confirmed when looking at the house price-to-income ratio of between 8 and 9. Thus, the large majority of urban households cannot afford to purchase a small, modern “permanent” unit, even assuming that they can qualify and obtain housing loans. The only housing type that is affordable to the majority of urban households – even low income households – is that which is self-built and often informal in peri-urban areas.

THE SUPPLY OF LAND FOR HOUSING

The first Land Law of Viet Nam was enacted by the National Assembly in 1988. A revised Land Law was issued in 1993, replaced by the 1998 Land Law and, most recently by the 2003 Land Law. These stages of significant reforms have greatly improved property rights. Land rights and the trading and pricing of land and of its registration, planning and taxation were all part of the reform process. The rights and obligations of both land users and state agencies were laid out.

The 2003 Land Law introduced the notion of land as commodity, but only its use rights can be openly traded. Private freehold ownership of land is not permitted in Viet Nam. The state remains the ultimate owner of land and retains considerable control over land use, land supply and land exploitation. According to this law, land is the property of the entire people and subject to the exclusive administration by the state. The concept of land rights was
established by the system of issuing building ownership and land use certificates (BOLUCs) or the ‘Red Book’ and land use rights certificates (LURCs) or the commonly referred to ‘Pink Paper’. These two certificates attached to a land parcel are the foundation for property rights in formal market exchanges as well as the means to tax and mortgage land and property holdings. In October 2009, the government issued Decree 88 which unified the Red Book and Pink Paper into one unified document called Land Use Rights, House and Assets Attached to Land Ownership Certificate.

Despite bold reforms, land delivery for housing has not become easier or more efficient. The right to own and trade land use rights has propelled demand and competition for land which cannot be met by supply. This has indirectly stimulated the development of informal land markets and rapid and unplanned conversion of rural land into urban use in the fringes of Vietnamese cities. A report by the Ministry of Natural Resources and Environment on land conversions over the 2005 - 2010 period estimated that some 27,994 hectares of land has been added to the nation’s urban residential land total, an impressive increase of 27.2 percent in five years. The mechanisms and the scale of this process, the prices and volume of transactions and amount of buildings that has taken place are yet to be systematically studied and reported. Some estimates show that 75 percent of the total new housing added to the stock annually is emerging through this channel. This needs to be urgently integrated into the policy debates and urban research.

The Ministry of Natural Resources and Environment (MONRE) is the apex institution regarding territorial land policies and is also the main regulator of land management bodies. The Ministry of Construction (MOC) is another important central agency in regards to land. MOC is responsible for physical planning, housing and real estate markets, public works, and construction management. The central government has a supervisory or guiding role in urban land matters but it is the people’s committees at the local levels that are ultimately the responsible executing agencies, and each tier has roles and responsibilities for the management of urban land within its jurisdiction. People’s committees set survey fees for such as plot mapping and verify land-use rights, LURCs.

Land valuation and pricing in each city or province are established annually by the people’s committee and approved by the city or province’s people’s council. This sets the base for tax levied on land use, transfer of land use, land transformation (change of land use purpose), land leases and other fees such as registration and land compensation.

Land values are assessed annually and prices are announced by people’s committees on the first of each year. Official prices are more than often significantly below real market prices, fuelling more informality in land transactions, despite the fact that unauthorised land transfers, including subleasing, are punishable by administrative sanctions.

Decree 69 issued in October 2009 provided new provisions on stipulated land prices. Land prices are no longer limited by the rules on minimum and maximum changes to the government’s land price framework and peoples’ committees have been given an open-ended discretionary right to override the provisions on minimum and maximum land prices and apply what reflects market prices. Many housing development projects have been delayed and a number of real estate companies have complained about losses when land use fees are charged based on market land prices. Investors and developers have also complained that their housing projects have been delayed because the land price determination process is too complicated and uncertain.

The government land price (also called the primary market) is administratively set, whereas the market price (also referred to as the secondary market) is set by supply and demand and is always higher, sometimes significantly so. The aim of the separate price system is to encourage capital from investors to flow and stimulate economic development, in reality this policy has led to confusions and conflicts over land and has resulted in an insufficient supply of land for housing.

The cumbersome, time-consuming and lengthy process of land delivery for housing has propelled corruption. A recent survey on corruption in Viet Nam showed that land management tops the list of ten fields accused of corruption, showing that it is highest in housing and real estate at 21 percent, followed by transportation at 11 percent, public administration at 10 percent, construction at 7 percent, education at 5 percent, and finance and banking at just under 5 percent.

This poses a risk to an important area of revenue generation, wealth production and prosperity needed to improve living conditions in Vietnamese cities. Land is a vital source for cities to self-finance their development. According to an estimate by MOC, in 2009, revenues from land, housing and real estate activities reached VND 42.7 trillion, accounting for 11 percent of the total state budget revenue. Of this revenue amount, land use and transfer fees alone generated VND 33.0 trillion or 71 percent of the entire housing and real estate sector.
HOUSING FINANCE

The banking and financial sector in Viet Nam went through remarkable changes following the introduction of the Doi Moi economic reforms. Until 1988, Viet Nam’s economy was dependent on a one bank system comprising the State Bank of Viet Nam. Until June 2013, there were six state-owned commercial banks, several dozen joint stock banks, foreign bank branches, joint venture banks, credit cooperatives and finance companies. The sector is dynamic and evolving both legally and institutionally. Much transparency has been accomplished and credit-rating agencies and performance standards for joint-stock banks have been established by the government. However, Viet Nam remains largely a cash-based society. Estimates reveal that the key sources for households to finance housing are still personal savings (44 percent) and informal sources from friends and relatives (35 percent).

Culturally, Vietnamese like to save if possible and are averse to holding debt. The burden of debt and the worry of meeting repayments have kept many families away from formal sources of credit for housing. For many Vietnamese it seems absurd to be locked into twenty years of high monthly payments. They make a rational decision to forego current consumption of housing goods, accumulate savings, and then purchase the unit with a combination of cash and informal sources.

The 2003 Land Law and the 2005 Housing Law provided important rules to enable banks and financial institutions to engage in housing finance, including the use of land use certificates, collateral, and mortgages. The 2006 Real Estate Business Law provided additional provisions on transactions with land and real estate properties. Housing finance products remain largely conventional, with large loan size, long maturity term, market interest rates (14 - 18 percent per annum), and requiring land and/or property as collateral. However, these services have not expanded rapidly due to a risk-averse attitude from financial institutions regarding the quality of collaterals (LUCs and BOLUCs), cumbersome property foreclosure procedures, lack of recorded verification of income and limited access of lending banks to long-term funding sources.

Because the huge informal and self-built housing sector is outside government accounting systems, it is difficult to gauge how resources are raised for housing as a whole. In formal housing, most developers have had to look elsewhere to raise funds for housing development because of the high reserves ratio set for commercial bank loans and high lending rates offered by commercial banks. Besides equity, the key funding sources for housing developers at present is by raising pre-payments from eventual unit owners (both individuals and organisations). To encourage housing investment the government has provided different incentives to developers, such as reduction of land use fees, taxes on resident land, construction land and reduced corporate income tax.

Foreign Direct Investment (FDI) has also been a significant source of finance for housing development since 2000. Applications for FDI projects were worth about USD 8 - 9 billion during the 2004 - 2010 period. Along with the direct investment projects, more than 40 investment funds operating in Viet Nam, providing funds for real estate investment of about VND 20 billion. In 2007 FDI reached - USD 8.5 billion, representing 42 percent of total registered FDI capital.

Despite this impressive expansion in equity investments by private developers, in FDI for real estate, and in housing lending by commercial banks, the means available for raising resources for housing finance in Viet Nam remain rather limited. Authorities in both Ho Chi Minh City and Hanoi established housing development funds in the 2000s with the objective of mobilising funds for housing for low income people living in these cities. To encourage low income housing, in the last ten years the government has also given free land and concessionary loans to housing developers with qualification and price stipulations.

There are also different projects and initiatives sponsored by foreign institutions such as the Asian Development Bank (ADB), the Agence Française de Développement (AFD) and the World Bank (WB). The Housing Finance Project sponsored by the Asian Development Bank, started in 2002, and aims to provide approximately 27,500 housing finance loans, disbursed through financial institutions participating in the first round of lending. The project supports the establishment of a housing finance facility that is to become the housing finance sector’s apex institution.

THE PROVISION OF BASIC URBAN INFRASTRUCTURE

Nationally, it is estimated that infrastructural investments currently consume 9 to 10 percent of GDP, mainly for transport, energy, telecommunications, water and sanitation. Viet Nam will need to increase infrastructure investments dramatically to meet the rapidly growing demands from cities and the booming manufacturing and
commercial sectors as well as to address current shortfalls in domestic and residential infrastructure services. The legal frameworks governing infrastructure services are relatively well developed, while enforcement is still an issue. There are sets of laws, decrees and circulars that cover most infrastructure services.

In Viet Nam urban infrastructure is mainly provided, owned, financed and built at the provincial or city level by the public sector. There are some levels of double subordination between local and national levels. The responsible authorities are either local authorities or, especially in the case of the larger towns and cities, quasi-independent state owned enterprises (SOEs). These SOEs had been government divisions that were equalised in the 1990s following the Doi Moi reforms. These entities still operate under considerable control of central ministries and people’s committees and local levels. At the provincial level the infrastructure sectors are steered by provincial people’s committees (PPCs) which have departments that more or less mirror ministries at the national level. In some cities the people’s committee defines the functions and tasks of water, drainage/sewerage and waste activities but delegates responsibilities to SOEs. Except for the power sector, it is public utility SOEs that are responsible for the provision, construction, management and operations and maintenance of infrastructure services in urban areas. These companies are under the direct authority of the city and town people’s committees, that also control SOE budgets and annual work plans.

Remarkable progress in rehabilitating and expanding coverage and access to basic infrastructure has been achieved in Viet Nam. All urban households and 85 percent of rural households have access to electricity. Access to safe water increased from 26 to 49 percent over the period of 1993 to 2002 and reached 73 percent in 2009 (nationwide). In 2009 in urban areas, access to treated piped water was 63.5 percent, 2.4 percent of households used rain water, 31 percent used another clean water source and 3.2 percent used an unknown source. Sewerage networks have also been extended, and in recent years a huge sewage treatment plant construction programme has been launched. Surface or street drainage in urban areas has also improved. Nevertheless, rapid urbanisation and the proliferation of unplanned settlements pose challenges to providing and operating basic urban services. In particular, the sanitation and surface drainage sectors remain weak, especially in these areas.

Given the huge financial resources required by the urban infrastructure sector, the government of Viet Nam has a strategy to attract private capital into infrastructure ventures either through public private partnerships or incentive contracts or both. A set of reforms and measures have been initiated to attract foreign private participation in infrastructure. These efforts have concentrated on issues related to the implementation of build operate and transfer, build transfer operate and build transfer projects. However, few variations of public private partnerships have been successfully implemented.

According to 2008 MOC data, less than 10 percent of urban wastewater is treated. Serious environmental degradation and health concerns are caused by water pollution from untreated human waste and unregulated discharge of industrial wastewater.

Officially, the fraction of the urban population that “is using improved sanitation facilities” has increased from 62 percent to 88 percent. Sanitation in the major cities is said to be available to 98 percent of the population, but this figure includes access to a “sanitary latrine”. It gives no indication of how the human waste is collected and disposed of.

It is estimated that 70 percent of roads are equipped with drainage in large cities. Even so, surface water drainage is a common problem and flooding is a constant risk in Vietnamese cities. Seasonal flooding could become acute if projections made by climate change experts are accurate. Monsoon floods are already severe, and the process of urbanisation reduces natural hydraulic coping systems. Thus a combination of climate change and urbanisation processes inevitably makes surface water drainage a challenge in Vietnamese cities, especially the cities found in low-lying coastal regions.

An interesting feature of street improvement in Viet Nam is the concept of “collective work by the state and the people”. Community participation is used in the construction and improvement of tertiary street lines, especially in small and medium cities. This participation is high in poor neighbourhoods with a normal formula of contribution between the state and the people are 50/50 or 70/30.

Major external funding sources for urban infrastructure include the WB, ADB, JICA, DANIDA, AusAID, FINNIDA, the German Government and the AFD (France). The management of overseas development assistance follows a top-bottom approach with MPI being the focal point, MOF being the official contractual borrower, and central ministries or line agencies acting as supervisors of project and program implementation.
Perhaps the biggest physical and social challenge relating to urban infrastructure lies in the rapidly growing and dense peri-urban areas surrounding the major Vietnamese cities. It is here that the majority of migrants, poor, and lower middle classes are locating in great numbers because mobility is acceptable, employment is available in nearby industrial areas, and housing solutions are more affordable. The unplanned, informal patterns of development represent challenges for infrastructure provision and require inventiveness and innovation. Until now all infrastructure networks have been provided in these areas only after urban development has taken root, thus designs and capacity considerations must adapt to non-linear patterns and progressive densification.

THE CONSTRUCTION INDUSTRY AND BUILDING MATERIALS

Viet Nam has been industrialising and urbanising over the last two decades. The industry and construction sectors, which accounted for 23.8 percent of the country’s GDP in 1991, grew to 39.9 percent in 2008. In 2001 the construction industry itself registered USD 1.8 billion in investments, of which state investment accounted for 56 percent, private investment 25 percent, and foreign investment 18 percent. By 2008 the total value of construction reached USD 5.8 billion, representing 6.5 percent of GDP. The construction industry continues to achieve high growth rates, and in the first quarter of 2010 its value increased approximately 17 percent over the same period in 2009, a rate double the growth of GDP.

Data from 2010 suggests that residential construction accounted for roughly 30 percent of the total value of construction, and also that the annual increase in residential construction value averaged 9.2 percent over the 2005 - 2010 period, slightly less than increases of the construction sector as a whole (10.4 percent). Housing construction is almost exclusively carried out by Vietnamese contractors and Vietnamese expertise and labour. Besides the large state-owned construction firms, there are hundreds of small and medium sized licensed contractors.

The country produces almost all of the basic building materials used in housing construction and even has export capacities (e.g., cement and ceramic tiles). Currently there are roughly 300 large-scale building material enterprises, mostly SOEs, producing a wide range of products. Viet Nam is well endowed with natural resources upon which the building materials industry is based. For example, there are over 350 limestone quarries for cement production, 694 clay pits to produce bricks, and many more producing kaolin, sand for glass, stone, sand and gravel, dolomite and other stone and refractory clay. There are over 300 large-scale building material firms. Cement and reinforced bars are manufactured in Viet Nam mainly by large SOEs.

The Construction Law of 2003 is the main legislation that covers most aspects relating to construction. In addition to this Construction Law, a number of specialized national building codes have been issued recently in response to the need to control the quality of modern buildings. There are many other laws and regulations which address standards, energy norms. Viet Nam’s residential construction standards are not obstacles to economic housing units and land sub-divisions. Minimum plot sizes are 30-40 m² and allow near total plot coverage. However, the official minimum required floor area of 9 to 14 m² per inhabitant is rather high, and until recently the minimum housing unit size was set at 50 m².

The Ministry of Construction (MOC) has the primary technical oversight of the construction sector. The MOC is responsible for the state’s management of construction, construction materials, housing, public works, architecture and development planning. The decision to grant a construction permit is made by the Chairman of the Peoples’ Committee at the provincial level and the relevant director of the Department of Construction.

The high incidence of informal construction can partially be explained by the bureaucratic hassles and hurdles that official processes impose on the building permit applicant. The construction industry of Viet Nam has been known to be rife with corruption, recent government anti-corruption efforts have led to the detection of many violations within the construction sector occurring during all stages of projects: investment, preparation, implementation, and handover.

Violation of government regulations by housing developers during the construction periods is a common occurrence. Many developers and self-help households try to increase building height or construction density. These unreported changes greatly deviate from standards outlined in investment licenses and construction permits, while putting pressure on existing infrastructure and adversely affecting the urban panorama. Poor supervision on construction quality is another problem. Construction inspectors in Viet Nam are said not to have enough power to penalise developers for violations. As violations become
rampant, construction quality and safety are severely compromised.

Viet Nam has been slow to champion energy efficiency in residential construction and operation. Currently over 75 percent of energy consumed in buildings is used for air conditioning and water heating, and the rest is for lighting and cooking, and by applying “green” approaches it should be possible to reduce energy consumption by 30 percent, reduce water consumption by 30 - 50 percent and reduce carbon emissions by over 35 percent. Clearly the benefits of green construction in the housing industry buildings are great.

The Construction Material Development Master Plan to 2020 ensures the continued research and development of major construction and finishing materials such that materials used are friendly to the environment. Developed in 2008, this master plan calls for stakeholders in the construction sector to be encouraged to use building materials which are low energy consumers, minimize production of building materials from agricultural land, encourage the development of lightweight materials and the use ultra-light walls.

THE HOUSING MARKET

The emergence of active housing markets began at the end of the 1980s following the Doi Moi reforms. The ban on self-help building activity was lifted and local governments began to allocate land to state employees for housing construction via various state institutions. Housing production was further boosted in the late 1990s by a series of directives in encouraging investment by large developers. Investments of foreign developers in real estate were also encouraged. These reforms triggered a housing boom in many cities of Viet Nam. The Real Estate Law, enacted in 2006, further boosted the housing market with the introduction of a comprehensive legal framework for land and housing transactions, leasing of land and property, and real estate services.

Housing markets in Viet Nam, and especially the markets operating in the large informal sector, are not well understood. In fact, just as housing markets ruled by the forces of supply and demand are new and still evolving in Viet Nam, so too is the information on and understanding of these markets. Very little is known about the operation and players in informal housing markets. It can be assumed that market knowledge is mainly by word-of-mouth among relatives, friends, co-workers, etc. In any locale there are said to be informal housing agents who take a small fee for bringing buyers and sellers together.

The weakness of the real estate appraisal industry in Viet Nam has had a negative influence on the housing market. Most price appraisal institutions are state-owned and under the supervision and licensing of MOF. However, some administrative agencies do not accept the appraisal certificates given by MOF as sufficient for real estate floors to offer real estate appraisal services. A majority of real estate developers set prices by themselves arbitrarily. The key real estate appraisal method used in Viet Nam is direct comparison, which requires adequate market information, including the legal status of the property to be appraised, local spatial planning requirements and verification of any financial liabilities attached to the property.

One of the reasons for the poorly performing property appraisal system in Viet Nam is simply the shortage of price appraisers. There are said to be only 200 price appraisers in the country, while the demand for housing price appraisers is two to three times higher.

CONCLUSIONS AND RECOMMENDATIONS

In spite of many achievements in Viet Nam’s urban housing sector and its evolving institutional and regulatory framework, there remain serious outstanding issues. The most serious of these issues are:

- **Policies have focused much more attention on the formal housing market and much less on the informal housing sector.** Informal housing development processes evolved in parallel of the robust reforms undertaken by the government which is not fully understood and thoroughly analysed. Most of government regulations focus on development of formal housing projects. Nevertheless, self-built, self-help or “self-reliant” modes of housing production and different forms of informal housing processes have gained scale, and it is estimated that this represents nearly 75 percent of urban housing production. Policy reforms need to address this.

- **Housing policies and strategies are not yet responsive to various segments of the market.** Policies have not provided a wide range of housing choices for the households to consider according to their needs and preferences and ability to pay. This creates distortions and impediments for lower economic groups.
• High cost of housing combined with other constraints in land supply and housing finance are excluding large parts of the population from accessing adequate housing. There is nearly no affordable housing option for starters in the formal housing market such as newly married couples and young adults. The absence of rental housing policies and scarcity of rental housing options make accessibility to housing extremely hard for newly-formed households.

• The lack of accessible sources of information on housing market parameters is triggering speculation and market dysfunction. Public communication and information provision to the wider public is inadequate, creating asymmetry in information and consequently triggering speculative behaviour, lack of transparency and distortions in the housing market. There are currently no effective housing information sources for the wider public.

• There are still a group of legislation and normative procedures that need to be revisited and reformed. Complex, and time-consuming licensing procedures and formalities, inadequate policy monitoring and evaluation tools as well as reporting and coordination needs to be revisited and improved. The large number of procedures, fees and taxes are creating disincentives and resulting in informal processes. In addition, the current system of residence registration, which makes urban migrants unable to access land and housing services, needs to be abolished.

• Many government actors and inadequate coordination: There are a large number of government institutions and agencies dealing with housing issues in Viet Nam at multiple levels – national, provincial, city, district, and even commune and ward. With all of these actors, it is inevitable that co-ordination and consistency become problematic if not streamlined. Although the Ministry of Construction is the lead agency in the housing sector, there are a number of other important housing themes and inputs decided elsewhere. For example, land and housing finance are under the responsibility of Ministry of Natural Resources & Environment and Ministry of Finance. This poses a challenge for efficiency and institutional co-ordination with risks of overlapping and unnecessary competition amongst public sector agencies.

• Inadequate mechanisms for information sharing leads to loss of efficiency and market distortions: Knowledge management and information systems are still not adequately set up. This leaves policy makers, housing consumers, housing financiers and housing producers without a platform to articulation and public information supply.

• Responsibilities and roles amongst different institutions in the housing sector adds to difficulties between different levels of government: Although the Urban Planning Law allows many urban planning actions to be decentralised to local levels, in reality planning decisions remain centralised. And while housing policies are made at central level, the resource allocation power has been partly decentralised to the provincial level. There are gaps in guidelines on how the provincial level can decentralise further to lower levels, and this has resulted in some degree of passiveness from lower levels of governments awaiting decisions to start implementing housing and neighbourhood improvement programmes.

• Policies related social housing, low income housing, rental housing, housing for resettlement, etc. are still influenced by an approach that implies significant subsidies. Furthermore, social housing policies focus support to some specific target groups, but do not enable a wider number of poor households to participate.

• Weak citizen participation in policymaking: Laws supporting citizen participation exist; however there is not sufficient guidance on how such participation should work within the new institutional environment. There is insufficient information provided to citizens and citizen groups, and at times the government does not provide feedback to citizens on decisions, enactment of plans and resolutions.

• Affordability for housing is an acute problem that needs systemic solutions: An analysis of current urban household income distribution and housing costs shows that, in terms of cost-to-price ratios, in terms of prevailing rents, and in terms of standard housing loan programs, urban households will find it extremely difficult to afford even modest modern housing units produced by the formal housing sector.
BRIEF INTRODUCTION TO VIET NAM AND ITS URBAN SECTOR

1.1 THE COUNTRY’S GEOGRAPHY, HISTORY, AND PEOPLES
1.2 POPULATION AND URBANISATION: FACTS AND FIGURES
1.3 THE ECONOMY, STANDARDS OF LIVING, AND UNEMPLOYMENT
1.4 POVERTY IN VIET NAM AND THE MILLENNIUM DEVELOPMENT GOALS
1.5 GOVERNMENT
1.6 EDUCATION AND HEALTH
1.7 URBAN DEVELOPMENT AND CURRENT URBAN ISSUES
1.8 CROSS-CUTTING ISSUES: GENDER, HIV/AIDS, AND CAPACITY BUILDING
This chapter briefly introduces Viet Nam to set the context for subsequent chapters. It concentrates on country basics such as history, demographics and urbanisation, socio-economic characteristics of the population, the government, and the economy. It also includes a section on household incomes and poverty. Finally, there is a brief on urban development in Viet Nam which identifies a number of issues.

1.1 THE COUNTRY’S GEOGRAPHY, HISTORY, AND PEOPLES

Viet Nam, officially the Socialist Republic of Viet Nam, is located in Southeast Asia and has an extensive coastline of over 3,400 kilometres along the Gulf of Thailand, the Eastern Sea (Bien Dong in Vietnamese), and the Bay of Tonkin. It is bordered by Cambodia and Laos to the west and China to the north. Its total land area is 310,070 square kilometres, slightly larger than Italy and slightly smaller than Germany, with an estimated 2012 population of 88.78 million inhabitants. It ranks as 66th among 214 countries in terms of geographical size and 13th among 230 countries in terms of population. Viet Nam can be therefore be considered quite crowded, especially in the low lying areas were most of the population is concentrated.

Topographically, Viet Nam is predominantly low-lying along the coast, with large flat deltas in the south (the Mekong River Delta) and the north (the Red River Delta) which are the main agricultural areas. There are extensive forested hills in the central highlands abutting Laos and in addition there are mountainous areas, mainly in the far north and northwest. Fansipan in Lao Cai province is Viet Nam’s highest mountain at 3,143 metres. Due to its considerable length extending over many degrees of latitude, there are variations in Viet Nam’s climatic conditions. The climate is tropical in the south and monsoonal in the north with a hot, rainy season (May to September) and a warm, dry season (October to March).

Viet Nam has had a long and rich history. The legendary Hong Bang Dynasty of the Hung Kings is considered by many as consolidating the first Vietnamese state, which
ended in the 3rd century BCE. Over the next hundred years Chinese incursions were frequent, but in the 3rd and 4th centuries AD Viet Nam enjoyed what could be called a golden era during the Ly and Tran Dynasties. After this Chinese rule was re-imposed and continued until AD 938, after which a series of Vietnamese royal dynasties flourished, and throughout the 11th to 18th centuries Viet Nam expanded slowly southward into parts of the Kingdom of Champa and the Khmer Empire. In the 18th Century after a period of unrest the country was unified under the Nguyen Dynasty.

In a series of military conquests from 1859 until 1884 the entire country became part of French Indochina (which included Cambodia and Laos). The French administration imposed significant political and cultural changes on Vietnamese society.

French rule over Viet Nam abruptly ended with the Japanese military invasion of 1941. That same year, the Viet Minh national liberation movement emerged under Ho Chi Minh to seek independence from France as well as to oppose the Japanese. The Japanese occupation of Viet Nam caused grave hardships on the population, including a famine in 1945 which caused two million deaths. Following the military defeat of Japan and the collapse of the Vietnamese puppet government in August 1945, the Viet Minh occupied Hanoi and proclaimed a provisional government, which asserted independence on September 2nd the same year.

However, the French were intent on re-establishing their Indochina colonies, and on November 20, 1946 the first Indochina War began between the Viet Minh and French expeditionary forces, lasting over seven years. It was the siege of Dien Bien Phu and the disastrous surrender of the French forces there in 1954 which forced the colonialists to negotiate and, following the Geneva Peace Accords of 1954, Viet Nam was divided into a Democratic Republic of Viet Nam (DRV) in the north and the US-backed Republic of Viet Nam (RV) in the south, separated by a demilitarized zone at the 17th parallel.

The pro-unification National Liberation Front (NLF) began a guerrilla campaign in the late 1950s to overthrow the government in the south, which was seen by the majority of the Vietnamese population as a "disguised colonial regime".

To support South Viet Nam’s struggle against the revolutionary nationalist insurgency, the United States began increasing its contribution of military advisers. NLF and regular North Vietnamese Army (NVA) forces attacked most major targets in southern Viet Nam during the 1968 Tet Offensive, and although their campaign failed militarily, it shocked the American establishment. With its casualties mounting, and facing opposition to the war at home and condemnation abroad, the US began withdrawing from ground combat roles, a process called "Vietnamisation" of the war. The effort had mixed results. The Paris Peace Accords of January 1973 formally recognised the sovereignty of Viet Nam and stipulated the withdrawal of all American combat troops within two months. Without American troops, the south was fatally weakened. National liberation forces and regular NVA troops started a full-scale offensive, culminating in the fall of Saigon on April 30, 1975. On July 2, 1976, north and south were reunited to form the Socialist Republic of Viet Nam.

**Ethnic Groups:** there are 54 officially recognised ethnic groups in Viet Nam, such as Kinh, Tay, Thai, Hoa, Khmer, Muong, Nung, H’mong, Dao and the Vietnamese-speaking majority ethnic Kinh comprises approximately 86 percent of the population. Ethnic minority and indigenous groups mainly reside in the northern highlands, central highlands and Mekong delta region, including H’mong, Khmer, Muong, Tay and Thai. 20 indigenous ethnic groups are mainly located in the central highlands.

**Languages:** It is reported that there are 110 individual languages in Viet Nam. However, the official national language of Viet Nam is Vietnamese, a tonal, monosyllabic Mon-Khmer language which is spoken by the vast majority of the population. Quoc ngu, the Romanised Vietnamese alphabet currently used for written Vietnamese, was first developed in 17th century by Catholic missionaries.

**Religions:** For much of Vietnamese history Mahayana Buddhism, Taoism and Confucianism have strongly influenced the religious and cultural life of the people. About 85 percent of Vietnamese identify with Buddhism, though most do not practice it on a regular basis. In fact, according to the 2009 Census, only 17.7 percent of the population is classified as "religious followers". Ancestor worship is very strong among those professing Buddhist identity. About 8 percent of the population are Christians, with about six million Roman Catholics and fewer than one million Protestants.
1.2 POPULATION AND URBANISATION: FACTS AND FIGURES

In 2012, total population of Viet Nam was 88.78 million with an annual growth rate of 1.04. The growth of the total national population has been remarkably moderate over the last five years, hovering around an increase of just 1 percent per annum. In 2000 the population grew at 1.5 percent per year and the average annual increase over the 1999 - 2009 period was 1.3 percent. The average annual increase of the population over 20 years (1989 - 2009) was 1.5 percent, indicating a steady and impressive decline in national fertility rates. Current population age structure is beneficial to Viet Nam’s economy: 70.8 percent of the total population are aged from 15 to 64.

For the total population, currently the overall sex ratio is 0.98 males per female, although males slightly exceed females in the younger population. Overall life expectancy at birth is high at 73.0 years, with a significantly higher expectancy among females (75.8 years versus only 70.4 years for males). The distribution of the population by age is as follows:

- 0 – 14 years: 23.2%
- 15 – 64 years: 70.8%
- 65 years and over: 6.0%

Low levels of natural increase for the total national population are expected to continue in the future. The General Statistics Office (GSO) of Viet Nam has carried out population projections for the years 2009 to 2049 using four variants (based on varying assumptions as to fertility, mortality, and life expectancy). The results are shown in Table 1.

A projection of the urban-rural composition of the population up until 2050 is shown in Figure 1. According to this projection made by the UN Population Division in 2008, the urban population will not exceed the rural population until 2040.

Table 1. Projections of the total population of Viet Nam (million)

<table>
<thead>
<tr>
<th>YEAR</th>
<th>MEDIUM VARIANT</th>
<th>HIGH VARIANT</th>
<th>LOW VARIANT</th>
<th>CONSTANT VARIANT</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>85.8</td>
<td>85.8</td>
<td>85.8</td>
<td>85.8</td>
</tr>
<tr>
<td>2019</td>
<td>95.4</td>
<td>97.6</td>
<td>93.0</td>
<td>95.6</td>
</tr>
<tr>
<td>2029</td>
<td>102.7</td>
<td>107.2</td>
<td>98.2</td>
<td>103.6</td>
</tr>
<tr>
<td>2039</td>
<td>106.9</td>
<td>114.1</td>
<td>99.9</td>
<td>108.7</td>
</tr>
<tr>
<td>2049</td>
<td>108.7</td>
<td>119.8</td>
<td>98.3</td>
<td>111.8</td>
</tr>
</tbody>
</table>

Source: General Statistics Office (2011b: table 4.1)

Figure 1. Viet Nam urban and rural population, estimates and projections 1950 - 2050

Source: adopted from Van Arkadie, et al. (2010: 220)
The geographic distribution of the population of Viet Nam is not at all static. The GSO Statistical Yearbook 2011 shows that the only region with significant net immigration was the Southeast (rate of +14.8), which is the home to HCMC, Dong Nai, and Binh Duong provinces, all of which are largely urban and are the fastest growing provinces in the country (along with Da Nang Province having rate of +14.9). Conversely, the regions with the greatest net out-migration are the North Midlands and Mountains (rate of -3.3), the North Central and Coast (rate of -4.0) and the Mekong River Delta (rate of -6.5).

Considering its size, geography, and economy, and compared to other ASEAN countries, Viet Nam today can be considered under-urbanised or late in urbanising, with just 30 percent of the population living in urban areas (Figure 2). There are a number of explanations for this. First, historic urban expansion was disrupted by a succession of conflicts (1946 - 1954 and 1963 - 1975). Secondly, until 1986 the government’s population redistribution programmes discouraged urban investment and urban migration in favour of rural development11. The historic urbanisation trends shown in Figure 3 demonstrate dramatically the effects of both the dislocations of war and government policies. Thirdly, census figures report only the registered resident population, thus figures miss unregistered rural migrants and many itinerant workers in cities, which for example are estimated to represent as much as 10 - 20 percent of the official population of major Vietnamese cities12.

**Figure 2: Urban population 1950 - 2050 (% of total)**

![Image of Figure 2: Urban population 1950 - 2050 (% of total)](source)

*Source: produced from United Nations, Department of Economic and Social Affairs, Population Division (2012)*

**Figure 3: Urbanisation dynamics in Viet Nam 1955 - 2006 (urban population % of total)**

![Image of Figure 3: Urbanisation dynamics in Viet Nam 1955 - 2006 (urban population % of total)](source)

*Source: adopted from Le Q.Khanh (2009: 5)*
All observers agree that urban population increases are mainly due to rural-to-urban migrations and urban reclassification, a phenomenon which has been strong since the late 1980s. Urban population growth rate has averaged 3.5 percent per annum since 2000; a rate which can be expected to continue for some time, meaning that rapid urbanisation will remain a challenge to be faced by the government for decades. Viet Nam’s urban population (official and unofficial) is set to increase rapidly over the next 10 to 25 years - almost doubling by 2020. This means that about one million people will be added annually to Viet Nam’s urban areas. The Ministry of Construction predicts the urban population will account for 45 percent of the national total by 2020 (including unregistered migrants).

The structure or “rank-size” of Vietnamese cities is top-heavy. There are two major metropolises with over 6 million inhabitants residing in each – Hanoi and Ho Chi Minh City – and together they currently account for 33.8 percent of the urban population. As can be seen in Table 2, the next largest towns – Hai Phong and Can Tho – have between one and two million inhabitants.

### Table 2: Five largest cities* in Viet Nam

<table>
<thead>
<tr>
<th>CITY</th>
<th>TOTAL POPULATION</th>
<th>URBAN POPULATION (% OF TOTAL)</th>
<th>% OF NATIONAL URBAN POPULATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ho Chi Minh</td>
<td>7,123,340</td>
<td>5,929,479 (83)</td>
<td>23.4</td>
</tr>
<tr>
<td>Hanoi</td>
<td>6,448,837</td>
<td>2,632,087 (41)</td>
<td>10.4</td>
</tr>
<tr>
<td>Hai Phong</td>
<td>1,837,302</td>
<td>847,058 (46)</td>
<td>3.3</td>
</tr>
<tr>
<td>Can Tho</td>
<td>1,187,089</td>
<td>781,481 (66)</td>
<td>3.1</td>
</tr>
<tr>
<td>Da Nang</td>
<td>887,069</td>
<td>770,499 (87)</td>
<td>3.0</td>
</tr>
</tbody>
</table>

* Cities which are centrally controlled with provincial status

Source: 2009 Census (General Statistics Office 2010a)

### Table 3: Number of Cities by Urban Classification 1998-2025

<table>
<thead>
<tr>
<th>URBAN CLASS</th>
<th>1998*</th>
<th>2010**</th>
<th>2015***</th>
<th>2025***</th>
</tr>
</thead>
<tbody>
<tr>
<td>Special Cities</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>17</td>
</tr>
<tr>
<td>Class I</td>
<td>3</td>
<td>10</td>
<td>9</td>
<td></td>
</tr>
<tr>
<td>Class II</td>
<td>12</td>
<td>12</td>
<td>23</td>
<td>20</td>
</tr>
<tr>
<td>Class III</td>
<td>16</td>
<td>47</td>
<td>65</td>
<td>81</td>
</tr>
<tr>
<td>Class IV</td>
<td>58</td>
<td>50</td>
<td>79</td>
<td>122</td>
</tr>
<tr>
<td>Class V</td>
<td>612</td>
<td>634</td>
<td>687</td>
<td>760</td>
</tr>
<tr>
<td>Total number of cities/towns</td>
<td>703</td>
<td>755</td>
<td>870</td>
<td>1000</td>
</tr>
</tbody>
</table>

1.3 THE ECONOMY, STANDARDS OF LIVING, AND UNEMPLOYMENT

Until recently, Viet Nam had a predominantly agricultural economy based on wet rice cultivation and plantations. However, the wars in the 1950s through the 1970s destroyed much of the country's agrarian economy. In addition, the unified post-war government imposed a planned economy aimed at revitalizing agriculture and at the same time as industrialising the economy. Farms, factories and enterprises were collectivised and millions of people were put to work in government programmes. Due to very sluggish growth, in 1986 market reforms were introduced under Doi Moi, as explained in the previous section. Private ownership was encouraged in industries, commerce and agriculture, and the reforms proved a remarkable success. From 1990 to 1997 Viet Nam achieved around 8 percent annual growth of GDP, and the economy continued to grow at an annual rate of around 7 percent from 2000 to 2005, making Viet Nam one of the world's fastest growing economies. Growth remained strong even in the face of the 2008 global recession, registering a GDP growth of 6.2 percent in 2011.

Export-oriented manufacturing, information technology and high-tech industries form a large and fast-growing part of the national economy. Vietnamese industrialists have been particularly successful in attracting foreign direct investment in labour-intensive manufacturing for export. Viet Nam is a relative newcomer to the oil industry, but now it is the third-largest oil producer in Southeast Asia, with output of 400,000 barrels per day.

As a result of a number of land reform measures since 1986, Viet Nam has become a major exporter of agricultural products. It is now the world's largest producer of both cashew nuts and black pepper with a one-third global share of each. And it is the second-largest rice exporter in the world after Thailand. Other primary exports include coffee, tea, rubber, and fishery products. Even with these successes, agriculture's share of Viet Nam's GDP has fallen in recent decades, declining from 42 percent in 1989 to 20 percent in 2006, as production in other sectors of the economy has risen even faster.

In 2011, Viet Nam's GDP reached USD 123.6 billion, with a GDP per capita of USD 1,517. In Purchasing Power Parity (PPP) terms, GDP reached USD 301.7 billion giving Viet Nam an economy which ranked 57th in the world in size. PPP per capita was USD 3,250, approaching that of a middle income country. In fact, Viet Nam is presently poised to become so classified by international agencies, which represents a considerable achievement but at the same time makes it more difficult to find concessionary development loans from international agencies.

Two decades of strong growth, at a pace matched by very few countries even in the dynamic East and Southeast Asian region, have brought about an impressive progress in fundamental indicators of health and wellbeing, and the economy has been transformed by growth from overwhelmingly agrarian society to a vibrant mixed marketplace with bustling cities, highly diverse industries and advanced information and communications networks.

The rapid expansion of the Vietnamese economy is predicted to continue. According to a glowing forecast by Price Waterhouse in 2008, Viet Nam may be the fastest growing of emerging economies by 2025, with a potential growth rate of almost 10 percent per annum in real dollar terms that could push it up to around 70 percent of the size of the UK economy by 2050. However, the Vietnamese economy is not all a success story. The country has been suffering from chronic inflation. The annual rate of inflation in the country rose to 20.9 percent in 2011 from 11.9 percent in 2010, and the Vietnamese Dong was devalued three times in 2010 alone. Annual consumer inflation rate was 11.75 percent in 2010 and 18.13 percent in 2011.

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While the official unemployment rate of labour force in working age in 2012 stood at a very low 1.96 percent in the country (3.21 percent in urban and 1.39 percent in rural areas), some observers believe this rate to be significantly higher. Lately, agricultural employment has contracted, and of new jobs created, over two thirds have been in services, mainly in the growing informal sector. This helps keep the official unemployment rate low, but this raises questions

The national Gini-coefficient was 0.43 in 2010 which has increased over time. Considering that a Gini-coefficient of 0.4 is regarded as the international warning level, Viet Nam is at dangerous levels of inequality.
about the quality of the new jobs created, especially for young people: in 2009, the unemployment rate for 15 - 24 years were around 5 percent, while it was 2.9 for whole labour force in the country. In the same year in urban areas, the unemployment rate for 15 - 19 years residing in urban areas was 11.2 percent and 8.9 for 20 - 2418.

Perhaps even more troubling than high inflation and unemployment are indications that the benefits of the country’s economic growth are not being shared equally, and that disparity among the income of the rich and poor are increasing. The VHLSS 2010 records the ratio of per capita income between the highest and lowest income quintiles over the 2002-2010 period. For the whole country the ratio increased steadily from 8.1 to 9.2 in just eight years, and this was due almost entirely to a rapidly widening income gap in rural areas (from 6.0 to 7.5). For urban areas the ratio actually decreased slightly, from 8.0 to 7.9. The VHLSS 2010 also notes that the national Gini-coefficient was 0.43 in 2010 which has been increasing over time (0.42 in 2002 and 2004). Considering a Gini-coefficient of 0.4 is regarded as the international warning level, Viet Nam has dangerous levels of inequality19.

For all of its recent dynamic expansion, and even considering the glowing predictions for its future, the Vietnamese economy remains vulnerable. Most of its increase in GDP can be related to FDI and agricultural as well as manufactured exports, especially exports of labour-intensive intermediate and final products. Thus, international fluctuations in commodity as well as capital markets can affect the country’s growth fundamentally, and competition among cheap labour nations is acute.

1.4 POVERTY IN VIET NAM AND THE MILLENNIUM DEVELOPMENT GOALS20

Since 1990 rapid economic growth in Viet Nam has driven sustained declines in the country’s poverty rate, which is estimated by the GSO by comparing per-capita monthly household expenditure to a government-determined poverty line. The poverty line set for the 2006 - 2010 period was a monthly income of VND 200,000 per capita. Using this measure, the proportion of poor households in Viet Nam is estimated to have declined from over 60 percent in 1990 to 28.9 percent in 2002, to 16 percent by 2006, and to 10.6 by 2010.

Internationally, the USD one dollar-a-day in purchasing power parity (PPP) threshold line for establishing the prevalence of severe poverty is widely used. According to this measure, severe poverty in Viet Nam has declined remarkably – from 39.9 percent in 1993 to less five percent in 2006, a truly impressive achievement.

The poverty gap, which estimates the depth of poverty by comparing the difference in average expenditures of the poor to the poverty line, has also declined substantially, from an estimated 18 percent in 1993 to below 4 percent in 2006. At the same time, however, it is important to realise that there is a bunching of many households just above the poverty line and those substantial portions of Viet Nam’s population remain near-poor and could easily fall back below the poverty line.

Figure 4: Viet Nam headcount poverty rates 1998 - 2008

![Graph showing Viet Nam headcount poverty rates 1998 - 2008](Source: General Statistics Office (2009))
Although poverty rates continue to decline across the country, the percentage of people in poverty remains significantly higher in rural areas than in urban districts, as shown in Figure 4 and as illustrated by household income differentials in the Viet Nam Household Living Standard Surveys. However, the measurements of poverty in urban areas do not include the many unregistered migrants who are, according to a number of studies, significantly poorer on average than the general urban population. Also, the number of urban poor will increase, at least in the medium term, as more of the rural poor migrate to cities.

It should be noted that the economies of scale and agglomeration that underpin the growth of cities mean that poor people can be raised out of poverty more cost effectively in urban areas than in rural areas. The fact that urban areas are going to be home to an increasing percentage of the population of Viet Nam and of the poor population of the country calls for a greater investment in their infrastructure as well as in pro-poor programmes in urban areas.

Viet Nam has registered great success in meeting MDGs. Poverty levels are already meeting the standards set by the MDGs, and the country has also either met or near meeting other MDG indicators. According to the United Nations in Viet Nam, by 2010 Viet Nam had successfully reduced an expenditure poverty rate to rate of 10.7 percent from 58 percent in 1990. However, this is not a call for complacency, and the challenge is to reduce increasing disparities and reach the deep pockets of poverty found in many regions of the country. In 2008 the UN Resident Co-ordinator in Viet Nam pointed out that inflation in the country and rising food prices were leading to the emergence of new patterns of social inequality, especially new pockets of social deprivation in urban and peri-urban areas.

1.5 GOVERNMENT

The Socialist Republic of Viet Nam is a single party state. It operates under a constitution issued in April 1992, replacing the 1975 version. The central role of the Communist Party in politics and society is underlined in all organs of government. Only political organisations affiliated with or endorsed by the Communist Party are permitted to contest elections.

The president of Viet Nam is the nominal head of state and commander in chief of the military, however most executive power lies with the prime minister of Viet Nam who is the head of government, presiding over a council of ministers composed of three deputy prime ministers and the heads of 26 ministries and commissions.

Viet Nam has a unicameral legislature called the National Assembly, composed of 498 members. It is superior to both the executive and judicial branches. All members of the council of ministers are derived from the National Assembly. The Supreme People’s Court, which is the highest court in the nation, is also answerable to the National Assembly.

The country is divided into 63 provinces, ranging in population between approximately 0.3 and 6.0 million. Included in these 63 provinces are the five largest cities which are granted provincial status. These are Hanoi, Ho Chi Minh City, Hai Phong, Da Nang and Can Tho. The provinces are subdivided into 643 districts, which, in turn, are subdivided into 10,602 communes. Class II, III and some Class IV cities/towns have “district” status.

At the central level, power lies with the National Assembly which approves the state budget (which comprises the central government budget plus the consolidated provincial-district-commune budgets). On the executive side, the prime minister is the head of the government and he and the rest of the government are appointed by the National Assembly. The Communist Party operates in parallel to the government structure at all levels of government. At each lower level of government there is an elected assembly, the people’s council, and an executive authority (the people’s committee) which is appointed by the people’s council.

1.6 EDUCATION AND HEALTH

Viet Nam has an extensive government network of schools, colleges and universities. There are also a small but growing number of private and mixed public/private educational institutions. The levels of education are kindergarten, elementary, middle, high, and specialist colleges and universities.

Education is subsidised but not free; therefore, some poor families may have trouble paying tuition for their children without some form of public or private assistance. Even
so, net primary school enrolment ratio was about 98 percent, and gross secondary school enrolment rate was 77 percent in 2010. By 2010 the national literacy rate had risen to over 90 percent.

The overall quality of health in Viet Nam is regarded as good. As of 2012, life expectancy was 76 years for women and 70 years for men. Infant mortality has been brought down to 15.5 per 1,000 live births in 2011, but malnutrition is still common in some provinces. The health care system is subsidised by the government, but even so a high portion of health expenses are estimated to paid by families.

The public health system, started in 1954 in what was then North Viet Nam, is very extensive and services are found even down to the hamlet level. However, beginning in the late 1980s the quality of health care began to decline as a result of budgetary constraints, a shift of responsibility to the provinces, and the introduction of fees. There is currently a shortage of nurses, midwives, and hospital beds. Viet Nam has made progress in combating malaria, for which the mortality rate declined sharply, to about 5 percent of the rate in the early 1990s.

1.7 URBAN DEVELOPMENT AND CURRENT URBAN ISSUES

The changing structure of production and employment in Viet Nam’s economy is mirrored by rapid urban growth. Urban population in Viet Nam is projected to increased by 38.5 million people for the next 40 years, on average increase by 962,000 people per year, reaching the urban population rate of 58.8 percent in 2049. The average urban growth rate is expected to be 3.0 percent for the next 15 years.

This urban transition has many aspects that relate to housing issues, and these are taken up in detail in the following Chapters of this report. Here it is convenient to summarise the main dynamics of Viet Nam’s current urbanisation trends and to highlight some of the ramifications.

First, in the transition to a market economy, urban areas are facing significant spatial restructuring. Reform of land and housing policies have facilitated new types of land uses and buildings in response to users’ demand as articulated in the emerging markets. The introduction of market principles on investment has caused considerable redevelopment of city centres where the land uses now reflect pricing signals. At the same time there have been massive increases in self-built activities reflecting increased demand housing and small scale commerce, especially on the urban fringes and in expanding villages within metropolitan areas. Agricultural land is being rapidly converted into new and sprawling urban spatial forms to meet market demands of the rapidly expanding urban population. For example, according to Ministry of Labour, Invalids and Social Welfare, between 2001 and 2005 Viet Nam lost 73,300 ha of cultivated land annually due to urbanisation, affecting the lives of 2.5 million farmers. Given the weaknesses of urban planning and management systems, informal urbanisation takes place in an ad hoc, unregulated manner, especially on urban peripheries. In many cases, whole neighbourhoods are created outside planning and building regulations and without adequate supporting infrastructure. This rapid and unplanned growth has in many instances led to serious environmental consequences.

Secondly, although there are many cities in Viet Nam, two cities are dominant: Hanoi the political capital and Ho Chi Minh City (HCMC) the economic capital. And of the two, HCMC is the most prominent, being the economic engine of the country that is poised to become Asia’s next megacity as it nears 10 million inhabitants. In fact, HCMC is more dynamic, is growing faster, and may be significantly larger than Hanoi, its northern counterpart. There are many indicators that the urbanisation challenges in HCMC – in terms of crowded and poor housing, pollution, transport, and poverty – are more acute than those found in other Vietnamese cities. After all, it is the Southeast Region (where HCMC is located) that has been registering some of the highest immigration in the country, coming mostly from depressed and over-crowded rural areas.

Thirdly, many observers see that urban centres are suffering from land management issues resulting from competition for land and infrastructure among foreign and large state enterprises and from informal residential development. In fact, the land urban market is poorly controlled but overly-bureaucratic, leaving opportunities for land misuse and speculation. The current planning and investment framework for cities, partly a hold-over from a past grounded in state-directed economic management, is inadequate to guide and control urban development in a market economy. Non-state investments are neither facilitated nor appropriately regulated. Also, the prevalent
state of urban finances – which relies heavily on central government transfers and subsidies – is in need of reform, and local government needs to be given more powers for revenue-generation, spatial planning, and investment management.

Fourthly, affordable and decent housing is becoming an acute urban issue fuelled by rapid urban migration. Sky-high land prices mean home ownership, or even affordable rents in decent housing, is difficult or impossible for most migrants. A survey by UNDP in Hanoi and HCMC in 2010 showed that 25.7 percent of households in Hanoi and 30.7 percent in HCMC have less than 7 square metres of living space per capita and up to half of migrant households share rental accommodation or live in temporary housing. Most migrants face uncertain residential status and have difficulties in accessing services and utilities.

Finally, another challenge for Vietnamese cities are the increasing effects of global warming, particularly the expected rise in sea levels. Virtually every important city in Viet Nam, with the single exception of Hanoi, is located directly on the low-lying coast or in tidal basins and river deltas. It is estimated that most of the Mekong Delta (the main rice growing region of the country) and half of HCMC are less than one metre above mean sea level. Thus more and more frequent and acute flooding is expected in almost all urban centres in country.

1.8 CROSS-CUTTING ISSUES: GENDER, HIV/AIDS, AND CAPACITY BUILDING

There are three main cross-cutting development issues which deserve comments on their importance and how they relate to the urban housing sector. These are gender issues, the HIV/AIDS epidemic, and capacity building of individuals and institutions. Each is briefly explored here.

WOMEN

The constitutional and legal framework for gender equality has existed in Viet Nam since 1945, and before the reforms of 1986 women enjoyed a very high status. But fundamental and widespread economic and social changes occurring since 1986 have presented many gender challenges. Some observers see a danger that women may lose ground on their past achievements.

Women have strong representation in the economy. They are significant contributors, making up 64 percent of the agricultural sector in 2008, 43 percent of the industrial and 70 percent of the informal labour force. In urban areas many women have shown great entrepreneurship and become the main income earners for their families, running thousands of home-based businesses generated by the market. Other women have not been so fortunate, the victims of public sector retrenchment under economic reform, which has had a disproportionate impact on women in lower-paid jobs. In rural areas the shift in control of agricultural production from cooperatives to households has placed new emphasis on the labour power of each family member. As men migrate to the towns and cities for work, much of the increased burden for farm production is falling on women, many of whom must also sell products in nearby markets to meet daily needs.

There is a growing awareness in Viet Nam that neglecting the women's role in the economy will place constraints on economic success. Viet Nam's Plan of Action following the United Nations Women's Conference in Beijing recognised a continuing need for policies and programmes that will maintain and increase women's role in economic and social development. Reductions in the social services previously subsidised by the state further increase the workload for women.

Although the law provides the opportunity for equal participation in politics by women, in practice they are underrepresented. There is only one woman in the Politburo, but women are better represented in the National Assembly, where more than one-quarter of the 450 members are women.

While there is no legal discrimination, women face deeply ingrained societal discrimination. Despite extensive provisions in the Constitution, in legislation, and in regulations that mandate equal treatment, and although some women occupy high government posts, few women compete effectively for higher status positions. The Constitution provides that women and men must receive equal pay for equal work; however, the government does not enforce this provision. Very poor women, especially in rural areas but also in cities, perform menial work in construction, waste removal, and other jobs for extremely low wages.
Even though there is a large body of legislation and regulations devoted to the protection of women’s rights in marriage as well as in the workplace, including the Law on Gender Equality (2006) which protects women’s rights to own family property and to utilise family resources, it appears that gender discrimination is continuing.

A number of recent studies have found that women do not really have equal access to land compared with men. Currently, the number of women holding land use right certificates is lower than men, particularly in rural areas. Equal land use rights (both husband and wife having their name on land use right certificate) tend to be more common among groups with higher education, higher income, and higher participation of women in legislation advocacy meetings. The percentage of households in urban areas giving the names of both spouses on the land use right certificates is higher than in rural areas.

Theoretically, inheritance regulations ensure equality for men and women. But in many cases, priority is given to the will of the parents while gender equality is not considered in their will, leading to the exclusion of women from access to land.

In addition, although it is prescribed by law that both spouse names be given on the certificate of land use right, otherwise, signatures of both spouse are required for all transactions. However, this regulation is usually violated in rural and remote areas. As a result, women usually lose rights to land, especially when the couple divorce or the women become widowers. Women also face difficulties getting loans when she does not hold land use right certificate.

HIV/AIDS

Viet Nam’s HIV/AIDS situation is still in a relatively low or “concentrated” phase, with the highest prevalence among key high risk populations. These include injecting drug users, female sex workers, and male homosexuals. The adult HIV prevalence in ages 15 - 49 was 0.45 percent in 2011. It is estimated there will be up to 263,317 people living with HIV by 2015.

As of December 31 2011, there were 249,660 reported HIV cases, with 197,335 PLHIV still living, and 52,325 AIDS-related deaths. Of all reported HIV cases, more than 80 percent are in the age group 20 - 39, and about 70 percent of newly reported cases in 2011 were males. It appears that people living with HIV are getting younger and heterosexual transmission is becoming more significant.

According to the World Data Bank, the 2011 prevalence of HIV/AIDS between the ages of 15 - 49 in Viet Nam was lower than that in the USA (0.50 percent versus 0.7 percent respectively), and also lower than other countries in the Mekong Sub-region where, for example, Cambodia had a rate of 0.6 percent and Thailand 1 percent. However, other Southeast Asian countries have lower prevalence rates, with Lao PDR at 0.3 percent and Indonesia at 0.3 percent.

CAPACITY BUILDING FOR THE HOUSING SECTOR

Capacity building needed in the Vietnamese housing sector is a wide ranging subject, and it cannot be easily summed up in a paragraph or two. Where relevant, subsections on capacity building have been added to the thematic Chapters of this report in the case where the issue is important for a particular theme.
Table 4: Basic development indicators for Viet Nam

<table>
<thead>
<tr>
<th>PARAMETER</th>
<th>ESTIMATES</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(2011 unless otherwise specified)</td>
</tr>
<tr>
<td>GDP (current USD billion)* (at PPP)</td>
<td>123.6 (301.7)</td>
</tr>
<tr>
<td>GDP per capita (current 2011 USD) (at PPP)</td>
<td>1,517 (3,435)</td>
</tr>
<tr>
<td>GNI per capita (current USD)* (at PPP)*</td>
<td>1,270 (3,250)</td>
</tr>
<tr>
<td>GDP global rank among 214 economies* (at PPP)*</td>
<td>57 (42)</td>
</tr>
<tr>
<td>Growth rate of GDP at constant prices</td>
<td>6.2</td>
</tr>
<tr>
<td>Inflation, consumer prices (annual average %)*</td>
<td>18.7</td>
</tr>
<tr>
<td>Commercial bank lending interest rate(%)</td>
<td>16.95</td>
</tr>
<tr>
<td>Land area (square kilometre)*</td>
<td>310,070</td>
</tr>
<tr>
<td>Population density (people per sq. km of land area)*</td>
<td>283.3</td>
</tr>
<tr>
<td>Average population 2012 (million)</td>
<td>88.78</td>
</tr>
<tr>
<td>Projected population (million) 2029</td>
<td>102.6</td>
</tr>
<tr>
<td>Projected population (million) 2049</td>
<td>108.7</td>
</tr>
<tr>
<td>Population growth per year (%)</td>
<td>1.04</td>
</tr>
<tr>
<td>2049 population as a multiple of 2010</td>
<td>1.22</td>
</tr>
<tr>
<td>Percentage of population ages &lt; 15*</td>
<td>23.2</td>
</tr>
<tr>
<td>Percentage of population ages 65+*</td>
<td>6.0</td>
</tr>
<tr>
<td>Birth rate, crude (per 1,000 people)</td>
<td>16.6</td>
</tr>
<tr>
<td>Death rate, crude (per 1,000 people)</td>
<td>6.9</td>
</tr>
<tr>
<td>Net migration rate per 1,000 (2005 - 2010)</td>
<td>-1.0</td>
</tr>
<tr>
<td>Percentage of urban population (%)</td>
<td>31.6</td>
</tr>
<tr>
<td>Urban growth rate 2000-2010 (average % )</td>
<td>3.5</td>
</tr>
<tr>
<td>Proportion of urban population living in slum area (2009)</td>
<td>35.2</td>
</tr>
<tr>
<td>Unemployment rate in urban areas (%)</td>
<td>3.6</td>
</tr>
<tr>
<td>Human development index rank among 186 countries (2012)</td>
<td>127</td>
</tr>
<tr>
<td>Poverty rate (%)</td>
<td>12.6</td>
</tr>
<tr>
<td>Gini co-efficient (2010)</td>
<td>0.43</td>
</tr>
<tr>
<td>Richest 20% to poorest 20% (times, 2010)</td>
<td>9.2</td>
</tr>
<tr>
<td>Literacy rate, adult total (% of people ages 15 and above, 2010)*</td>
<td>93.2</td>
</tr>
<tr>
<td>Life expectancy both sexes at birth (2012, F/M)</td>
<td>75.8/70.4</td>
</tr>
<tr>
<td>Infant mortality rate (per 1,000 live births)</td>
<td>15.5</td>
</tr>
<tr>
<td>Prevalence of HIV/AIDS (% of population ages 15 - 49, 2007/2012)</td>
<td>0.41/0.47</td>
</tr>
<tr>
<td>Unemployment, youth (% of total labour force ages 15 - 24, 2004, F/M)*</td>
<td>4.9/4.4</td>
</tr>
</tbody>
</table>

Source: General Statistics Office (2013) and *World Bank (n.d.) unless otherwise specified
Table 5: General urban and housing indicators 2009 - 2020

<table>
<thead>
<tr>
<th>INDICATOR</th>
<th>UNIT</th>
<th>2009</th>
<th>2015</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Urban population</td>
<td>million</td>
<td>25.43</td>
<td>35</td>
<td>44</td>
</tr>
<tr>
<td>Urbanisation rate</td>
<td>% of total population</td>
<td>29.63</td>
<td>38</td>
<td>45</td>
</tr>
<tr>
<td>Average number people/household</td>
<td>person</td>
<td>3.7</td>
<td>3.4</td>
<td>3.2</td>
</tr>
<tr>
<td>Average residential area per capita</td>
<td>Sq.m. /person</td>
<td>19.2</td>
<td>26</td>
<td>29</td>
</tr>
</tbody>
</table>

**HOUSING DEMAND**

| Total apartment unit/house       | million                | 6.76  | 10.2  | 13.5  |
| Total area                       | million sq.m.         | 476   | 905   | 1260  |
| Total increasing area            | million sq.m.         | 0     | 429   | 784   |

*(in comparison with current are)*

*Source: Ministry of Construction (2011)*
ENDNOTE

1. World Bank (n.d.). This data excludes area under inland water bodies (such as major rivers and lakes), national claims to continental shelf, and exclusive economic zones.

2. It is a rank in 2011, calculated from World Bank (n.d.)

3. It is a rank in 2010, calculated from United Nations, Department of Economic and Social Affairs, Population Division (2011)


5. Ethnologue (n.d.)

6. Encyclopaedia Britannica (n.d.)


10. Ibid

11. Coulthart et al. (2006: 3)

12. Ibid.(2006: 6) percent


14. Coulthart et al. (2006: 4)

15. Data in this section is from World Bank (n.d.) unless otherwise specified.


18. General Statistics Office (2010a)

19. General Statistics Centre (2011a: table 1.2)

20. Most content of this section is based on Van Arkadie et al. (2010: 14 - 16).

21. Coulthart et al. (2006: 8)


25. Ibid

26. World Bank (n.d.)

31. Dapice et al. (2010) mentions "HCMC’s official population in 2007 was 6.6 million, a 3.1 percent annual increase from 2002. However, the total population including migrant workers may be as high as 8.7 million. Independent estimates based on enterprise employment, motorcycle registration, and construction permit data also suggest an absolute increase of 400,000-500,000 people in the city a year."

32. Haughton et al. (2010)

33. Atkinson (2007) and Dasgupta et al. (2007)

34. A recent study of the urban transition in Hanoi points out that even Hanoi is at risk from climate change, since the city is low-lying and near the mouth of the unpredictable Red River. (Labbé 2010: 42)

35. World Bank (2011a)

36. Hong Diep (2012)

37. Hong Hai (2012)

38. Information in this section is from National Committee for AIDS, Drugs and Prostitution Prevention and Control (2012) unless otherwise specified

39. World Bank (n.d.)

40. This data excludes area under inland water bodies (such as major rivers and lakes), national claims to continental shelf, and exclusive economic zones.

41. United Nations, Department of Economic and Social Affairs, Statistics Division (n.d.)

42. Computed from country household data using the four definitions of slums: improved water, improved sanitation, durable housing and sufficient living area (UN-Habitat 2013).

43. This data is an unemployment rate of labour force in working age in urban areas. GSO (2011a) defines working age in Viet Nam as: 15-55 years old for women and 15-60 years old to men.

44. United Nations, Department of Economic and Social Affairs, Statistics Division(n.d)

45. The data measured by the Viet Nam government’s poverty line for 2011-2015. Poverty rate is calculated by monthly average income per capita of household. According to GSO (2013), in 2012, poverty line was VND 530,000 for rural areas and VND 660,000 for the urban areas. There is no data of the percentage of living on less than USD 2/day PPP, which is comparable with other countries, since 2009.

46. Note differences between the data from General Statistics Office (GSO) and the UN Inter-agency group for Child Mortality Estimation (IGME): in 2010, it was 15.8 according to GSO while the IGME states 19.

47. UNAIDS Viet Nam (n.d.)
This Chapter focuses on the policy and regulatory frameworks governing the housing sector in Viet Nam and related subjects such as planning, building control, and governance. It identifies, describes and analyses the implications of key legislation and policies that have been adopted in Viet Nam and which have a direct bearing on housing. The Chapter first sets the context with an overview of the legal frameworks operating in Viet Nam. Then presents a brief history of policies and associated legislation dealing with housing, including a timeline of policies and programmes. Following this, planning, building, investment and real estate regulations are described.

This Chapter is complemented by Chapter 3, in which the key local, national, and international institutions and players in housing sector in Viet Nam are described.

2.1 LEGISLATION RELATED TO HOUSING

A characteristic of the government institutional environment in Viet Nam is the considerable degree of concentration of powers at the central level, either in ministries or central government agencies and banks. This has remained true over decades, even though there has been devolution of authority and financial independence to provinces and cities (particularly to people’s committees at these levels).

Another feature of governance in Viet Nam relates to the reliance on five-year national social and economic development plans, with the current plan running from 2011 to 2015. The housing and urban development sectors have been important elements in these plans, and they underscore the policy of the government that housing is both a social right for citizens and an important economic sector. To this end, the government has over the last four decades set up a number of institutions dealing with housing and has also developed a large and evolving corpus of legislation and regulations addressing housing production, housing markets, housing agencies, real property rights, and urban development.

THE CONSTITUTION

All authority and powers derive from the Constitution. As specified in the Constitution of Viet Nam in 1992:

“land falls under the ownership of the entire people. The state assumes the unified administration of land according to overall planning and in conformity with the law and ensures its appropriate and effective use. Land is allocated by the state to organisations and individuals for stable long-term use. Organisations and individuals who use the land are duty-bound to ensure its protection, replenishment, rational exploitation and economical utilisation. They are also entitled by law to transfer the right to use the land allocated by the state […] Citizens have the right to use the land allocated by the state and have the right to undertake construction of housing in accordance with planning and law”.

There have been confusion and debate over the precise meaning of “ownership of the entire people” and “ownership of the state.” Although “land falls under ownership of the entire people” according to the Constitution, Article 200 of the Civil Code 2005 specifies that “assets falling under ownership of the state include land, natural forests...” Private ownership of land is not formally recognised and this ambiguity over land ownership has led to many conflicts in land acquisition. At the beginning of 2013, public consultation was initiated as part of preparations for the Draft Revised Constitution and the Draft Revised Land law, which will hopefully clarify the meaning of private versus public ownership of land.

LEGISLATION FOR HOUSING

There are a number of laws which function as umbrella or enabling legislation for housing related laws. These are listed in Table 6 below.

In addition to the umbrella legislation shown in Table 6, the Vietnamese government has also recently developed
Ensures the stable long-term use of land by citizens and to protect citizens’ homeownership rights and freedom to live in places of their choice.

Guides on the organisation and activities of the central Government.

Regulates the organisation and activities of the people’s councils and people’s committees at the provincial, district, and commune levels.

Differentiates and defines shared taxes and taxes assigned at the central and provincial levels, which has enabled fiscal decentralisation, resulting in the increase of local government expenditures. In 1992, local governments accounted for 26 percent of total expenditures in Viet Nam; that figure was raised to 48 percent in 2002.

Regulates investor rights and responsibilities; policy preference areas; processes of approval and implementation of investment projects; investments from the state budget and state investment management. As a result of decentralisation, provinces now have the power to issue investment licenses.

Protects the environment, including that of urban and living places.

Defines ownership rights including right to occupy, right to usage and right to decide on the property which includes housing.

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Table 6: Umbrella legislation for housing laws

<table>
<thead>
<tr>
<th>NAME OF LAW</th>
<th>ISSUING YEAR</th>
<th>CONTENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Constitution</td>
<td>1992</td>
<td>Ensures the stable long-term use of land by citizens and to protect citizens’ homeownership rights and freedom to live in places of their choice.</td>
</tr>
<tr>
<td>The Law on Government Organisation</td>
<td>2001</td>
<td>Guides on the organisation and activities of the central Government.</td>
</tr>
<tr>
<td>The Law on Organisation of People's Councils and People's Committees</td>
<td>2003</td>
<td>Regulates the organisation and activities of the people’s councils and people’s committees at the provincial, district, and commune levels.</td>
</tr>
<tr>
<td>The State Budget Law</td>
<td>1996, amended 2002</td>
<td>Differentiates and defines shared taxes and taxes assigned at the central and provincial levels, which has enabled fiscal decentralisation, resulting in the increase of local government expenditures. In 1992, local governments accounted for 26 percent of total expenditures in Viet Nam; that figure was raised to 48 percent in 2002.</td>
</tr>
<tr>
<td>The Investment Law</td>
<td>2005</td>
<td>Regulates investor rights and responsibilities; policy preference areas; processes of approval and implementation of investment projects; investments from the state budget and state investment management. As a result of decentralisation, provinces now have the power to issue investment licenses.</td>
</tr>
<tr>
<td>The Environment Law</td>
<td>2005</td>
<td>Protects the environment, including that of urban and living places.</td>
</tr>
<tr>
<td>The Civil Code</td>
<td>2005</td>
<td>Defines ownership rights including right to occupy, right to usage and right to decide on the property which includes housing.</td>
</tr>
</tbody>
</table>

Source: adapted from Nguyen (2011b)

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legislation covering subjects which have an impact or bearing on housing processes. The most important of these are as follows.

**THE LAND LAW 2003**

The 2003 Land Law stipulates the government’s rights in land and state management. It regulates: the construction of cadastral maps; land use planning; land allocation, renting and withdrawal; land use right registration; land financing and pricing; land use rights in the real estate market; land management agencies; land use mechanisms; rights and responsibilities of land users (covering usage, exchange, transfer, lease, mortgage and inheritance); administrative procedures in land management and use; land disputes, complaints. More information on urban land delivery system is described in Chapter 6.

A draft revised land law is being considered, and there have been many discussions over land price evaluation and mechanisms for land acquisition, particularly rights of the state in land acquisition for different purposes.

**HOUSING LAW 2006**

The Housing Law sets out the legal framework for a social welfare housing fund in Viet Nam for lease or hire purchase of units to Vietnamese families. It also stipulates that housing developers for low-income households will receive special incentives such as land rental exemptions and lower tax rates.

The Housing Law also has provisions to encourage economic sectors to participate in the construction of social housing and other related issues such as design standards of social housing. Decree 71/2010/ND-CP dated
23/6/2010, which details and guides the implementation of the Housing Law, and the performance of state institutions and other organisations and individuals in investing in social housing for low-income households.

**THE CONSTRUCTION LAW OF 2003**

The Construction Law of 2003 regulates construction activities, including technical surveys; design; construction permit granting; site clearance; supervision; work acceptance; contract signing and liquidation; guarantees; operation and maintenance; resettlement; contractor selection; inspection; construction discipline, etc. Under this law the issuance of construction permits for housing projects and individual housing is decentralised to the district level.

In the planning system, the preparation of a detailed plan is normally the first step in the urban project development process and is a requirement for obtaining planning certificates and land allocation and building permission approvals. Planning certificate and building permission are the two main instruments for urban development control. However, in urban fringe areas, where urban development involves mostly informal actors, detailed plans are rarely available. The current urban planning system, which remains top-down, rigid and only suitable for large scale projects funded by the public and formal sectors, still lacks practical means to control small scale informal development.

The 2009 Law of Urban Planning introduced design schemes (Article 32, 33, 34 and 35) and regulations for management of urban planning and architecture (Article 60). These new elements aim to address the weaknesses in urban management and development control. However, implementation by local authorities (as governed by Decree 37 of 2010) is hampered by the shortage of technical capacities and qualified staff, particularly in preparing urban design schemes and detailed regulations as required under the Law. Another difficulty in applying the Law is that although community consultation is called for (Articles 20 and 21) community participation in plan preparation is not required.

**INVESTMENT LAW OF 2005 AND ENTERPRISE LAW OF 2005**

These two laws were written and promulgated together and deal with a single registration system for all investors and unified rights and obligations. The laws made business more transparent and outlined the processes and means for SOEs to be equitised, and in general improved corporate governance.
THE REAL ESTATE BUSINESS LAW OF 2006

The Real Estate Business Law sets the parameters for the orderly and transparent exchange of real estate properties, the fees involved, the means of mortgaging properties, etc. Unfortunately, the Real Estate Business Law, while regulating housing transactions among registered businesses or between them and other stakeholders (and which specifies that these transactions are to take place through Real Estate Transaction Floors or RETFs), totally ignores housing transactions between individuals, which account for the large majority of real estate market transactions. It is foreign direct investment and their local partners that mainly benefit from the provisions of this law. For more details on real estate regulations, see Chapter 10.

It should be noted that the main government agency in charge of real estate development and management, including capacity building, is the Housing and Real Estate Management Agency (HREMA), an affiliate of the Ministry of Construction.

BUILDING REGULATIONS

In Viet Nam it is the city master plans and detailed physical plans which specify general building parameters for a particular plot of land, such as plot coverage, floor-area ratios, and maximum building heights. The master and detailed planning process is described in Chapter 6.

The current Viet Nam Building Code was promulgated by the Ministry of Construction in 2008. It deals with evaluation and approval of construction plans in order to respect building security norms against disaster and threats, whether human or non human. There are provisions for climatic, seismic and fire protection risks. Also, parts of the code refer to technical requirements such as wind and seismic loading. The code is very much oriented towards sophisticated structures including high rise towers.

INVESTMENT REGULATIONS

As mentioned above, the Investment Law of 2005 came into effect in June 2006 and it sets out the regulations for major investment approvals both for local and foreign investors. Judging by the huge increase in volumes of FDI into Viet Nam in the subsequent five years it could be said that the Investment Law is a great success. But many observers would disagree, arguing that such inflow of investments would have occurred anyway. The Investment Law was drafted to protect the rights and benefits of investors and encourage investment in Viet Nam, but some experts say it has failed to do so, and some even argue it has made things far worse with its unclear and contradictory regulations. A report by the Business Information Centre at the Viet Nam Chamber of Commerce said in 2008 that there were ambiguities in the law as well as “inconsistencies and conflicts” with other business-related laws, including the Land Law, the Environmental Law, and the Construction Law. For example, if officials assess an investment proposal based on environmental codes in the Investment Law, certain regulations under the Environment Law would be violated. As a result, most localities must violate the Environment Law to approve investments.

The Investment Law stipulates that local projects with an investment of VND 15 billion (USD 0.72 million) or more and all foreign invested projects have to obtain an investment license from provincial authorities. But this has proved easier said than done for many investors. The International Finance Corporation (IFC), the private sector arm of the World Bank Group, reported that investors in an unidentified province had to visit government agencies 38 times, submit 67 documents and wait 451 days on average to receive a project license.

2.2 HOUSING POLICY IN VIET NAM

To understand how Viet Nam has arrived at its current regulatory and programmatic approaches to housing, it is important to see how housing policy evolved over the last four decades and in particular how this evolution has been influenced by the changing national development policy environment.

From 1954 to 1976 in North Viet Nam, and continuing in the reunited Viet Nam from 1975 to the economic reforms which began in 1986, there were no articulated national housing policies. The government was locked into its command-economy approach, and housing was seen as a necessary social good rather than a commodity. Government programmes in housing were limited to
Table 7: Timeline of housing policy evolution and legislation

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>1954-1975</td>
<td>Housing was considered a social benefit in North Vietnam. Housing was taken from &quot;enemies of the revolution&quot; and multiple-unit holders to house state employees. The government also built a limited amount of housing units for state employees in urban areas.</td>
</tr>
<tr>
<td>1975-1980s</td>
<td>The same was done in the liberated South Vietnam. In the 1980s, local governments began to allocate land to state employees for self-built activities via various state institutions, but without a legal framework.</td>
</tr>
<tr>
<td>1991</td>
<td>Housing Ordinance in 1991 ensuring citizen's housing ownership, encouraging all individuals and organisations to maintain and develop housing stock, ensuring citizen's right to built, upgrade, rent and sell housing.</td>
</tr>
<tr>
<td>1992</td>
<td>The Constitution of 1992 ensured people's long term and stable land use rights (LOCs), the right to own houses and the theoretic right to reside where they want.</td>
</tr>
<tr>
<td>1992</td>
<td>Decision No. 118/TTg dated November 27, 1992 abandoned state housing subsidy, including housing allowances on salaries of state employees, and regulated new renting price for state housing while reducing rents for groups in need of social support.</td>
</tr>
<tr>
<td>1993</td>
<td>Land Law confirmed land use rights, allowing allocation of leasehold land for housing to individuals and households, enabled people to develop housing for themselves, ensured citizens' rights to invest in improving land, allowed the transfer of LURCs and use of LURCs in equity contributions, mortgage collateral, and inheritance.</td>
</tr>
<tr>
<td>1994</td>
<td>Decree 60/CP on housing ownership and land use rights, regulated the issuance of Building Ownership and Land Use Rights Certificates (BOLUCs)</td>
</tr>
<tr>
<td>1994</td>
<td>Government Decree 61/CP dated July 5, 1994 allowed organisations and individuals to rent, sell, obtain LURCs to invest in housing, including selling state-owned housing to existing tenants.</td>
</tr>
<tr>
<td>1994</td>
<td>Decree 61/CP regulated the sale and exchange of units to tenants of state-owned housing units.</td>
</tr>
<tr>
<td>1995</td>
<td>Draft National Shelter Strategy prepared</td>
</tr>
<tr>
<td>2004</td>
<td>The issuance of the National Orientation of Housing Development to 2020 (Prime Minister Decision \76/2004/QD-TTg)</td>
</tr>
<tr>
<td>2005</td>
<td>The Housing Law regulated ownership; leasing; maintenance; upgrading; transactions; renting; ownership transfers and mortgages; use and management of housing; government management in housing etc. Approval of commercial housing investment projects decentralised to the district level.</td>
</tr>
<tr>
<td>2006</td>
<td>Real Estate Law 2006 introduced a comprehensive legal framework for land and housing transactions, leasing of land and property, real estate services and pricing of real estates.</td>
</tr>
<tr>
<td>2006</td>
<td>Government Decrees 90/2006/ND-CP and MOC Decision 08/2008 QD-BXD regulated the management of usage of Apartment Housing and the activities apartment management boards</td>
</tr>
<tr>
<td>2007</td>
<td>Prime Minister Decision 105/2007/QD-TTg dated July 13, 2007 approving the National Orientation of Housing Finance to 2020</td>
</tr>
<tr>
<td>2009</td>
<td>Government Resolution 18/NQ-CP defined mechanism for social housing development for students, workers in industrial areas and urban low-income people (plus Prime Ministerial Decisions 65, 66,67/2009/QD-TTg)</td>
</tr>
</tbody>
</table>
building and subsidising rental housing for state cadres and workers who lived in urban areas. This was said to provide only a third of needed units for government employees. Another programme was the possession and redistribution of urban units which had been in the hands of those deemed enemies of the state. The whole private housing sector was ignored by government policies and programmes, and the vast majority of families had to house themselves with no government intervention or support. In 1980s, local governments began to allocate land to state employees for self-built activities via various state institutions. However, no legal framework existed to guide this housing construction process. Practically, no housing market existed in that period, and the private sector was not recognised.

Following the fundamental changes in Viet Nam ushered in by the market reforms known as Doi Moi or “renovation” in 1986, the country was progressively transformed from a centrally planned command economy to a socialist-oriented market economy. Within a few years reforms extended to the housing, urban land, and real estate sectors, and the 1990s witnessed the first articulations of a housing policy and associated legal instruments. Such articulations were further elaborated in the 2000s, and Table 7 presents a simplified timeline of Viet Nam’s housing policy and legislation evolution from 1954 until 2010.

It should be underlined that only in 2009 did the Vietnamese government elaborate a social housing development policy. This policy aims to develop housing for workers of industrial parks, students, and urban low-income people. The policy sets a target to ensure housing units for 60 percent of students and 50 percent of industrial park workers in need by 2015. No concrete target has been set for low-income housing. Therefore social housing programmes in Viet Nam can be considered in their infancy.

THE NATIONAL HOUSING DEVELOPMENT STRATEGY TOWARD 2020 AND A VISION TO 2050

In 2011 the Prime Minister approved the National Housing Development Strategy to 2020, with a vision to 2030 (Decision No. 2127/QĐ-TTg November 30, 2011) which details the target groups to be supported in terms of housing, including low-income people having difficulty in housing in urban areas, workers in the industrial zones, students of universities and colleges, vocational high schools and vocational training colleges, poor households in rural areas and the people living in disaster prone areas. The strategy also emphasises the need to increase the proportion of apartment buildings, promoting the development of rental housing in urban areas and focusing on a roadmap to renovate and rebuild the degrading apartment building stock. Tax and credit facilities are also identified in the strategy, including formation of a housing development fund, local housing saving funds and the imposition of taxes on housing to encourage efficient use of the housing stock and to discourage speculation.

SOCIAL HOUSING POLICY IMPLEMENTATION

There seems to be a discrepancy between government social housing policies and their effective implementation. The fundamental cause is the shortage of available land and the high cost of social housing units. Although the Law of Housing has earmarked 30 to 50 percent of land use fees collected locally from commercial housing development projects for use in social housing development, implementation has not been feasible due to the many other demands on local budgets. The policy of allocating 20 percent of available land for social housing (Decision 67/2009) also faces delays. Moreover, the cost of social housing units is usually much higher than low income families can afford.

According to Decision 67/2009, only those officially employed who are registered as permanent or long term urban residents are eligible to purchase low income housing. Unregistered migrants and low-income people working for private organisations or in the informal sector, a very large segment of Viet Nam’s urban population are unable to benefit from low-income housing.

In addition, enterprises wishing to develop social housing cannot use their land as collateral for loans, given that these lands are exempt from land use charges. This exemption is the main incentive under Decision 67 for private enterprises to invest in low income housing.

2.3 CONCLUSION: HOUSING POLICIES TODAY AND IN THE FUTURE
especially in the last 15 years. Many laws and regulations have come in force to ensure that the citizens have rights to use land and own their housing as well as the ability to transfer these rights. Regulations have been put in place that aims to improve housing market mechanisms and insure fairer rules. Some decision making power has been decentralised to local levels. Comprehensive urban development and housing policies have been articulated, and housing has been recognized as an important part of government socio-economic plans. Policies have enabled a transition from housing as a social good to a market-oriented housing provision system. Legislation has been written to encourage the mobilisation of all resources for housing development. As a result the housing sector has registered tremendous achievements over the last decade (see Box 1).

As can be seen from this Chapter, housing policies and associated legal frameworks have significantly improved. However, in spite of these achievements there remain serious outstanding issues that include inadequate policy coverage of housing issues, policies which are difficult to implement, and inconsistencies among policy documents. The following comments can be made in this regard.

Policies related to social housing, low income housing, rental housing and housing for resettlement are still influenced by a reliance on state subsidies. Current social housing policies mainly focus on using state budgets to develop housing for workers and students. Little attention has been paid to upgrading the existing rental housing stock.

Housing policies have not created space for poor communities to participate in solving their own housing and shelter problems. Little attention has been paid to enabling direct participation of the people and communities in the process of planning, construction and renovation of deteriorating housing stock or to increase access to suitable housing for low-income people.

Policies focus more on achieving quantitative housing targets than in creating a variety of choices in terms of size, location, and quality of housing.

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Housing development programmes and projects in the past few years have mainly focused on new formal development in suburban areas, while, according to the analysis in Chapter 4, a large proportion of people either live in degraded older inner city housing or in peripheral areas where there is lack of basic infrastructure.

Policies almost exclusively relate to formal housing and ignore the informal housing sector. While most of government regulations focus on development of formal housing projects, self-help or “self-reliant” housing, which accounts for at least 75 percent of urban housing production, has been neglected. Households constructing housing independently lack access to finance and are faced with cumbersome paper work.

Due to the lack of effective information management systems and the lack of effective tools for monitoring and evaluating implementation, there is little feedback to assess how well housing policies are working.

**Box 1: Achievements in the housing sector in ten years**

The total housing area has doubled in the last ten years (from 709 million m² in 1999 to 1,415 million square metres in 2009), and the number of housing units has increased from 16.6 million in 1999 to 22 million in 2009. Modern housing typologies have been introduced or have gained in popularity, particularly high-rise apartment buildings. Housing space has also improved dramatically: average urban housing floor area per person has risen to 22.0 square metres in 2009 from 5.8 square metres in 1996. Social groups such as students, workers of industrial parks, and urban low-income people have started to benefit from housing support. The private sector has grown significantly. The real estate industry in general, including housing in particular, has significantly contributed to the country’s economic growth.
New urban area - South-west of Hanoi

Source: 2012 © UN-Habitat/ Nguy Ha
2. Tran et al. (2005)
3. The section is mostly based on Thanh Nien News (2010)
4. Unless otherwise noted, this section is based on Nguyen (2011b)
5. Dao (1999)
6. Government Resolution 18/NQ-CP dated 20/04/2009 and the Prime Ministerial Decisions No. 65/QĐ-TTg, 66/QĐ-TTg, 67/QĐ-TTg in 2009
8. Most content of this section is based on Nguyen (2011b)
10. Ibid
This Chapter reviews the key players currently involved in housing provision, improvement, and regulation in Viet Nam and also briefly describes their functions. They are organised into central level government ministries and agencies, local and provincial authorities, private sector actors, civil society actors, foreign donors, and training and information actors. The origins and functions of these institutions are closely linked to the evolution of housing policy and legislation described in the previous Chapter. The operations and roles of most of these institutions are elaborated in much more detail in subsequent Chapters.

3.1 GOVERNMENT SECTOR

BACKGROUND ON THE GOVERNMENT INSTITUTIONAL FRAMEWORK

As described in Chapter 1, The Communist Party is the leading political organisation in Viet Nam and the sole party in Viet Nam. It approves a new National Socio-Economic Development Strategy (National SEDS) every 10 years, based on which housing strategies and policies are made. The National Assembly is the country’s highest legislative body. In the housing field, it issues the Constitution and laws. The central government, headed by the prime minister who reports to the National Assembly and the president, is in charge of managing government activities, supervising implementation of the National Assembly and government decisions/resolutions. They sign the decrees guiding implementation of housing related laws and decisions on housing policies. The relationship between government agencies and housing policies and programmes is diagrammed in Figure 7.

CENTRAL GOVERNMENT

The highest level government body dealing with housing in Viet Nam is the National Steering Committee for the Housing and Real Estate Market Policy. Established by the prime minister and headed by a deputy prime minister, it guides the implementation of laws related to housing and real estate business laws; assesses housing and real estate development trends, and proposes, guides, and supervises the implementation of suitable housing policies.

The Ministry of Construction (MOC) is the leading agency in housing and urban development in Viet Nam. MOC prepares the “Master Plan Orientation for Viet Nam’s Urban System Development to 2025 with Vision to 2050” and is generally responsible for physical master planning. In construction, it guides construction standards, cost and quality, the provision of construction permits and the evaluation of construction projects. In urban technical infrastructure, it guides the implementation of national strategies and programmes and the evaluation, approval and management of technical infrastructure projects and service costs. In construction materials, it develops national construction material development master plans, guides the development of local planning, technical standards, safety and hygiene in exploitation, processing and production of construction materials. In housing, it develops national
housing development orientations and programs including social housing development. It is responsible for general housing management, guarantee and maintenance and issuing of typical housing designs and guiding housing surveys and the development of a housing database. It is also responsible for real estate development and management and develops training programmes on real estate services. The MOC agency in charge of real estate is the Housing and Real Estate Management Agency (HREMA).

The Viet Nam Urban Development Agency (VUDA) is responsible for urban development strategies, national urban development master plans and important urban development projects of national significance.

Several other central ministries are at least partly involved in making housing policies and legislation. The Ministry of Planning and Investment (MPI) is responsible for socio-economic planning, development investment and statistics. In the housing field MPI cooperates with MOC, related ministries and localities to develop housing development criteria, policies to encourage housing investment and include housing finance in national socio-economic development plans. The Ministry of Finance (MOF) is responsible for the management of state budget revenue and expenditures as well as the management of the state property. In the National Housing Finance Policy Orientation up to 2020, the Ministry is responsible to develop a property pricing system and a mechanism for insurance of mortgaged property and to encourage financial institutions to provide loans for housing. The ministry also proposes financial preference policies for development of low-income housing. Finally, MOF is responsible for developing bond markets to enable issuance of mortgaged bonds (bonds that are guaranteed by housing mortgage loans). The Ministry of Natural Resources and Environment (MONRE) has its General Department for Land Administration, which is responsible for land use planning, land and housing registration and statistics, land prices and land use right market management, cadastral maps, compensation and support in resettlement, controlling land use changes as well as development and operation of land information system.

It should be noted that there are several central government financing institutions that work in the housing sector. The State Bank of Viet Nam (SBV) is a focal point for the implementation of the National Housing Finance Policy Orientation up to 2020. The SBV is responsible for developing proposals on housing credit and housing saving programmes; proposes measures to encourage commercial banks to diversify housing finance products and develops proposals to establish agencies re-lending mortgaged housing. Besides, there is the Viet Nam Development Bank, which is to provide loans for development investments and re-lend ODA for housing development. So far no mechanism exists with which this bank can provide loans for social housing. The Viet Nam Social Policy Bank is responsible for implementing the national poverty reduction target program, which includes lending for housing to a small portion of poor people. The role of banks and other institutions involved in housing finance are described in Chapter 7.

PROVINCIAL AND LOCAL GOVERNMENT

Each province (or city with provincial status) has its government administration at provincial, district and ward levels. At each level, there is a representative body (the people’s council) and an executive body, the people’s committee (PC). The PC is appointed by the people’s council at the same level and reports to it as well as to the government of the next higher level. The provincial people’s committees (PPCs) have departments, which are more or less mirrored to the ministries at the national level. These sectoral departments implement tasks assigned by the PPC however under the technical guidance of line ministries. Each PPC has provincial department of construction (DOC) which is in charge of housing, urban infrastructure and urban development. Hanoi and Ho Chi Minh City, which are cities of special category, have, in parallel with the DOCs, additional departments of architecture and planning.

Cities and towns at the district level as well as urban districts combine some different departments. For example, the district department of urban management is in charge of urban planning, construction, housing and transport; while the departments of finance is in charge of both planning, investment and finance. Urban wards and townships have no separate departments but there are personnel in charge of land and construction management. Additionally, Hanoi and Ho Chi Minh City are piloting a model of construction discipline inspection sections at a district and ward level.

Certain decision making powers have been decentralised to local levels. Government Decree 8/2004/NQ-CP, dated June 30, 2004, regarding “further acceleration of state administration decentralisation between the central government and provincial, metropolitan governments under direct control the central level” can be seen as progress...
on institutionalisation of decentralisation from the centre to local levels. The State Budget Law passed in 2002 and implemented in 2004 has resulted in a transformation of Viet Nam’s national system of budget distribution with the devolved responsibility for service delivery to the provincial level from the central level. However, it essentially leaves the organisation of expenditures at the sub-national level up to the provincial government. Given the limited autonomy associated with collection of these resources at the local level, the relationship between sub-provincial revenue mobilisation and expenditure remain insignificant at this stage of the decentralisation process.\(^1\)

It is specified under the Land Law and the Law of Urban Planning that people’s committees at the four levels are responsible for organisation, preparation and approval of land use plans and urban plans.

The PPCs are responsible for developing local housing development programmes, establishing city or provincial housing development funds, developing yearly capital plans for housing development, and issuing regulations on selling and renting social housing. They are also responsible for mobilising capital for housing development as well as the development of for state-funded housing projects.

The PCs at provincial and district levels are responsible for approving housing projects except those occupying over 200 hectares or having more than 2,500 units, which need to be approved by the prime minister.

Under Decision 67/2009, PPCs are responsible for appraisal of low income housing prices and rents and control the process of low income housing selling and leasing in the locality. Provincial authorities also support investors in low income housing projects with contributions to the interest rates applied to payments and with technical infrastructure (transportation, power supply, water supply) out of the project site.

Autonomy and responsibilities of local authorities have not been specified sufficiently, and local authorities usually lack the financial, physical and human resources needed to implement the tasks decentralized by the central government. On the other hand, the control of central government over activities of local authorities in the decentralisation process has been limited, leading to the situation that many local authorities take advantage of decentralization to make decisions without considering public benefits.\(^2\) Moreover, government at all levels have major responsibilities for such as economic development,
infrastructure development, security, social affairs, education and environmental protection. The efficiency of resource use by these government agencies, thus, is hampered by the similarity of functions, mandates and organisational structures of the four administrative levels of government.

CITIZEN PARTICIPATION

The Ordinance on Grassroots Democracy issued in 2007, gives the right for community participation in national and local social economic development planning and public investment, including its budgeting and supervision. The ordinance institutionalises public participation through the legal embodiment of the slogan "People know, people discuss, people do and people verify".

However, effective public participation is often limited in practice. The right to be involved in discussions has been mentioned by many local leaders, but in practice local people have rarely been given appropriate opportunities to participate in discussions and express their opinions to influence choices in local development. Information on the city’s development is not properly available to members of the public and provincial-level land use designation and development does not require public participation according to the land and construction laws (Box 2). According to the construction law, development plans must be disclosed to people within 30 days after approval.

Not many people have understood and utilised these rights. Citizens are not fully aware of their right to participate, they generally do not feel that they have representatives who can raise their issues, and there is a lack of their trust in the ability of the government to change. Surveys have indicated that not many people at the grassroots level know about the Ordinance on Grassroots Democracy and their rights as stipulated in the ordinance.

3.2 INSTITUTIONS AND ORGANISATIONS

PROFESSIONAL ASSOCIATIONS AND NGOS

Associations of professionals including the Viet Nam Urban Planning and Development Association, Viet Nam Architect Association, Real Estate Associations, and Association of Construction Contractors are the places where the stakeholders discuss diverse urban issues such as urban planning, low-income housing, public spaces and housing market. Ho Chi Minh City's Real Estate Association has been the most active in organising information exchange and contributing to the housing development and management policy.

Although no legal framework for civil society exists in Viet Nam, there are a number of civil society organisations working on aspects of urban development. The Association of Cities of Viet Nam (ACVN) founded in 1992, is a voluntary social organisation of Vietnamese cities with 96 members. Through the ACVN city leaders...
share experience, co-operate, and support each other in urban development and management. This organisation is quite active and has attracted attention of policy makers and international donors. It is operating as a social professional organisation and also as a NGO but is funded by local government budgets. There are other smaller local NGOs such as Action for the City that works on improving public spaces and tertiary infrastructure. However, there are no strong domestic NGOs in Viet Nam that focus on urban shelter issues.

In general, the voice of the associations and NGOs remains weak due to the lack of proper mechanism to involve them in policy development processes. For instance, the Viet Nam Urban Forum (VUF) is a medium for policy dialogue and exchange on urban development issues among government agencies, NGOs, individuals and donors. Considering there are very limited opportunities where different stakeholders can express their ideas in Viet Nam, the VUF should have a significant role. However, there was only one NGO (Save the Children UK), one Association (ACVN), and one planning institute among 25 partners of the VUF in 2010 and the role of MOC has been very dominant5.

**MASS ORGANISATIONS**

Mass organisations in Viet Nam have been encouraged by the state, and their operations are mostly linked to state budgets. Similarly to government agencies, mass organisations have their organisational structure from central to local levels. Several of them can be considered active in housing issues. The Fatherland Front is aimed at guiding the grassroots in supervising investment projects. The Women's Union is said to be the most active in community matters, and it takes on an important role in organising citizens particularly in community housing projects. The Youth Unions are responsible for matters related to youth. Trade unions under the umbrella of the Viet Nam General Confederation of Labour also play an important role in protecting the benefits and welfare of workers, including housing accessibility.

**HOUSING RESEARCH ACTORS**

There is no independent housing research institution to systematically study housing issues. Housing studies have been done in an ad hoc and fragmented way, funded by different government agencies, real estate businesses or international donors in Viet Nam. These are usually carried out by local and international consultants and universities.

In terms of information on the housing sector, the main source is the National Population and Housing Census which is carried out every ten years. Other than this, collecting information on the number of construction permits issued is carried out by the provincial departments of construction (DOCs). Information on housing transactions is collected by the provincial DONREs. This housing data is not always consistent, and it can only reflect formal housing activities, leaving a huge information gap as concerns informal housing. It should be noted that the Housing Law stipulates that, every five years, local people’s committees are responsible to undertake a housing inventory down to the ward level and to develop a local housing database as a basis for housing development programs and plans. This inventory and the required reporting system have not yet been set up and there is no guidance on how to accomplish this.

Another information weakness is related to the collection and processing of land use right registration (BOLUCs) and cadastral documents management. These are the responsibility of local administrations, and in many localities proper maps do not exist, and all BOLUC registration is carried out manually. At present MONRE is working on a new GIS database for land management. The departments of natural resource and environment (DONREs) of large cities, meanwhile, are also digitising land records to create more effective land databases.

**INSTITUTIONS FOR TRAINING AND CAPACITY BUILDING**

In Viet Nam, universities provide technical knowledge related to housing. However, comprehensive housing training programmes are new to these institutions. The National Economics University in Hanoi has a newly established Faculty on Real Estate and National Resource Economics. This faculty provides undergraduate and master training programmes in real estate businesses and land survey economics. It also provides short courses on real estate services. The HCMC Architectural University has developed a 3-month module on Housing Policy and Real Estate Management as part of their BSc in Urban Management. The Hanoi Construction University is establishing an Urban Economics Faculty to teach housing management and real estate market. The Academy of Construction and Urban Managers is a
subsidiary of MOC, which has branches in Hanoi, Ho Chi Minh City and Da Nang. It has training programs on real estate business, which, however, focus on updating the legal framework and not in-depth understanding of real estate services. At the provincial level, there are consulting centres belonging to the local DOCs which can provide construction training.

Another source for training is through donor supported projects, which often have a component of capacity building such as the World Bank funded Urban Upgrading Project and the ADB funded Housing Finance Project. There are also studies funded by international donors which focus include an element of capacity building such as the World Bank’s City Development Strategy and also the upcoming AFD-funded training in urban public services management.

At all levels of government, there is a budget line for capacity building, including training courses, study tours or visits for knowledge exchange. Businesses and individuals also have capacity to pay for training. In the real estate service field, about 18,000 people were trained through short courses that provide basic knowledge in the management of real estate transaction floors, brokerage and in real estate price determination.

3.3 THE FORMAL SECTOR: PRIVATE AND STATE OWNED ENTERPRISES

STATE OWNED ENTERPRISES

State owned enterprises are supported by state authorities and mostly big government corporations or companies. Their projects are generally new urban and residential area development and infrastructure development. In terms of housing production, they usually produce high-rise apartment buildings and single family houses.

Since 1998 city municipalities have been allowed to allocate land to state enterprises for building housing units for sale. These includes central, provincial, and sometimes district level construction companies. For example, public housing built by state enterprises were nearly 30 percent of all new houses constructed in Hanoi during 1991-1994. State enterprises are funded from the budgets of each level of government and also from the investment funds generated from housing projects. They include the Housing and Urban Development Corporation (HUD) under MOC, and RESCO (Saigon Real Estate Corporation) in HCMC.

PRIVATE ENTERPRISES

Recently, the private sector has played an increasing role in the development of housing. There are nearly two thousand real estate businesses in the country, most of which are small scale. Large domestic housing developers include Vingroup, Thu Duc House, Nam Cuong, Bitexco, and Cienco Five. The government has been encouraging the private sector to participate in the development of social housing, but its success has so far not been great.

FOREIGN HOUSING DEVELOPERS

Foreign housing developers have been investing in large new urban projects such as Ciputra, Keangnam, and Phu My Hung. Viet Nam has recently become an attractive place for foreign investment because it offers a “fresh” market that has been relatively untouched by the global economic recession. The total foreign investment in real estate was USD 5 billion, counting for 30 percent of total foreign direct investment in Viet Nam in 2007, and was USD 9 billion in the first half of 2008.

HOUSING CONSTRUCTION CONTRACTORS

Viet Nam’s real estate development accounts for nearly 10 percent of the country’s GDP, and there are a large number of construction companies undertaking housing and infrastructure construction projects. They win contracts through tendering processes or direct appointments. The process of bidding and tendering for state-funded housing projects is not always transparent. The lack of access to finance and inflation constrain registered building contractors. The formal contractors often work with informal sub-contractors, and every registered contractor works with several unregistered construction teams or individuals acting as sub-contractors. These informal subcontractors also undertake the construction of individual self-built houses.
Figure 8: Resettlement houses in Hai Duong built by Habitat for Humanity
Source: 2010 © UN-Habitat/ Nguy Ha
REAL ESTATE BUSINESS SERVICE PROVIDERS

There are a growing number of real estate service providers in Viet Nam, although only 15 percent of real estate transactions are being implemented through the real estate transaction agents or brokers. Hundreds of housing transaction exchanges are operating nationwide but are concentrated in Hanoi and Ho Chi Minh City. Leading housing transaction agents or brokers include those of the Asian Commercial Bank, Phu My Hung and Thuong Tin. An association or network of real estate brokers has been established with more than one hundred members. It is said that most of these real estate agencies are weak in terms of property assessment, pricing and evaluation. Foreign businesses have dominated the field of real estate brokerage, consulting and management. Most significant names include CB Richard Ellis, Jones Lang Lasalle, and Savills.

3.4 THE INFORMAL PRIVATE SECTOR

Roughly 75 percent of housing stock has been supplied by self-built activities (see Chapter 4). This means that households and individuals themselves account for the biggest weight in housing production in Viet Nam. These informal actors have a substantial role of providing affordable houses and rental units for low-income people, especially for migrants.

All self-builders are not necessarily informal actors. However, many field surveys have revealed that most of the self-builders do not enter into legal processes and registration.

Many are households using their own funds to produce housing for their personal use, generally not conforming to legal requirements, and thus these housing systems can be considered illegal whether its housing condition is adequate or not. For example, in 1990s, about 70 percent of the new housing in Hanoi, and 60 percent in HCMC was produced by the private sector, but this includes a large portion of informally self-built houses.

The predominance of individual self-builders needs to be understood within the context of Viet Nam’s history. Up to the middle of the 1980s, there was no formal housing activity in cities of the north. Therefore, households had to finance and manage housing construction themselves whether its purpose was residential or for opening businesses. Therefore, people become familiar with self-built mechanism outside of regulatory frameworks, and these activities continue until today now due to their advantages in terms of cost and process efficiency.

Up to the middle of the 1980s, there was no formal housing activity in cities of the north. Therefore, households had to finance and manage housing construction themselves.

There are also unregistered small scale housing developers and contractors who acquire land and develop private houses for rent or for sale. The transactions of the houses built by households themselves or the unregistered developers are often made by unregistered brokers. These brokers often take an important role in both land and housing transactions, carried out by internet, telephone and personal relationships through neighbours, relatives and friends living nearby.

3.5 INTERNATIONAL DONORS AND INGOS

Since Viet Nam’s Doi Moi reforms in 1986, foreign agencies have become increasingly engaged in assisting the country’s development. Donors have directly supported housing development, and also housing finance, urban upgrading, land administration, and other closely related subjects (Table 6).

There are also a number of international NGOs working in urban housing and infrastructure. Environment and Development in Action works with urban communities in improving housing and infrastructure. Villes en Transition, East-Meets-West, and Habitat for Humanity also work with poor communities, while Health Bridge works in policy intervention on public spaces and pedestrian circulation in communities. Save the Children UK works generally in urban poverty investigations.
Table 8: Donor agencies projects related to housing in Viet Nam

<table>
<thead>
<tr>
<th>Donor Agency</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>World Bank</td>
<td>The World Bank’s biggest ODA project in the urban/housing sector is the Viet Nam Urban Upgrading Project (VUUP). It started in 2004 with an initial fund of USD 300 million and is continuing up to now. The success of this project has led to an additional World Bank funding of approximately USD 300 million for upgrading activities in eight secondary cities of the Mekong Delta.</td>
</tr>
<tr>
<td>ADB</td>
<td>The Asian Development Bank (ADB) particularly supported the establishment of a housing finance facility with the ADB Housing Finance Project from 2002 to 2008. The project also facilitated policy implementation and institutional reform action plan that will create a catalyst for the development of the housing finance system.</td>
</tr>
<tr>
<td>JICA</td>
<td>Since 1999, the Japan International Cooperation Agency (JICA) has been giving assistance to the MOC on housing policies.</td>
</tr>
<tr>
<td>UN-Habitat</td>
<td>UN-Habitat maintains a bureau in Hanoi and it advises MOC and other agencies on housing policy and also supports sectoral investigations.</td>
</tr>
<tr>
<td>Belgian Aid</td>
<td>From 1995-2005 the Belgian Technical Co-operation supported the Tan Hoa Lo Gom Canal Sanitation and Urban Upgrading Project in Ho Chi Minh City. This project became later included under the umbrella of the VUUP. The French-based NGO Villes en Transition’s (VeT) was subcontracted for studies and technical design.</td>
</tr>
<tr>
<td>AFD</td>
<td>In 2006, the Agence Française du Développement (AFD) allocated a 30 million Euro concessional 15-year line of credit to the Ministry of Finance that was on lent to the Ho Chi Minh City Investment Fund for Urban Development (HIFU). The line of credit was issued to increase the HIFU’s commitment to social housing; it also targeted environmental service upgrading in order to reduce water and solid waste pollution in Ho Chi Minh City. More on housing finance donor projects can be found in Chapter 7.</td>
</tr>
<tr>
<td>Swedish Associations</td>
<td>Swedish Co-operative Centre, HSB (a Swedish co-operative housing association), KF Project Centre and Riksborgen (an independent co-operative economic association) supports the Viet Nam Co-operative Alliance (VCA) with building houses for low income earners. With these Swedish partners' support, the VCA implemented pilot projects in Hanoi and HCMC.</td>
</tr>
<tr>
<td>Donors for urban infrastructure</td>
<td>In the urban infrastructure field, many multilateral and bilateral donors have been extensively involved in the funding of upgrading initiatives in water and sanitation, drainage, and solid waste management. These include the ADB, World Bank, UNDP, DANIDA, FINNIDA, and JICA.</td>
</tr>
<tr>
<td>Donors for land administration and registration</td>
<td>The Australian Government Overseas Aid Programme (AusAID) has assisted in legal reforms, modernisation of cadastral mapping, and land recording; the SIDA has helped in land administration reform; and the World Bank funded a major implementation of land policies and cadastral mapping.</td>
</tr>
</tbody>
</table>
3.6 CONCLUSION

There are a large number of government institutions and agencies dealing with housing issues in Viet Nam and these exist at multiple levels – national, provincial, city, district, and even commune and ward. Also, the institutional weight of HCMC and Hanoi parallel their huge populations, and sometimes it is the city governments and peoples committees of these two cities that have the most impact on urban issues. With all of these actors, it is inevitable that co-ordination is a constant problem.

There are too many government actors while their co-ordination is poor. For example, the spatial master plans made by the MOC are not necessarily consistent with socio-economic master plans made by MPI and land use plans made by MONRE because of the lack of consultation between these ministries. Also responsibilities of each ministry are often too divided or unclear. In policymaking by a multi-sectoral team, team members of non-leading agencies seldom take their task seriously, leaving leading members with limited resources and time for thorough stakeholder engagement.

In addition to co-ordination problems, mandates and responsibilities of government agencies are not always clear. Although MOC is the lead agency in housing management, it only deals with some aspects of the sector. Land and housing finance are inseparable parts of housing development; however they belong to MONRE and MOF. In real estate management, while MOC is in charge of housing market, the MONRE is responsible for land use right market and housing registration. There are no clear regulations on what kind of roads are the responsibility of the MOC and what roads belong to the Ministry of Transportation. And on some roads DOT is responsible for constructing the road surface while the DOC is responsible for constructing urban infrastructure along roads.

Although various government, donor, and academic entities carry out studies and investigations of housing matters in Viet Nam, there is no proper information sharing and co-operation between agencies in charge of housing. There is at present no centre that can act as a clearing house for basic housing knowledge or that can sponsor important field research.

Although there are laws supporting citizen participation in local affairs and city development planning, their real participation is often limited. There is little guidance on how such participation should work. There is insufficient information provided to the public and citizen groups, and a lack of responsibility of government to offer feedback to the public. Citizens are not fully aware of their right to participate, they do not really feel that they have representatives who can raise their issues, and there is a lack of their trust to the ability of the government to change.

Except for NGOs and community associations, there are no actors in the housing sector that attempt to deal directly with the very large phenomenon of informal housing and informal settlements. The pilot activities of NGOs as well as pilot community-based upgrading experiences show that these are important initiatives that could be greatly expanded, especially to address the needs of poorer households.

Overall donors have had positive impacts on the housing sector in Viet Nam by funding projects that have helped improve living conditions for thousands of urban inhabitants, especially for those within low-income communities. They have brought in new methods of project management; the use of participatory planning and result-oriented methods. Results of these projects have positively influenced government housing policy making and forming the foundation for housing frameworks such as the National Orientation of Housing Finance Policy to 2020 and the National Urban Upgrading Programme for the period from 2009 to 2020.
ENDNOTE

3. Van Arkadie et al. (2010)
4. Ibid. & UNDP, CECODES and Viet Nam Fatherland Front (2011)
5. Le & Kammeier (2010)
6. Ministry of Construction (2010b)
9. From a quote of Mr. Nguyen Tran Nam, Deputy Minister of Construction and the Chairman of Viet Nam National Real Estate Association (Thanh 2010)
10. UNDP, CECODES and Viet Nam Fatherland Front (2011)
11. From a quote of Ministry of Construction HREMA in ATPVietnam (2010)
12. Ministry of Construction (2010b)
20. Nguyen (2011b) citing interview with MOC officials on 27/7/2010
This Chapter looks at the current urban housing stock in Viet Nam and the main modes of production. The size and official breakdown of the urban stock, its main typologies, and tenure are first reviewed. The focus then shifts to current housing production and the typologies of housing that are being produced, and by whom. Finally a review of the conditions of the urban housing stock are reviewed. Note that aspects of the housing stock and housing production are found in other Chapters.

4.1 OFFICIAL HOUSING STOCK

According to the Census of Population and Housing carried out by the General Statistics Office (GSO) every ten years, the number of housing units in urban areas was 6.76 million in 2009, an increase of 68 percent over 4.03 million units counted in 1999 (Table 9). For rural housing units, the increase was only 22 percent over the same period. However, the data assumes the number of “households with housing” is equivalent to the number of housing units and also does not counting un-occupied units. The GSO classifies housing into four types: permanent, semi-permanent, temporary and simple.

<table>
<thead>
<tr>
<th>AREA/YEAR</th>
<th>TOTAL HOUSEHOLDS</th>
<th>NUMBER OF HOUSEHOLDS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>With housing</td>
<td>%</td>
</tr>
<tr>
<td>1999</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nationwide</td>
<td>16,661,366</td>
<td>16,649,989 99.93</td>
</tr>
<tr>
<td>Urban</td>
<td>4,026,015</td>
<td>4,022,471 99.91</td>
</tr>
<tr>
<td>Rural</td>
<td>12,635,351</td>
<td>12,627,518 99.94</td>
</tr>
<tr>
<td>2009</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nationwide</td>
<td>22,198,922</td>
<td>22,186,275 99.94</td>
</tr>
<tr>
<td>Urban</td>
<td>6,761,476</td>
<td>6,756,726 99.93</td>
</tr>
<tr>
<td>Rural</td>
<td>15,437,446</td>
<td>15,429,549 99.95</td>
</tr>
</tbody>
</table>

Source: the 1999 and 2009 Viet Nam Population and Housing Census

Self-owned housing accounted for 86.1 percent of all housing units nationally in 2009, and in urban areas this figure reached 80.8 percent.
Table 10: Definitions of housing classification based on construction materials

<table>
<thead>
<tr>
<th>Housing Classification</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Permanent housing</td>
<td>All three main structural elements, supporting columns, roof and walls, consist of sturdy types</td>
</tr>
<tr>
<td>Semi permanent housing</td>
<td>Two out of three structural elements are made of sturdy categories</td>
</tr>
<tr>
<td>Temporary housing</td>
<td>Only one of the three structural elements belonging to the sturdy category</td>
</tr>
<tr>
<td>Simple housing</td>
<td>All three structural elements are classified as flimsy</td>
</tr>
</tbody>
</table>

Source: General Statistics Office (2010a)

Table 11: Methods for classifying construction materials in the 2009 Population and Housing Census

<table>
<thead>
<tr>
<th>Material Type</th>
<th>STURDY</th>
<th>FLIMSY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Main material of supporting columns</td>
<td>Steel-reinforced concrete</td>
<td>Scrap wood, bamboo</td>
</tr>
<tr>
<td></td>
<td>Brick, stone</td>
<td>Other</td>
</tr>
<tr>
<td>Main material of roof</td>
<td>Iron, steel, solid wood</td>
<td>Sheet (fibrocement, metal)</td>
</tr>
<tr>
<td></td>
<td>Steel-reinforced concrete</td>
<td>Leaves, straw, tar paper;</td>
</tr>
<tr>
<td></td>
<td>Tile (cement, terra cotta)</td>
<td>Other</td>
</tr>
<tr>
<td>Main material of walls</td>
<td>Steel-reinforced concrete</td>
<td>Mud, lime, straw</td>
</tr>
<tr>
<td></td>
<td>Brick or stone masonry</td>
<td>Slabs, bamboo screen, planks</td>
</tr>
<tr>
<td></td>
<td>Wood, metal</td>
<td>Other</td>
</tr>
</tbody>
</table>

Source: General Statistics Office (2010a)

Table 12: Housing classification by construction quality in 2009

<table>
<thead>
<tr>
<th>Area</th>
<th>Total households with housing</th>
<th>Housing classified by construction quality</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Permanent</td>
</tr>
<tr>
<td>Nation</td>
<td>22,616,405</td>
<td>10,559,513</td>
</tr>
<tr>
<td>Urban</td>
<td>6,945,594</td>
<td>2,877,521</td>
</tr>
<tr>
<td>Rural</td>
<td>15,670,810</td>
<td>7,681,992</td>
</tr>
</tbody>
</table>

Source: General Statistics Office (2010a)
Table 13: Urban housing stock and production by construction quality 1999 - 2009

<table>
<thead>
<tr>
<th>YEAR</th>
<th>TOTAL UNITS</th>
<th>HOUSING CLASSIFIED BY CONSTRUCTION QUALITY</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Permanent</td>
</tr>
<tr>
<td>1999</td>
<td>4,022,471</td>
<td>1,854,359</td>
</tr>
<tr>
<td></td>
<td>(100%)</td>
<td>(46.1%)</td>
</tr>
<tr>
<td>2009</td>
<td>6,945,594</td>
<td>2,877,521</td>
</tr>
<tr>
<td></td>
<td>(100%)</td>
<td>(41.4%)</td>
</tr>
<tr>
<td>Total production</td>
<td>2,734,255</td>
<td>910,556</td>
</tr>
<tr>
<td></td>
<td>(100%)</td>
<td>(33.3%)</td>
</tr>
<tr>
<td>Inferred annual production</td>
<td>273,425</td>
<td>91,056</td>
</tr>
</tbody>
</table>

Source: the 1999 and 2009 Viet Nam Population and Housing Census

* Note: the classification method was different in 1999. It was classified as permanent, semi-permanent, durable wood frame and simple, and was based on enumerators’ own assessment of the household’s dwelling type by choosing one of the four housing types without clear definition. However, the underlying basis for classifying dwellings in the two censuses remains about the same.

Box 3: Housing information from the Census

The Census of Population and Housing carried out by the General Statistics Office every ten years (1999, 2009, etc.). Unlike censuses in most countries, and in spite of its name, the census in Viet Nam does not count housing units or buildings. It is a pure population census, based on a person's official residence, and thus it misses most migrants. There is limited information about housing living conditions derived from the questionnaires filled out for the resident population. Since the census is population based, there is no information about vacant, unfinished, or unoccupied units, or about living units not intended for housing, such as garages and shops. Thus there is no data generated on the total housing stock.

About 60 percent of total urban housing production 1999 - 2009 – or some 1.6 million units – was small, single-storey informal housing units mainly located on urban fringes.
4.2 URBAN HOUSING TYPOLOGIES

The Census’ classification of housing units has limitations to understanding the various types of urban housing. Here an attempt is made to provide a functional classification of typologies which fits with the Census classification and also allows a rough estimation of the percentages of the urban housing stock that fall into each, as shown in Table 14.

Table 14: Generalised housing typologies

<table>
<thead>
<tr>
<th></th>
<th>“Permanent” construction housing units 41 percent of urban stock</th>
</tr>
</thead>
<tbody>
<tr>
<td>A1.</td>
<td>Shop house (always narrow and long plot usually 4 m by 25 m, 100 percent plot coverage)</td>
</tr>
<tr>
<td></td>
<td>• Older shop houses, maximum G+1, tile roof, usually with commercial ground floor</td>
</tr>
<tr>
<td></td>
<td>• Newer, up to G+6 or even higher, concrete roof, sometimes with commercial ground floor</td>
</tr>
<tr>
<td>A2.</td>
<td>Apartment tower blocks, large footprint, ample open space</td>
</tr>
<tr>
<td></td>
<td>• Older social housing built 1960s to mid 1980s, mostly deteriorated, averaging G+7</td>
</tr>
<tr>
<td></td>
<td>• New high quality apartment blocks built by major developers, averaging G+18</td>
</tr>
<tr>
<td></td>
<td>• New apartment for resettlement and new social housing (small units) averaging G+5 to G+12</td>
</tr>
<tr>
<td>A3.</td>
<td>Villas</td>
</tr>
<tr>
<td></td>
<td>• Older colonial and centre city villas (few and disappearing)</td>
</tr>
<tr>
<td></td>
<td>• New luxury villas in large housing projects</td>
</tr>
<tr>
<td>A4.</td>
<td>Alley House</td>
</tr>
<tr>
<td></td>
<td>• Very small footprint, near to 100 percent plot coverage, up to G+2, mainly in older areas</td>
</tr>
</tbody>
</table>

B. “Semi-permanent” construction housing units 53 percent of urban stock

| B1. | Small single-storey or at best G +1, |
|     | • New informal houses mainly on urban fringes |
|     | • Averaging 3 m x 15 m, access usually by footpath or narrow lane |
| B2. | Small single-storey |
|     | • New informal buildings with single rooms for rent mainly on urban fringes |
|     | • Averaging 3 x 20 m |

C. “Temporary” construction housing : 3.3 percent of urban stock

| C1. | Older rural type houses in urbanising villages on urban fringe |
| C2. | Precarious squatter housing located on, for instance, canals. |

D. “Simple” construction housing : 2.6 percent of urban stock

| D1. | Old rural type houses in urbanising villages on urban fringe |
| D2. | Precarious squatter housing located on, for instance, canals. |
A. “PERMANENT” CONSTRUCTION HOUSING UNITS (41 PERCENT OF URBAN STOCK)

This type of housing is predominantly the shop house (A1), both new and old (see Figure 9, Figure 10 and Figure 11). It is not possible to determine precisely what percentage of the “A” category are shop houses, but they are certainly more prevalent than either the older social housing apartment blocks or the new high-rise private developer apartment blocks. New social housing apartment blocks are still very small in quantity, having only become a part of government policy since the mid-2000s. These three types, collectively typology A2, only represent perhaps 10 percent of the total urban housing stock. Villas and detached houses (typology A3) are also not very numerous.

Box 4: The Vietnamese shop house

The archetypal urban dwelling in Viet Nam is the shop house. It is an extremely efficient use of urban space in which mixtures of use are accommodated. With Vietnamese city streets still the main locales of economic life and opportunity, this typology has not disappeared but has evolved into a vibrant new vernacular. Even houses in low income areas, along very minor streets, will often use their precious frontage for some kind of commercial activity. The great preference for ground-bound housing units may in fact be traced back to the traditional success of the Vietnamese shop house. Historically shop houses had footprints of roughly 4 by 20 metres, ground plus upper floor, with access through the ground floor “shop.” The modern shop house has the same elongated (deep) footprint that makes for ultra efficient urban blocks and covers 100 percent of the plot. In contrast to its forebears it can be several stories high (four floors is common and even nine floors can be found). The housing space on the upper floors can belong to the household who owns the shop, but increasingly is being developed into different urban apartment units that are rented out or sold. In purely residential areas the two floor shop house becomes a very attractive single family duplex that is very popular. In other words, the shop house is not only a very efficient urban structure, it is also extremely adaptable. In addition, with its very limited exposed surface areas, the shop house is well adapted to the predominant climatic conditions in Viet Nam.

Source: Waibel et al. (2007)

B. “SEMI-PERMANENT” HOUSING UNITS (53 PERCENT OF URBAN STOCK)

All informally-built, small, single storey structures or sometimes G+1 can be categorized as type B (Figure 12 and Figure 13). These are for single families and/or for rented rooms. It is clear that this typology is dominant and represents over 50 percent of the country’s urban housing stock. Typically these houses are long and thin (3 to 4 metres by 12 to 20 metres), with concrete foundation, red brick walls, and roofed with metal sheet on either a wood or metal frame. There are of course several variations and different finishing’s. All such housing is self-built by what is also called the “owner-builder.” Chapter 6 describes the processes by which land for this housing typology is developed, and illustrations of informal land development are also presented. It should be noted that the long and narrow building footprint of this type of housing is very similar to that of the Vietnamese townhouse (category A1), and that over time some of these houses will be replaced by multi-storey townhouses. Thus the “B” category lends itself very well to metamorphosis into a permanent category.

C& D. “TEMPORARY” & “SIMPLE” CONSTRUCTION HOUSING (5.9 PERCENT OF URBAN STOCK)

The “C” and “D” categories together only represent 5.9 percent of the housing stock. These are either rural type houses in urbanising villages on the urban fringe or precarious squatter housing located on canals and other marginal locations (Figure 14).
Figure 10: Type A permanent - Modern shop houses in Hanoi
Source: 2012 © UN-Habitat / Nguy Ha
*Note that some older G+1 shop houses have metal roofs, which might mean that they are classified as “semi-permanent” even though structurally they are no different from tile roof shop houses.

Figure 11: Type A permanent - traditional Vietnamese shop house in Hoi An
Source: 2010 © UN-Habitat/ Nguy Ha

Figure 12: Type B semi-permanent - typical informal housing on the urban fringe of HCMC
Source: January 2010 © Google Earth

Figure 13: Squatter housing (Typology C2 and D2) in Ho Chi Minh City
Source: 2012 © UN-Habitat / Nguy Ha

Figure 14: Type B semi-permanent - Plan of a typical informal house 4 x 15m
Source: Nguyen (2006:27)
4.4 FORMAL HOUSING SUPPLY

There is no general data in Viet Nam on annual housing starts or completions. However, from Table 9 it is estimated that a net total of 2.735 million occupied housing units were added to the Vietnamese urban housing stock over the 1999 to 2009 period. This implies that the total housing stock increased by 68 percent over the ten years, and thus an average annual production was 273,500 units. However, these figures do not include the number of units produced over the ten year period that remained unoccupied in 2009 and thus may represent an underestimate of total production. On the other hand, these figures overestimate gross housing unit production because they miss unoccupied units in 1999 that became occupied during the 10 year period. In addition, administrative boundary changes added what had been rural areas to urban places, thus an unknown number of houses in these rural areas were counted at urban housing units in 2009. For example, the total number of urban areas in Viet Nam increased from 633 in 1999 to over 750 in 2009.

As can be seen in Table 13, about 900,000 units or 33 percent of total urban housing production over the 1999 - 2009 periods was in “permanent” construction. It can be assumed that most of these units were new, up to G + 6 shop houses and apartments in shop houses in both central and suburban parts of cities and towns. The remainder was mainly large footprint apartment tower blocks and integrated residential projects. Most of these high-rises would be high quality towers built by major real estate developers, aiming at middle and upper income Vietnamese and foreigners. Also constructed during this period would have been a few high rise apartment buildings for resettlement housing. Villas and detached houses would have represented a very small portion of new “permanent” construction, whether villas for the rich or government-built houses for civil servants and military personnel.

LARGE SCALE HOUSING

Large-scale housing developers are mostly SOEs or private corporations. These may be single or multiple high rise towers, villa compounds, or social and resettlement apartment blocks (see Figure 15 for an example). Land is obtained, often at concessionary prices, from local authorities, the projects are fully permitted, construction loans are usually available from banks, units are marketed through the growing field of real estate brokerage, and a range of professional and management services may be called upon. FDI is said to be an important source of finance, at least in the larger of these projects.

It is difficult to quantify how much of this type of housing is being produced by developers. There are copious statistics on FDI and also on the real estate sector, but commercial, industrial, office, and leisure uses are also produced by large developers, and this fact makes it difficult to separate out housing numbers and associated characteristics. One could hazard the guess that, although these large developer projects are very visible and attract much interest in the formal real estate sector, the actual number of units produced is quite small as a percentage of total urban housing production.

Figure 15: Example of housing developed by large developers: Upscale residential tower blocks in HCMC

Source: © Saigonres

SELF-BUILT “PERMANENT” HOUSING

Probably the second most common type of “permanent” urban housing production is the shop house typology created through the self-build and individual developer process. No corporate entities are involved, and land purchase, permitting, finance, and management of construction is carried out by individuals. The resulting multi-storey shop house and its living units may be for self-consumption or for sale/rent on the market, or a mix
of both. Although this type of housing production is widespread, the number of such units having LURC and construction permits is only a fraction of the total.

**SOCIAL HOUSING**

From the 1960s to 1980s the government built public housing units in cities that were intended for government employees under nominal rents. In the late 1980s, along with the market-oriented Doi Moi reforms, government halted this public housing process and initiated policies to encourage people to build their own houses. One of the elements of these reforms was a largely unsuccessful effort to sell state-owned and collective-owned houses to existing tenants. Today these blocks are mostly deteriorated and in need of complete renovation (Box 5). The operation and maintenance problems associated with this stock of social housing were the main reasons that the state abandoned any further social housing production in the 1980s.

Newer social housing is a recent phenomenon. The framework for such social housing can be found in the Housing Law of 2005, but it was only in 2009 that the government became committed to a serious social housing programme, launched by the Central Steering Committee on Housing and Real Estate Policies. Many projects are in the pipeline, and the aim is to house students, migrant workers, and poor urban families. Ambitious targets have been set for the first two target groups, but the poor family category has yet to be made into a programme.

Social housing is mostly G + 5 to G + 7 tower blocks, although higher blocks, up to G + 15 have been allowed as incentives for developers. Units are between 50 and 100 square metres. Land is provided by the local authorities, and to date it is SOE developers (such as HUD, Viglacera and Vinaconex Xuan Mai) who have launched projects. Besides exploitation incentives, developers are allowed a 10 percent profit margin. Developers are supposed to market the units according to agreed prices, but it is not yet clear who the beneficiaries are and how they are selected or screened. There are said to be a number of management problems in these schemes and stricter regulations are being imposed. Interest in these units

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**Box 5: Deteriorated public housing block built in the 1970s and 1980s**

A number of Soviet-style industrial zones and associated residential neighbourhoods were constructed on the periphery of Hanoi during the 1970s and 1980s, and by 1985 nine such industrial zones had been built, each comprising about 150 state run factories. The associated worker housing was standardised four and five-storey walk-up apartment blocks. The units were designed for nuclear families rather than extended families which were more common in Hanoi, resulting in serious space constraints within units. Many of these public housing blocks are currently run down, dilapidated and experience serious maintenance problems.

*Source: Basil Van Horen (2005)*
from the public is said to be very high. Yet a number of
questions surround these social housing schemes, the
most important of which is their affordability for families
of limited income5.

As of September 2010, among 110 housing projects for
industrial park workers registered for the period of 2009 -
2015 nation-wide, construction for 24 projects, total
about 750,000 square meters and VND 2.6 trillion in
value—have been under construction to accommodate
125,000 workers. Regarding housing for students, among
the registered 194 housing projects, construction has
begun for 94 to provide housing for 330,000 students,
with total of VND 5,500 trillion funded from the state
budget for 2010 and 20116. There are about 190 low-
income housing projects registered to provide 170,000
flats for about 700,000 people. In Hanoi, several projects
are under construction, providing 25,000 flats while from
end of 2010 to 2011, Ho Chi Minh City will have 10,000
flats for sale7.

The definition of low income groups and who qualifies
for social housing has been not very clear. Basically, those
households whose incomes are too low to be part of the
personal income tax regime qualify for housing support.
According to available data, the number of people paying
personal income tax in Viet Nam is only about seven
million by the end of 20108. Thus it could be said that
only a small fraction of households in the country can be
considered ineligible for low income housing support.

RESETTLEMENT HOUSING

For households living in hazardous areas such as
railway lines and canal banks, or when a resettlement
is unavoidable such as for urban redevelopment, local
authorities make land available for resettlement projects
that are constructed by SOEs or private enterprises.

When resettlement projects are implemented, those
affected are provided with a certain amount of
compensation and assistance. The government has
enacted a series of decrees and circulars on resettlement
over the last decade. The Article No. 42 of the Land
Law of 2003 outlines requirements for "compensation,
resettlement and re-habitation action plans” stipulates
measures for livelihood stabilisation, assistance for
displaced people, change of occupation and eligibility for
compensation.

However, many governments of cities and towns are
facing challenges associated with site clearance and
compensation because citizens tend to resist government
plans. This conflict often ends up in forced evictions.
A survey in Lang Son, Nam Dinh, Hue and Thu Dau
Mot in 2009 noted that conflicts were frequent and
forced evictions were common9. The most critical of the
many reasons for disputes revolves around the large gap
between government compensation and market prices
for land acquired10.
Box 6: Resettlement housing and newly formed slums

Clearance and resettlement has not proved easy. HCMC authorities have implemented slum clearance on the banks of Nhieu Loc-Thi Nghe over the past years, with five-storey apartment buildings built for resettlement, and in 2001 riverbank slum residents in Hanoi began to be resettled in housing projects. However problems soon emerged as home-based livelihoods were lost in the relocation process, and further, many slum dwellers were from outside provinces and not legally registered residents and hence could not benefit from the projects. Many were unable or unwilling to return to their provincial homes and formed new slums elsewhere after eviction. Any compensation received was far too small to buy a house. While shelter is an urgent need, public and private housing construction and resettlement processes are usually too slow for such displaced people.

Source: Adopted from Ahmed et al. (2010)

Box 7: Tan Hoa Lo Gom Pilot Resettlement Project, Ho Chi Minh City

In the early 2000s, the Tan Hoa Lo Gom (THLG) canal was planned to be widened forcing the resettlement of 214 families. The HCMC government implemented an in-situ resettlement project in Ward 11, District 6 and a site-and-services relocation project in the peripheral Ward Binh Hung Hoa (BHH) of Binh Chanh District. Belgian Technical Co-operation (BTC) supported this effort.

According to a survey that was conducted one year after people moved, the in-situ relocation had only minimal negative impacts on households’ livelihoods. The percentage of households who experienced income reduction was 23 percent in the case of the in-situ resettlement scheme whereas it was 40 percent for the peripheral sites-and-services housing project in BHH.

The relatively small impact of the in-situ relocation project was in part due to the apartment design. As a pilot project, a participatory approach was an important component throughout the design process. Spacious alleys, corridors and stairs were designed to provide a space for small business, and the 4.5 m height of units allowed residents to create extra room by building mezzanines. A small hawkers market, motorbike parking, a community centre, and a pontoon for boat access were also built. Housing units varied from 32 to 53 m². The total cost for these 72 apartments and the 3.4 ha plot of land was EUR 3,310,000.

After the first pilot phase, although the resettlement building design catered well to the space needs of beneficiaries and was highly regarded by them, authorities took little notice and, in fact, used the remaining project land to put up standard high-rise towers to accommodate the remaining settlers.

Source: Verschure et al. (2006), Le et al. (2007) and Tran (2009)
Another problem with resettlement projects is the location of the new units far from the places of employment of those resettled (see Box 6 and Box 7). It is common that resettled people resell the subsidised apartments at higher market prices. Government planners prefer high rise solutions due to land scarcity and high land prices in most urban areas, but this assumption may need to be revisited due to the fact that the same densities can be achieved through three and four storey walk-ups\textsuperscript{11}. In addition, this type of housing has not proven suitable to the settlers’ livelihoods because they have largely relied on micro informal businesses located in ground-bound housing or its adjacent street\textsuperscript{12}.

**URBAN UPGRAADING**

Urban upgrading is a very important development initiative in Viet Nam, considering that many urban areas are expanding and consolidating spontaneously without plans or infrastructure. Although there have been pilot community-based upgrading efforts in various rural and smaller urban areas, the most systematic upgrading to date is the World Bank’s Viet Nam Urban Upgrading Project (VUUP) which began in 2004. The project includes the upgrading of infrastructure, a loan programme for housing improvement, resettlement housing, land and housing management and capacity building targeting administrative staff. This project involves a World Bank loan of USD 418 million\textsuperscript{13} to improve the living and environmental conditions of the urban poor in the four cities of Hai Phong, Nam Dinh, Can Tho and Ho Chi Minh City\textsuperscript{14}.

Recognising the benefits and possibilities of urban upgrading, the National Urban Upgrading Programme 2009 - 2020 was approved by the prime minister in June 2009\textsuperscript{15}. It ambitiously targets of housing condition improvement or relocation for all built houses in unsafe or unsuitable areas, with the universal provision of access to basic and adequate infrastructure. Also, it plans to establish financial mechanisms to provide households in low-income areas with loans for housing improvement. It first targets larger cities during the first 10 years, and then plans to be applied to smaller.

There are still many factors to consider for the National Urban Upgrading Programme to succeed. For instance, the programme estimates huge overall costs of VND 175 trillion (USD 9 billion) and the government plans to finance the programme mainly by international assistance during the first 10 years, and to mobilise the state budget during second phase. However, the actual funding mechanisms are not clear yet. In addition, Viet Nam needs to have a more programmatic approach to urban upgrading, one that can identify and classify areas in need, develop cost-recovery mechanisms, devise interventions that are tailored to particular areas, engage communities, and instil the inhabitants with a sense of “ownership” of the resulting improvements.
4.4 INFORMAL HOUSING SUPPLY

“The most critical policy that needs to be done is gradually recognising the informal sector. This is the only way which other countries have successfully attempted. Recognising the informal sector will help the poor and low income people with increasing their capital since official houses are more expensive than unofficial ones. If the government recognises the informal sector, the poor and low income people will be enabled to improve their own life. This approach not only motivates the poor and low-income people to improve their accommodation and living status, but also raising financial resources from properties nationwide.”

– Dang Hung Vo, the Head of Land Administration Department, Viet Nam National University

INFORMAL HOUSING IN VIET NAM

In Viet Nam, housing built without the Land Use Right Certificates (LURCs) or without the Building Construction Permit is categorised as informal housing. To obtain a Building Construction Permit, households have to have the LURC, permanent residence registration, and an approved detailed building plan which conforms to the building code and the particular city’s detailed urban plan. However, the process to obtain an LURC is complicated and time consuming in many cities and migrants rarely have a permanent residence registration. In addition, many cities and towns do not have a comprehensive detailed urban plan which makes obtaining a building permit difficult. Furthermore, poor understanding of regulations contributes to the large amount of informal housing production. Many people consider building permissions as unnecessary and the penalties, should they be imposed, as affordable. A substantial number of low- and medium income individuals are forced to seek informal affordable housing solutions because prices in the formal real estate market are simply too high.

In Hanoi for example, 70 percent of the total residential floor area was built by private households with their own funds mostly without construction permits. It is said that this informal housing construction has become much less active in many districts of the city in the late 2000s as control over construction activities and legal requirements have become stricter.

THE PROCESS OF INFORMAL HOUSING

Informal or "self-built" housing means that the user of the plot of land completed construction using their own finances and managed the house construction, usually by hiring a small contractor or master-builder. In almost all cases the builder is the end consumer, except for informally built single room rentals. Therefore, most units produced informally are not immediately exchanged on housing market (see Chapter 10).

Because of the lack of the LURCs, the self-builders cannot obtain a bank loan or mortgage and thus finance is mainly from their own savings or informal loans through their own social networks such as friends and relatives. The details of the informal construction process are poorly understood, but a field survey of 133 households in two small communities in HCMC provides a snapshot, as seen in Box 8.
Box 8: Case study of informal housing processes in the west of HCMC, 2006

Many families built their house at night and during holidays to avoid inspections by local officials. Sometimes, however, officials carried out demolitions during construction. One interviewee said she bribed local officials about VND 5 million (USD 312), one tenth of the total construction cost of the house, to avoid demolition and said that nowadays the bribe might be double this.

Most households built houses with brick foundations and walls and with metal roofing. This type of structure allows construction over a single night with a crew of ten workers. As a cost reduction strategy, people were using brick foundations (which also reduce construction time), brick walls without mortar, or discarded building materials such as wood pieces and tin sheets. However, this construction strategy also sometimes caused a rapid deterioration in building conditions. The average construction cost for a 4 by 12 metre one story permanent house (concrete foundations, columns and beams) was from VND 60 to 80 million (USD 3,750 to 5,000). On the other hand a “temporary” house of the same size was only around VND 20 to 30 million (USD 1,250 to 1,880). On average, builders estimated that the construction cost per square metre was VND 500,000 (USD 31) for a temporary house, VND 1 million (USD 62) for a semi-permanent one, and VND 1.5 million (USD 94) for permanent construction of a dwelling of more than one storey.

Housing affordability depended on the owner’s ability to pay at the time of building; either mobilised from their savings or informal loans, and were not based on their income levels.

From the land transition to construction it generally took up to 41 months, reflecting that many families continued to mobilise funds for construction after the land transactions.

GOVERNMENT ATTITUDE TOWARD INFORMAL HOUSING

The government of Viet Nam has a relatively permissive attitude towards informal housing as it is not specifically recognised as ‘illegal’ housing that should be strictly regulated. However, informal housing areas are not recognised in the government’s master plans for urban development. Land Law of 2003 accepts the existence of illegal houses built before July 1, 2004. Decision 39/2005/QD-TTg on February 28, 2005 allows households to register illegal houses built before July 1, 2004. In HCMC, the People’s Committee also relaxed their regulation with the Decision 207/2005/QD-UBND on December 1, 2005. It is reported that 260,000 houses were registered in the first six months since the decision went into effect. Many households are still reluctant to register to avoid taxes or simply do not consider it is necessary.

Government agencies at ward or commune level have the right to penalise housing construction without permission and to force the landowner to clear the construction and restore the site to its former state. The forced destruction of informal housing by local governments seems to be inconsistently applied.

COMMUNITY DRIVEN HOUSING

The poor communities themselves are also emerging actors in urban housing processes in Viet Nam. The concept sometimes overlaps with the idea of the upgrading programmes or self-build housing, but the main difference is that communities collectively take their initiative as the main agent, trying to work with local governments. There are only few cases as yet, but it has shown its possibility as an important housing process. Often finance is raised through community development funds, as is described in Chapter 7.

A pilot project in Block 6A, Cua Nam Ward in Vinh City in 2009 has shown that the community-driven approach with the support of government has created benefits both in terms of funding and construction cost (Box 9). Since communities and local governments have seen these benefits, communities in other areas (in Hai Duong, Hung Yen, Viet Tri, Lang Son, Tam Ky, Soc Trang, Tan An and Ca Mau) have begun similar approaches as of 2012.
Box 9: Community-driven housing: a successful story in Vinh City

Cua Nam Ward is one of the neighbourhoods in Vinh where the provincial authority has approved plans to demolish 142 units of old, sub-standard collective workers housing around the city and replace them with a contractor-built redevelopment units of more than double the size (50 m² is the province’s “minimum” house size), and people wishing to stay would have to pay for land-use rights, infrastructure and new houses built at market rates.

In 2009, ACVN and CODI Thailand organised a meeting with the city’s government and the Asia Coalition for Community Action (ACCA) granted a support budget of USD 40,000, which was lent to the community and turned over to the city’s Community Development Fund. The collective housing at Huu Nghi (Bloc 6A) in Cua Nam Ward was chosen as a pilot project. The community consisted of 29 poor households (105 inhabitants) that could never afford units in the contractor-built redevelopment.

In May 2009 the community started a saving fund and began to develop plans including lane widening, laying drains and housing reconstruction in a two storey row house configuration with units of 45 m². In September 2009 authorities approved the housing plan of the community. The project was completed in only seven months after site clearance in March 2010, with the cost of USD 72 per m², which is only half of normal construction cost of similar scale housing units.

Source: Asian Coalition for Housing Rights (2010)

### 4.5 RENTAL HOUSING SUPPLY

According to the 1999 Census, housing in Viet Nam was overwhelmingly owner-occupied. “Self-owned” housing accounted for 86.1 percent of all housing units nationally, and in urban areas this figure was 80.8 percent. Almost 15 percent of urban housing units were “rented from government” in 1999 (mainly for social housing built in the 1970s and 1980s), and only 1.4 percent of urban units were rented from private landlords. Another 1 percent of urban units were under collective or religious forms of tenure.

While the portion of private rentals in urban areas has certainly increased dramatically since 1999, the portion of government rentals to the urban total has fallen. Today it can be said that a huge majority of urban housing units, probably in excess of 75 percent, continue to be “self-owned.” However, this high rate of ownership is mainly among residents, not among migrants. In Hanoi and HCMC, for instance, the proportion of housing ownership for migrants was only 8.7 percent in 2010. The rest over 90 percent was living in rented housing, temporary shelter on construction sites or in workshops or shops.

Almost nothing is known about how migrant housing is produced, but it is very likely that it following the same processes as is found in “self-built” informal housing, especially those found on the peripheries of the larger cities, as described above.
4.6 HOUSING CONDITIONS

In 2009, according to UN-Habitat 35.2 percent of urban population in Viet Nam was living in slums, which was more than the average ratio of slum households in South-Eastern Asia (31 percent), and the average of developing world (32.6 percent) in the same year. According to the types of deprivation, many slums had durable housing, and they could become adequate housing if living areas and sanitation was improved. For instance, in 2005, 28 percent of slum populations were living in moderately deprived slums having one deprivation among improved water, improved sanitation, sufficient living area (more than three persons per room), or durable housing. Slums having two deprivations were 9.8 percent and those having three or more deprivations were 3.5 percent.

The main conditions of the urban housing stock in Viet Nam are described in detail as follows. All data, unless otherwise noted, is from the 2009 Census of Population and Housing.

AGE OF HOUSING

For urban areas in 2009, only 8.6 percent of the total urban housing stock of 6.09 million units was 34 years old or older. A total of 44.9 percent of the urban housing stock were 10 to 34 years old, and 24.0 percent were 5 to 10 years old. Annual production in the 2005 - 2008 period clustered around 307,000 units per year. This shows that the urban housing stock in Viet Nam is very new, with almost 40 percent of units less than ten years old. It should be added that in the “semi-permanent” category (which makes up almost 60 percent of the urban housing stock and is more or less synonymous with informal urban housing) a full 50 percent of units are less than 10 years old. This underlines informal housing's importance in recent urban housing production.

SIZE OF HOUSING UNITS

From the 1999 Census of Population and Housing (foot), of a total of 35.9 million urban housing units, 4.0 percent had living areas of less than 15 square metres, i.e. could be considered one room units. This percentage has skyrocketed to 14 percent of houses by 2009, representing some 853,000 units just in urban areas. Another 34.4 percent of the urban housing stock measured 15 to 36 square metres, and another 29.5 percent measured 37 to 59 square metres. This means that in 1999 a total of 68 percent of urban housing units had living spaces of less than 60 square metres, with the average around 44 square metres per unit. The average size of a unit increased dramatically to 61 square metres in 2009, but it can still be said that urban housing units in Viet Nam are strikingly small in size.

CROWDING AND FLOOR AREA PER PERSON

For the country as a whole floor area per capita has increased rapidly over the past decade: from 9.7 m² in 1999 to 16.7 m² in 2009 (nationwide). This average trend hides the fact that the gap between living space for the rich and poor is widening. Over the past 10 years, and despite the construction of many new large housing units, the proportion of houses with a total area below 15m² has been increasing, now covering 14 percent of houses nationwide.

A total of 17.4 percent of urban households live with an average area per capita of between 6-10 square metres per person, and 4.8 percent live with less than 5 square metres per person. From the 2010 urban poverty assessment in Hanoi and HCMC, it was found that the average living space was 15.7 square metres in Hanoi while it was 17.7 square metres in HCMC. The proportion of households and individuals living in cramped quarters of less than 7 square metres per person was 26 percent and 31 percent respectively. In particular, a majority of migrants (62 percent) were living in less than 7 square metres, which is substantially different from the registered resident population (17 percent) in the two cities. Among migrants, one third of them are living in space less than 4 square metres per person.

In Viet Nam, perhaps more than in some other parts in the world, households master the art of ‘living on the centimetre’. In small houses, space is used smartly, with multifunctional rooms (day/night shifts in function), curtains creating flexible subdivisions, and the use of mezzanines to extend habitable space. In addition, with a climate that allows for it, the outside space directly adjacent to the house is eagerly used to serve as an extension to everyday living-working space. The area per capita figures thus need to be understood in the light of a particular climate and housing culture.
ACCESS TO BASIC INFRASTRUCTURE

Despite scarce financial resources, Viet Nam has achieved commendable progress in rehabilitating, developing, and upgrading its infrastructure services over the last decade. All of urban areas and 85 percent of rural households have access to electricity. Access to safe water increased from 26 to 49 percent over the period of 1993 to 2002 and reached 73 percent in 2009 at nationwide. In 2009 in urban areas, access to treated piped water was 63.5 percent, 2.4 percent of households used rain water, 31 percent used another clean water source and 3.2 percent used an unknown other source. Access to standard toilets increased from 10 to 25 percent from 1993 to 2002 and in 2009 reached 54 percent at nationwide. Nationally, only 25.5 percent of households have access to piped water from treatment plants and 7.8 percent of households have no toilet. Despite much improved conditions in urban areas, there is still some open defecation, especially associated with squatter areas and very poor slum pockets. 71.4 percent of urban households had an indoor flush toilet, 16.3 percent had an outdoor flush toilet, 10 percent used a ‘simple toilet’ (probably an outside pit latrine), and 2.3 percent of urban households had ‘no toilet’. Households in dense urban neighbourhoods face inadequate water supply in dry months. During the rainy season, owing to weak drainage systems, flooding of entire urban areas is not at all uncommon (see also Chapter 8).

MIGRANTS AND HOUSING CONDITION

Poor housing conditions are quite common among migrants. The majority of migrants are living in sharing rooms, tenements, boarding-house accommodation, shacks, and temporary shelters. More than half of migrants in Hanoi and HCMC live in a shared room, dormitory or rented space, and 3 percent are in temporary tents or shacks, which is sharp contrast to the 95 percent of residents who have stable housing such as independent house, a shared house, or an apartment. In 2004, 62 percent of migrants were living in semi-permanent housing, and over 55 percent were living in boarding houses or similar rented accommodation. In addition, they were less likely to have access to adequate sanitation and water compared to non-migrants. It is obvious that the need for affordable housing, whether rented or owned, for the migrant population is a major challenge facing cities in Viet Nam.

4.7 CROSS-CUTTING ISSUES

SHANTY TOWNS

Comparing other lower income and rapidly urbanising countries, Viet Nam does not have widespread shanty towns in urban areas. This is partially because of a permissive and accepting regulatory approach to customary and affordable housing development, which has allowed people trade-off between location and small plot sizes. The dynamic small-scale private housing sector has also contributed to the low incidence. In addition, the Vietnamese people tend to accept inter-generational co-habitation, and this has allowed relatively better housing for lower income households. However, there are concerns that the rapid and large scale urbanisation process and increasing demand for larger floor space per person can lead to widespread shanty town formation in Viet Nam, and thus more deliberate and well thought-out housing strategy for low income people will be required.
CAPACITY BUILDING FOR HOUSING PRODUCTION

In terms of housing design, probably the area where training and capacity building is needed most concerns low-cost housing, i.e. social housing and resettlement housing projects. Currently almost all such projects are medium and high rise buildings. Although they provide “good looking” solutions, they often fail to meet the real needs and affordability of the people who will be living in them. There is much international experience in appropriate design of social housing that caters to low income families, and in addition there has been a pilot project in HCMC (see resettlement housing production sub-section above) that shows how low rise and “ground-bound” designs fit well with the livelihoods of poorer urban families and can produce the same densities of habitation as tower-blocks.

Thus it would seem logical for architectural and urban planning institutes to begin to inculcate students with more realistic approaches to social housing that begin with the premise that design should be functional and affordable for a project’s future inhabitants. A stress on multi-disciplinary team work (socio-economists, social workers, engineers, bankers, planners and architects) needs to be made, and university curricula should include more pragmatic and research based design and planning courses. It also is logical that officials responsible for social and resettlement housing be exposed to different solutions and innovative approaches for social housing, and that they use and refer to the available array of pilot experiences in the field.

4.8 CONCLUSION

Data shows that the urban housing stock is growing, evolving and improving, with greater space and better amenities. However, there is a kind of dualism in the housing stock, with well over half of units being informal or “extra legal” and at least 75 percent being “self built.” Only perhaps 20 percent represent modern, formal modes of production where the developer is a corporate or state entity. This dualism is also found in current modes of housing production, where probably 65 percent of units are produced by informal modes. Production of the shop house comes second, and while these units are of durable construction they are largely self-built and only a fraction of units come to be exchanged through the formal housing markets. And, although virtually all state policies (and incentives and subsidies), all media commentary, all mortgage finance, and all real estate businesses focus on the modern and formal sector, this sector only accounts for perhaps 15 to 20 percent of current production.

It needs to be stressed that the largest share of new housing units in urban Viet Nam are self-built, in other words constructed in a self-directed and self-managed process. This has produced and continues to produce the large majority of urban housing in Viet Nam, housing that suits well the means and life styles of the inhabitants. Much of this housing may be substandard in terms of space and amenities, but improvements and additions are extremely common.

In attempts to rid cities of slums and irregular settlements, to “solve the housing problem,” and to launch Vietnamese cities on a rapid trajectory towards modernist, global real estate attributes, policies have favoured mainly formal housing solutions that are currently unaffordable to most urban Vietnamese.
1. Ministry of Construction (2011)


4. Luong (2010)

5. The Voice of Viet Nam (2010)


10. Ibid., and Thu & Perara (2011)

11. IIED & UNFPA (n.d)

12. It was from the Evaluation Team of the Tan Hoa Lo Gom pilot project in its meetings with the Department of Finance, Compensation Committee District 6 of the Urban Management Division and the Department of Architecture and Urban Planning. This is cited from Verschure et al. (2006)

13. USD 160 million was additionally funded considering the building material price inflation and the loss of parallel ODA (World Bank 2011b)

14. World Bank (2004a)

15. Decision No. 758/2009QD-TTg approved the National Urban Upgrading Programme during 2009-2010

16. Interview quote from UN-Habitat (2012)


18. Tran et al. (2005); Ahmed et al. (2010)


22. Labbé (2010)


This is especially for lower income households, urban and rural alike.


Vu (2011)

Haugtonet al. (2010)

UNFPA (2007: 16)

World Bank (2011b)
HOUSING NEEDS, DEMAND, AND AFFORDABILITY

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5.5 CONCLUSION 69
This Chapter looks at two issues – housing needs and housing demand or affordability. First an attempt is made to establish the scale and nature of national housing needs. Here national “housing needs” is defined as the absolute physical shortfall or gap between the number of suitable housing units in the country at any particular time and the number of suitable housing units needed to adequately house the whole population. Thus gross housing needs are based on demographic parameters and on existing housing stock shortfalls, projected and compared to government estimates.

Housing demand is defined as the national demand for available housing units that are financially affordable to those seeking housing. Thus this is effective demand within existing housing markets, including the markets for state produced housing. The starting point in affordability analysis is household income distribution, assumed household ability-to-pay for housing, and assumed access to certain financing schemes (described in detail in Chapter 7). This allows a rough assessment of effective housing demand for the median household and others in the income distribution. This will lead to a discussion of current coverage, identifying which groups are excluded from finance systems and thus which must rely on savings and other own-sources.

5.1 GROSS HOUSING NEEDS

Any calculation of future needs in terms of housing units in a country must start with estimates of population growth and, crucially, the numbers of expected households that will be forming. A recent GSO publication projects the country’s urban, rural, and total population growth to 2049, as is shown in Table 15.

What do these population projections mean in terms of numbers of future households? The average household size has been declining rapidly in the last decade in both urban and rural areas. For example, in urban areas it declined from 4.27 persons/household in 2002 to 3.82 persons/household in 2010. And in rural areas it declined from 4.49 persons/household in 2002 to 3.92 persons/household in 2010. These trends towards smaller households will continue, but it is assumed that the rate of decrease will moderate, as is shown in Table 16 (Urban) and Table 17 (Rural). These tables estimate the number of households in future years and thus allow a calculation of new household formation.

<table>
<thead>
<tr>
<th>YEAR</th>
<th>URBAN</th>
<th>RURAL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Population</td>
<td>Implied growth rate per annum (%)</td>
</tr>
<tr>
<td>2009</td>
<td>25.4 million</td>
<td>3.42</td>
</tr>
<tr>
<td>2019</td>
<td>34.7 million</td>
<td>3.00</td>
</tr>
<tr>
<td>2029</td>
<td>44.8 million</td>
<td>2.41</td>
</tr>
<tr>
<td>2039</td>
<td>54.8 million</td>
<td>1.88</td>
</tr>
<tr>
<td>2049</td>
<td>63.9 million</td>
<td>1.43</td>
</tr>
</tbody>
</table>

Source: GSO (2011b)
Table 16: Estimated new urban household formation 2019 - 2049 (million)

<table>
<thead>
<tr>
<th>YEAR</th>
<th>POPULATION</th>
<th>ASSUMED HH SIZE (PERSONS PER HH)</th>
<th>HHS</th>
<th>ADDITIONAL HHS</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>25.4</td>
<td>3.8</td>
<td>6.68</td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>34.7</td>
<td>3.5</td>
<td>9.91</td>
<td>3.23</td>
</tr>
<tr>
<td>2029</td>
<td>44.8</td>
<td>3.3</td>
<td>13.58</td>
<td>3.66</td>
</tr>
<tr>
<td>2039</td>
<td>54.8</td>
<td>3.2</td>
<td>17.13</td>
<td>3.55</td>
</tr>
<tr>
<td>2049</td>
<td>63.9</td>
<td>3.1</td>
<td>20.61</td>
<td>3.49</td>
</tr>
<tr>
<td>Total</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>13.93</td>
</tr>
</tbody>
</table>

Table 17: Estimated new rural household formation 2019 - 2049 (million)

<table>
<thead>
<tr>
<th>YEAR</th>
<th>POPULATION</th>
<th>ASSUMED HH SIZE (PERSONS PER HH)</th>
<th>HHS</th>
<th>ADDITIONAL HHS</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>60.4</td>
<td>3.9</td>
<td>15.49</td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>60.7</td>
<td>3.7</td>
<td>16.41</td>
<td>0.92</td>
</tr>
<tr>
<td>2029</td>
<td>57.8</td>
<td>3.5</td>
<td>16.51</td>
<td>0.11</td>
</tr>
<tr>
<td>2039</td>
<td>52.1</td>
<td>3.3</td>
<td>15.79</td>
<td>-0.73</td>
</tr>
<tr>
<td>2049</td>
<td>44.8</td>
<td>3.2</td>
<td>14.00</td>
<td>-1.79</td>
</tr>
<tr>
<td>Total</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-1.49</td>
</tr>
</tbody>
</table>

Can it be assumed that all newly formed households will require new housing units? Even though in Viet Nam the trend is towards smaller, nuclear families, at least a small portion of newly forming households will be accommodated in existing or slightly expanded housing units, particularly in rural and informal urban areas. Here it is assumed that 10 percent of new households in urban areas will be so accommodated as well as 20 percent of new households in rural areas. Under these assumptions, the future annual need for new housing units for additional families can be calculated as shown in Table 18.

In addition to this housing need, it must be assumed that some dilapidated, sub-standard, and overcrowded housing units in the existing housing stock are in need of replacement (mainly due to the extreme age of units, their small size, and their deterioration). Commonly in country housing analysis this need is estimated at between 1 to 2 percent of the housing stock per year. Because of the very young age of most of the housing stock in Viet Nam, we have selected an annual 0.5 percent replacement rate, which would yield total needs for replacement as shown in Table 19.

Using the figures derived from Table 18 and Table 19, it is possible to estimate total annual housing unit needs. However, first a question must be asked: are there vacant units in the existing housing stock which could be used either to accommodate newly forming families or for replacement? While there must be unoccupied units, there is no information on their numbers (see Chapter 4.) However, some vacant units were for secondary homes, and, in any event, any housing stock will exhibit a certain amount of vacancies due to market imperfections and market speculation. Considering these factors, for this analysis it is assumed that none of the vacant housing units in Viet Nam can be used to meet housing unit needs. Thus the estimated total housing needs in Viet Nam per year can be calculated for selected years as shown in Table 20.
### Table 18: Estimated number of new housing units needed to accommodate newly forming families for selected years (million of households)

<table>
<thead>
<tr>
<th>BY YEAR</th>
<th>ESTIMATED ADDITIONAL URBAN HOUSING UNITS NEEDED</th>
<th>ESTIMATED ADDITIONAL RURAL HOUSING UNITS NEEDED</th>
<th>ESTIMATED ADDITIONAL TOTAL HOUSING UNITS NEEDED</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>2.91</td>
<td>0.736</td>
<td>3.65</td>
</tr>
<tr>
<td>2029</td>
<td>3.29</td>
<td>0.088</td>
<td>3.38</td>
</tr>
<tr>
<td>2039</td>
<td>3.20</td>
<td>-0.584</td>
<td>3.20</td>
</tr>
<tr>
<td>2049</td>
<td>3.14</td>
<td>-1.432</td>
<td>3.14</td>
</tr>
</tbody>
</table>

### Table 19: Estimated needs for replacement of the housing stock for selected ten year intervals

<table>
<thead>
<tr>
<th>BY YEAR</th>
<th>ESTIMATED URBAN HOUSING UNITS NEEDING REPLACEMENT</th>
<th>ESTIMATED RURAL HOUSING UNITS NEEDING REPLACEMENT</th>
<th>ESTIMATED TOTAL HOUSING UNITS NEEDING REPLACEMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>338,050</td>
<td>1,110,000</td>
<td>1,438,050</td>
</tr>
<tr>
<td>2029</td>
<td>483,500</td>
<td>1,147,000</td>
<td>1,630,500</td>
</tr>
<tr>
<td>2039</td>
<td>643,500</td>
<td>1,500,000</td>
<td>2,143,500</td>
</tr>
<tr>
<td>2049</td>
<td>800,500</td>
<td>1,250,000</td>
<td>2,050,500</td>
</tr>
</tbody>
</table>

### Table 20: Estimated total new housing units needed in Viet Nam each year for selected years

<table>
<thead>
<tr>
<th>BY YEAR</th>
<th>ESTIMATED TOTAL URBAN UNITS NEEDED ANNUALLY</th>
<th>ESTIMATED TOTAL RURAL UNITS NEEDED ANNUALLY</th>
<th>ESTIMATED UNITS NEEDED ANNUALLY FOR ALL VIET NAM</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>324,800</td>
<td>184,600</td>
<td>509,400</td>
</tr>
<tr>
<td>2029</td>
<td>377,300</td>
<td>123,500</td>
<td>500,800</td>
</tr>
<tr>
<td>2039</td>
<td>384,300</td>
<td>150,000</td>
<td>534,300</td>
</tr>
<tr>
<td>2049</td>
<td>394,000</td>
<td>125,000</td>
<td>519,000</td>
</tr>
</tbody>
</table>
As can be seen from Table 20, Viet Nam will have a huge challenge to provide the new housing required for new households as well as replacements for old dilapidated units. For example, in the year 2019 there will be a need for 509,000 new units to be produced. In the same year (2019) about 64 percent of needed new housing units nationwide will have to be built in urban areas. This is equivalent to an annual production of 325,000 units. For comparison, 275,000 units were produced annually in urban areas in the 1999 - 2009 period, meaning that this quite high rate of annual urban production will have to be maintained and even increased to meet future urban housing needs.

### 5.2 CURRENT HOUSING DEMAND AND AFFORDABILITY

In order to assess effective demand for housing and the degree of affordability for housing among all urban households, a number of steps need to be taken. First the distribution of household income (or expenditure) by deciles or at least quintiles should be at hand for the reference year. Then a set of prices for housing purchase need to obtained for the reference year, as well as rents. By comparing these prices to the income of different families already derived it is possible to establish household price-to-income ratios, a standard measure of affordability. Making assumptions about housing loans that might be available, it is possible to calculate what percentage of urban households can afford a particular type of housing. By comparing prevailing rents with monthly incomes, it is straightforward to calculate the percentage of households that can afford to rent different types of housing.

#### HOUSEHOLD INCOME (EXPENDITURE) DISTRIBUTION AND HOUSEHOLD SIZE

The VHLSS is the main source for per capita and household income distribution for the years 2002 - 2010, and all figures are expressed in current prices. To derive household income by quintile, it is necessary to multiply per capita income by household size, as in Table 21.

In 2010 average household size was 3.82 persons and average household income was VND 8.14 million (USD 440). The median household income (the household income below and above which lie half of all households) was VND 6.299 million (USD 340). These income figures from the VHLSS include all sources of household income such as wages, profits from business, rents and transfers. In 2010 the urban poverty line was VND 0.5 million (USD 30) per capita, or VND 1.95 million (USD 100) for the median sized household which was one third the median household income.

#### Table 21: Derivation of urban household income by quintile in 2010 (VND million)

<table>
<thead>
<tr>
<th>HOUSEHOLD QUINTILE</th>
<th>PER CAPITA INCOME PER MONTH</th>
<th>HOUSEHOLD SIZE (PERSONS/HH)</th>
<th>HOUSEHOLD INCOME PER MONTH</th>
</tr>
</thead>
<tbody>
<tr>
<td>First</td>
<td>0.633 (USD 34)</td>
<td>4.14</td>
<td>2.621 (USD 141)</td>
</tr>
<tr>
<td>Second</td>
<td>1.153 (USD 62)</td>
<td>4.13</td>
<td>4.762 (USD 256)</td>
</tr>
<tr>
<td>Third</td>
<td>1.611 (USD 86)</td>
<td>3.91</td>
<td>6.299 (USD 338)</td>
</tr>
<tr>
<td>Fourth</td>
<td>2.268 (USD 112)</td>
<td>3.70</td>
<td>8.392 (USD 451)</td>
</tr>
<tr>
<td>Fifth</td>
<td>4.985 (USD 268)</td>
<td>3.34</td>
<td>16.650 (USD 895)</td>
</tr>
<tr>
<td>Total (average)</td>
<td>2.130 (USD 144)</td>
<td>3.82</td>
<td>8.137 (USD 437)</td>
</tr>
</tbody>
</table>

Source: General Statistics Office (2011a: table 1.2 & 4.1)
Current average salary of civil servants is approximately 3.5 million (USD 190) per month. The real income in fact is even lower due to subtraction the specific amounts such as social insurance, health insurance, union dues which together equal 7 to 8 percent of salary. The average established worker in metropolitan areas is said to receive around VND 5 million (USD 270) per month, and the average starting salary of employees with a bachelor degree is VND 3 to 4 million (USD 160 to 215). The unskilled migrant worker in a factory (often a woman) will only be paid around VND 2 million (USD 110) per month. The ADB financed “Housing for the Poor” project defined the target group urban households with the average monthly income of VND 4 to 10 million (USD 235 to 585) for Hanoi and HCMC and 3 to 9 million (USD 175 to 530) for other provinces/cities in 2009, quite high incomes for the “poor”.5 These wage and income averages are more or less in line with Table 21, where the median household income was VND 6.3 million (USD 340) per month in 2010, remembering that in Table 21 incomes include all sources, not just wages, and also considering that there may well be more than one wage earner in a family\(^6\).

**EXPENDITURES ON HOUSING**

The VHLSS gives national data on household expenditures for 2010, and on average monthly expenses for “housing, electricity, water, and sanitation” run to just under VND 50,000 (VND 98,000 in urban area), which is only 4.4 percent of total consumption expenditures (5.7 percent in urban areas)\(^7\). However, this expenditure figures only capture common recurrent costs associated with housing and rarely reflect capital expenditures. Internationally, it is considered reasonable for 20 to 30 percent of household income to go for housing and utilities, and this range is used in the analysis in this report.

**URBAN HOUSING COSTS**

Although general information about housing prices is available in the media, these are inevitably about housing that is at the upper end of the market. (This is a characteristic of the dualism in Vietnamese housing markets, as is discussed in Chapter 10). It is much more difficult to arrive at a reasonable cost for small and modest units. In addition, there is little information about housing costs for informal self-built housing, which is the dominant housing typology in urban Viet Nam and also the most affordable for lower income families.

According to various reports on the real estate market the first six months of 2011, typical apartments in urban areas have an average price of about VND 16 - 20 million per m\(^2\), and in some areas units are more expensive and the price is about VND 20 - 30 million per m\(^2\). Other sources state that the minimum average cost of a new apartment is USD 200 per m\(^2\) or VND 4 million per m\(^2\) but this seems quite low\(^8\). Another source states that in 2008, the lowest price for an apartment in Hanoi or HCMC is about VND 600 million\(^9\) (USD 36,800). These costs refer to “permanent” housing types (category A in Chapter 4). For new informal, single storey housing that is extremely common on urban fringes (Category B in Chapter 4) construction costs can be estimated at between VND 0.5 to 2 million (USD 27 to 107) per square metre.

Housing unit sizes are small but increasing, as shown in Chapter 4. But for most urban households, a 60 m\(^2\) flat is considered large, and units of 30 - 40 m\(^2\) are common.

With this cost information, it is possible to construct three hypothetical housing units as follows (all prices are 2010):

- **Type One**: 60 m\(^2\) good standard “permanent” apartment unit costing VND 840 million (USD 45,100) including land at a rate of VND 14 million (USD 750) per m\(^2\), all corporate-built.

**Box 10: Current construction costs of acceptable standard in Viet Nam**

“The current construction cost for one square metre of housing floor of reasonable quality is about VND 10 to 12 million (USD 540 to 645), making a housing unit of 60 square metres cost about VND 700 million (USD 37,600) which is not affordable for the low-income people. To reduce further construction cost would lead to reduce the housing quality.”

*Mr Dang Hoang Huy, Chairman and General Director of Xuan Mai Concrete JSC (June 27, 2010)*
• Type Two: 40 m² moderate standard “permanent” apartment units costing VND 400 million (USD 21,500) including land at a rate of VND 10 million (USD 540) per m², mostly “self built”.

• Type Three: 30 m² single storey “semi-permanent” house costing VND 90 million (USD 4,840) including land, built progressively by owner-builders on peri-urban land, at a rate of VND 3 million (USD 160) per m².

It should be pointed out that housing prices are increasing rapidly in Viet Nam, and most urban areas in Viet Nam are experiencing very high increases in market prices for land. Thus the housing unit prices constructed here can be considered very conservative.

HOUSEHOLD PRICE-TO-INCOME RATIOS FOR HOUSE PURCHASE

Using the housing types derived above, it is possible to calculate housing price to annual income ratios for home purchase as shown in Table 22.

As can be seen, price-to-income ratios are very high for the lower household income quintiles for all three types of housing except Type Three. In other countries similar to Viet Nam a ratio of 5 is considered reasonable. On this basis, only for the very modest “informal” Type Three units are price-to-income ratios below 5 for all quintiles. For Type Two units this ratio is reached only for the upper end of the Third Quintile, and for Type One units this ratio is reached only for the Fifth Quintile. Under these assumptions Type One units are beyond the theoretic means of 80 percent of urban households and Type Two units are beyond the theoretic means of 55 percent of urban households.

HOUSING AFFORDABILITY FOR HOUSE PURCHASE UNDER DIFFERENT HOUSING FINANCE PROGRAMMES

Income-to-price ratios only give a rough idea of ability to pay for new housing. For more precise calculations of what housing implies in terms of monthly income, it is first necessary to make assumptions of what percentage of monthly income can be devoted to housing, either in rents or in loan instalment payments. For this analysis, 25 percent of income devoted to housing is assumed the base case, a percentage that is quite common in country housing affordability analysis.

<table>
<thead>
<tr>
<th>URBAN INCOME QUINTILE</th>
<th>HOUSEHOLD INCOME PER MONTH (VND MILLION)</th>
<th>HOUSEHOLD INCOME PER YEAR (VND MILLION)</th>
<th>TYPE ONE UNIT AT VND 840 MILLION</th>
<th>TYPE TWO UNIT AT VND 400 MILLION</th>
<th>TYPE THREE UNIT AT VND 90 MILLION</th>
</tr>
</thead>
<tbody>
<tr>
<td>First</td>
<td>2.621</td>
<td>31.32</td>
<td>26.8</td>
<td>12.7</td>
<td>2.9</td>
</tr>
<tr>
<td>Second</td>
<td>4.762</td>
<td>57.14</td>
<td>14.7</td>
<td>7.0</td>
<td>1.6</td>
</tr>
<tr>
<td>Third</td>
<td>6.299</td>
<td>75.59</td>
<td>11.1</td>
<td>5.3</td>
<td>1.2</td>
</tr>
<tr>
<td>Fourth</td>
<td>8.392</td>
<td>100.70</td>
<td>8.4</td>
<td>4.0</td>
<td>0.9</td>
</tr>
<tr>
<td>Fifth</td>
<td>16.650</td>
<td>199.80</td>
<td>4.2</td>
<td>2.0</td>
<td>0.45</td>
</tr>
<tr>
<td>National Ave.</td>
<td>8.137</td>
<td>97.56</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Although it may be reasonable to expect that most households can raise 25 percent of monthly incomes to pay for housing, it should be remembered that households face other recurrent costs associated with housing (such as water and power consumption as well as maintenance). Also, for the lowest income households such basics as food and clothing consume a large portion of income, and thus these families may struggle to raise even 20 percent of income.

**MORTGAGE AFFORDABILITY**

It is necessary to consider what might be the financing systems/mortgages that would be available to each household expenditure (income) level. This means determining the interest rate of the mortgage, the term of the loan, and the required down payment. In Viet Nam banks offer mortgages which average at 14 percent for 20 years and which require 20 percent of the unit value as down payment. These average terms are used in the analysis here, as shown in Table 23.

<table>
<thead>
<tr>
<th>HOUSING TYPE</th>
<th>HOUSING UNIT COST (USD)</th>
<th>TOTAL HOUSING LOAN (USD)</th>
<th>ANNUAL MORTGAGE PAYMENT (USD)</th>
<th>MONTHLY MORTGAGE PAYMENT (USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Type 1 Housing Unit</td>
<td>840 (45,100)</td>
<td>672 (36,100)</td>
<td>101.5 (5,450)</td>
<td>8.5 (460)</td>
</tr>
<tr>
<td>Type 2 Housing Unit</td>
<td>400 (21,440)</td>
<td>320 (17,200)</td>
<td>48.3 (2,600)</td>
<td>4.0 (215)</td>
</tr>
<tr>
<td>Type 3 Housing Unit</td>
<td>90 (4,840)</td>
<td>72 (3,870)</td>
<td>10.9 (590)</td>
<td>0.9 (50)</td>
</tr>
</tbody>
</table>

By comparing these results with the amount of monthly urban household income available for housing payments by quintile (at 25 percent of monthly income), it is possible to make the following conclusions:

- Housing Unit Type One is only affordable, at 25 percent of income, by the highest of the Fifth Quintile household, i.e. roughly the top 5 percent of urban households. Even if it is assumed that the household can raise 35 percent of income for housing payments, this unit is only affordable by the top 10 percent of urban households. At least 90 percent of urban households cannot afford this unit under prevalent mortgage loan schemes.

- Housing Unit Type Two is only affordable, at 25 percent of income, by the Fifth and a few of the Fourth Quintile households, i.e. about 12 percent of all urban households. This means that 88 percent of urban households cannot afford this unit. Even if it is assumed that the household can raise 35 percent of income for housing payments, this unit is only affordable by about 25 percent of urban households under prevalent mortgage loan schemes.

- Housing Unit Type Three is quite affordable, at 25 percent of income, to all urban households except those in the First Quintile. This means that 80 percent of households can afford this unit. Assuming that the household can raise 35 percent of income for housing payments, this unit is very affordable and even half of the lowest income quintile, or 90 percent of all urban households, can afford the unit under prevalent mortgage loan schemes.

This exercise is formalistic and assumes that all households have access to mortgage credit, which is not at all the case. Only those with steady incomes who wish to acquire a legal, registered housing unit can even begin to apply for a mortgage. This latter condition excludes all of Type 3 housing and much of Type 2 housing. In any event, with interest rates in Viet Nam being extremely high, financing housing through mortgages is feasible only for the rich (who probably do not need mortgages anyway), and those whose incomes increase at or faster than the rate of inflation.
For an accurate estimation of housing affordability, understanding demand across all income segments, not just averages or median numbers, is very critical. As an example, Figure 1 shows how various bands of household income would correspond to various types of housing supplied in HCMC. Most of the household incomes in HCMC ranged over VND 2 to 10 million per month (about USD 100 to 500 per month) in 2009, and a large portion of these were between VND 3 to 6 million /month (USD 150 to 300 per month). This majority income group could only afford mainly temporary informal shelter or old town houses having no car access. A large part of this older housing stock of HCMC provides affordable shelter to a significant segment of the low and middle income population. Improving the living conditions in these older neighbourhoods might be an effective way to provide affordable housing to a segment of the poor, including migrants.

Source: adapted from World Bank (2011b)

5.3 RENTAL HOUSING: DEMANDS AND AFFORDABILITY

A significant rental demand in Vietnamese cities arises from people migrating from suburban and rural areas to urban areas for jobs. These people prefer to rent accommodation at the lowest price, and these houses are often of low quality, with poor sanitation and environmental conditions. They are located in suburban areas or in small alleyways of slum areas. Security of tenure in these units is very poor11.

There is little information about housing rents in modest housing. An urban poverty monitoring study mentioned that in 2010 single rooms were renting for VND 500,000 (about USD 30) per month in fringe neighbourhoods of the main urban areas. The same study estimated that a very small and modest family unit on the urban fringe cost VND 710,000 (USD 40) per month, including electricity and water. On the other hand, rentals for good quality apartments in central urban areas are many times more expensive. Most of these rents are quoted in US dollars, and they start at USD 1,000 per month or VND 19 million per month in 201012.
Given the scarcity of information and the huge range of housing rents in Vietnamese cities, it is difficult to estimate affordability of rental housing. But it is possible to gain a rough idea by positing two low monthly rental levels: VND 0.8 million (USD 45) per month for a very small and basic unit on the periphery and VND 2 million (USD 110) per month for a slightly larger unit in better condition. It is assumed that an urban household can devote 25 percent of monthly income for housing rents. Table 24 shows that the lower rent is quite affordable, reaching down to the highest half of the First Quintile of the urban income distribution, meaning that only roughly 15 percent of households cannot afford such rents. The higher rent level is affordable down to the Fourth Quintile, meaning that roughly 55 percent of households cannot afford such rents, even though these are still quite modest and the housing units are very small.

Table 24: Percentage of monthly household income required paying modest monthly rents by quintile

<table>
<thead>
<tr>
<th>INCOME QUINTILE</th>
<th>URBAN HOUSEHOLD MONTHLY INCOME IN 2010 (VND MILLION)</th>
<th>MONTHLY RENT AT VND 0.8 MILLION</th>
<th>MONTHLY RENT AT VND 2 MILLION</th>
</tr>
</thead>
<tbody>
<tr>
<td>First</td>
<td>2.621</td>
<td>31%</td>
<td>76%</td>
</tr>
<tr>
<td>Second</td>
<td>4.762</td>
<td>17%</td>
<td>42%</td>
</tr>
<tr>
<td>Third</td>
<td>6.299</td>
<td>13%</td>
<td>32%</td>
</tr>
<tr>
<td>Fourth</td>
<td>8.392</td>
<td>9%</td>
<td>24%</td>
</tr>
<tr>
<td>Fifth</td>
<td>16.650</td>
<td>5%</td>
<td>12%</td>
</tr>
<tr>
<td>National Average</td>
<td>8.137</td>
<td>10%</td>
<td>25%</td>
</tr>
</tbody>
</table>

5.4 CROSS CUTTING ISSUE

YOUTH

Housing demand, especially demand for rental housing, are expected to be high among youth, especially in big cities like Hanoi and HCMC where more than 70 percent of migrants are aged from 15 to 30 compared to about 40 percent among city residents. In addition, a large number of students live in rooms rented by households. For example, there are 12,000 students living in rental units provided by 2,400 households in Hanoi’s Cau Giay District. Many of these units constructed on filled lakes or ponds without infrastructure services. Hanoi city has developed a housing development project for rent to students, but the major concern is how to keep the rental price reasonable.

GENDER AND HIV/AIDS

In large boarding house conglomerations for migrants, prostitution as well as rampant theft and drug use are arising problem. Considering significant majority of the migrant population to urban areas are women, migrants women are more exposed to the risk of violence and HIV/AIDS in their new settlements. This implies the estimation of housing needs and demands needs to count the need of women.
5.5 CONCLUSION

The analysis undertaken here shows that, in terms of cost-to-price ratios, prevailing rents, and standard housing loan programs, urban households, especially low income people will find it extremely difficult to afford even modest housing units. The formal housing market can accommodate only the highest quintile group, i.e. 20 percent of the urban population, and this assumes that mortgage financing is available.

The calculations made here involve a number of assumptions, but even if more optimistic assumptions are used, the conclusion stands that a huge majority of urban households cannot afford to purchase a small modern “permanent” unit, even assuming that they can qualify and obtain housing loans. The only housing type that is affordable to the majority of urban households is that which is self-built in peripheral peri-urban areas and may be deemed illegal.

In sum, it can be concluded that there is a huge housing affordability challenge in urban Viet Nam, and one that, owing to rapidly rising housing values and rampant urbanisation, is bound to get worse. Social housing, which the government aims to launch on a grand scale, is likely to only be affordable with considerable subsidies and other concessions.

For the foreseeable future, the main hope for affordable housing for the urban majority may lie in the informal “self-built” housing sub-sector. Even with the many problems associated with informal housing; it may that needs to be considered by policy makers.

It is projected that 394,000 housing units need to be provided annually until 2049. This translates to 1,079 housing units to be produced daily or 45 housing units per hour in order to accommodate current growth projections.
ENDNOTE

1. General Statistics Office (2011b) uses four variants in its projections based on four assumptions as to declining fertility. This Chapter mostly uses the medium variant.

2. General Statistics Office (2011a) table 1.1 Household size by income quintile, urban, rural and region.

3. In this system, useful for poverty analysis, households are ranked into quintiles by the calculated per capita income of household members. Thus household size tends to diminish as one moves to higher quintiles (In raw household income statistics, household size increases as one moves to higher quintiles).

4. Oxfam and ActionAid (2011: 9)

5. State Bank of Viet Nam (2009)

6. Income examples are from Ministry of Construction (2011: 18 - 19)


9. Nguyen (2011c)

10. For comparison, in developing countries the housing price-to-income ratio averaged 7.8, whereas for developed countries the ratio averaged 3.9 (Management and Nouvelles Technologies 2003)


12. Haugton et al. (2010)

13. Ibid


16. Van Arkadie et al. (2010)
Land is a crucial component for urban development and for housing. In Viet Nam it is a particularly scarce resource and is under considerable and growing pressures, thus a detailed focus on land for urban housing is warranted. This Chapter reviews urban land delivery systems by looking at a number of aspects. These include government control over and planning of urban land, concentrating on the fundamental reforms initiated since the 1980s. The legal and regulatory frameworks which govern land delivery and markets are reviewed, as are the key players. The supply channels by which non-urban land is converted to urban housing land are investigated. Current land market dynamics are described, with particular focus on both formal/official markets, and informal systems of accessing land for housing. Problems with the market, including speculation and uncontrolled peri-urban development are discussed. The Chapter concludes with key land policy issues and implications for urban housing in Viet Nam.

6.1 URBAN LAND REFORM FROM DOI MOI TO TODAY

Before 1950 the French colonial state greatly favoured large landowners and other elites over peasants in access to both urban and rural land. With the coming of socialism, fundamental agrarian reform was initiated, with large holdings being nationalised and redistributed to peasants under the slogan “land for ploughmen,” but most was soon collectivised. However, starting in 1981 peasant control over land and its production became part of reform measures, leading to greatly increased agricultural production and recognition of individual rights to land usufruct.

As has been explained in Chapter 1, Viet Nam began its transformation from a socialist command economy to a socialist market economy with the introduction of the Doi Moi reforms in 1986. Prior to these reforms private property rights were not formally recognised by the government and there was no market for urban land. Also, as described in Chapter 1, in this earlier period Viet Nam’s urban development itself had been slow.

The first Land Law of Viet Nam was enacted by the National Assembly in 1987 a revised Land Law was promulgated in 1993, amended and supplemented in 1998 with the Law on Amendment and Supplementation of Land Law, and, most recently, the 2003 Land Law. These stages of significant reforms have improved property rights greatly. The concepts of land rights and the trading and pricing of land and of its registration, planning and taxation were all part of the reform process. The rights and obligations of both land users and state agencies were laid out, and after the 2003 Land Law land has been considered as a commodity which can be openly traded. The concept of land rights was concretized by the system of issuing BOLUCs (building ownership and land use certificates) and LURCs (land use rights certificates), which gave a form of “title” to he or she who possessed a land parcel and these documents became the foundation of formal market exchange as well as the means to tax and mortgage land and property holdings. However, as will be explained below, the state remains the ultimate owner of land and retains considerable control over land use, land supply and land exploitation. In addition, land as a source of revenue is gaining increasing prominence in thinking about public and private finances at all levels. Land, in short – its allocation, use, governance and finance – will
inevitably play a central role in shaping the future of Viet Nam cities and its urban housing sector.

It must be added that, over the last 25 years of development of the formal urban land market and land management mechanisms by government, there has been a parallel emergence of informal mechanisms of urban land delivery and an increasing popularity of an uncontrolled urban land market, especially on the peri-urban fringes of Vietnamese cities. The existence of this informal land phenomenon is recognised by observers but there is little systematic information on it (see Section 6.4 below).

6.2 CURRENT OFFICIAL LAND ADMINISTRATION, REGULATION AND INSTITUTIONS

The state of Viet Nam plays a dominant role in land management. As stipulated in the Land Law of 2003, land is the property of the entire people and subject to the exclusive administration by the state. The state performs overall control and guidance over land and its allocation to institutions, organisations, households and individuals for long term use. The Land Law acknowledges that housing and other buildings may be privately owned and exchanged, but that rights over the land itself (use of the land and its exchange) are granted and limited by the state.

THE LEGAL AND REGULATORY FRAMEWORK

The current legal and regulatory framework for land is directly controlled by the Land Law of 2003 and subsequent decrees, circulars, and ordinances. As with legislation relating to housing (see Chapter 2) there are a number of other laws and decrees which control aspects of urban land and its market exchange. The most important of these are:

- Urban Planning Law (2009)
- Housing Law (2005)
- Law for Taxing Non-agricultural Land (2010)
- Law for Taxing Income from Land Use Right Transfer
- Law of Personal Income Tax

In addition, there are another set of laws and their related decrees which touch on and influence urban land markets, such as

- Investment Law (2005)
- Law of Personal Income Tax

STATE INSTITUTIONS REGULATING LAND

As in other spheres, the Vietnamese government has constructed quite a large and bureaucratic structure for the planning, management and administration of urban land.

Land and planning issues have multiple institutional homes, including those responsible for natural resources, the administration of justice, construction, agriculture, finance and local government. This is reflected at the central level, where there are a number of other ministries and bodies that are also involved in land management, as shown in Table 25. Most of these central bodies also have departments and branches at the various tiers of local administration. Such a vertical arrangement has up to now resulted in a considerable degree of segmentation and fragmentation of responsibilities.

The Ministry of Natural Resources and Environment (MONRE) is the apex institution regarding land which develops land policies and is also the main regulator of land management bodies. In particular, MONRE performs the following duties which are implemented through its local level branches and its General Department of Land Administration.

- Drafting and guiding land use strategies, planning regulations, policies and regulations on land management and land use and land surveying/registration
• Evaluating land use plans prepared by ministries and agencies of the government or people's committees before submitting them to the government for approval; and reporting to the government the land allocation, land lease and land appropriation within the control of the government.

• Drafting and submitting the decree for the government approving; promulgating decisions, circulars, instructions for supplying the contents of guidance; and inspecting land use and managing the branches, regions, organisations and citizens.

• Investigating, surveying, measuring, estimating and classifying lands; and establishing land administration maps and records and land registry; and issuing land use right certificates, land leasing/allocating and land appropriation.

• Organising land legislation implementation overall whole country by issuing guidance, short courses training for land officials, arrangement of land legislation implementation workshops at local levels.

• Inspecting land administration and land use; receiving people with grievances on land use and other land-related problems; and guiding/implementing settlement of land disputes, people's complaints and denunciations on land.

The Ministry of Construction (MOC) is another important central level agency in regards to land. MOC is responsible for physical planning, housing and real estate markets, public works, and construction management. In particular, MOC undertakes the following functions which relate to land for housing:

• Drafting and proposing long-term plans and implementation measures for construction, housing, public works, construction materials; master plans for larger urban areas

• Evaluating and approving master plans and construction designs

• Overseeing urban public works (including roads, water supply, drainage, lighting, etc.)

• Licensing construction activities on all lands

• Supervising land uses based on the Law for Housing (2005)

It needs to be stressed that although the central government has a supervisory or guiding role in urban land matters, it is the people's committees at the local levels that are the ultimately responsible executing agencies and each tier has roles and responsibilities for the management of urban land within its jurisdiction (see also Chapter 2 for an analysis of the legal and institutional frameworks for housing in Viet Nam).

PLANNING AND LAND USE CONTROL

Urban planning in Viet Nam has an extensive legal and regulatory framework. The main framework documents, mostly the responsibility of the MOC and its provincial departments, are:

• Orientation Master Plan for Urban Development 2020, MOC (1998) gives national guidelines (establish population targets for cities, limit growth of Hanoi and Ho Chi Minh City, promote secondary and tertiary cities to contain migration to Hanoi and HCMC, and develop peri-urban areas)

• Urban Planning Law 2009

• Provincial and city sector master plans (5 to 10 year horizons)

• City master plans are prepared by the district level DOCs, which define the guidelines for urban development, infrastructure and living environment. They are mapped on a 1/2,000-1/25,000 scale depending on the classification of cities

• Detailed plans, which are mapped on a 1/500-1/2,000 scale and provide the basis for all constructions including housing, public buildings, parks, infrastructure and factories. Approved detailed plans are the basis for setting up investment projects, choosing and approving construction locations and issuing planning certificates, deciding on land allocation and issuing building permissions

• Planning certificates, which are the documents that stipulates what developers have to follow when preparing investment or construction project

• Building permissions, which are the documents that are issued mainly applied for individual building construction
Table 25: Central level institutions involved in land management

<table>
<thead>
<tr>
<th>INSTITUTION</th>
<th>SUMMARY OF FUNCTIONS</th>
</tr>
</thead>
</table>
| Ministry of Natural Resource and Environment (MONRE) | - Nation-wide land use planning  
- Land legislation  
- Land mass valuation  
- Land disputes of organisations  
- Land inspection  
- Environmental protection |
| Ministry of Construction (MOC)                    | - Nation-wide urban planning  
- Urban land use planning  
- Housing construction  
- Housing disputes  
- Construction inspection  
- Real property valuation  
- Real Estate Law development |
| State Bank                                        | - Regulates bank interest rates  
- Determines lending and debt security policies for banks. |
| Ministry of Planning and Investment (MPI)         | - Approval of plans for capital investment  
- Preparation of industrial parks  
- Socio-economic planning |
| Ministry of Agriculture and Rural Development (MARD) | - Management of agricultural land |
| Ministry of Finance (MOF)                         | - Land taxation and fee collection  
- Land valuation in the market  
- Managing land used by state organisations/enterprises  
- Financing state land management |
| Ministry of Justice (MOJ)                         | - Judgment enforcement  
- Legislation implementation state’s compensation  
- Detection of legal documents that are unsuitable to legal framework |
| Government Inspectorate (GI)                      | - Inspection on all issues related to land and housing management  
- Settlement of people’s complaints |

There are in addition land use plans at the provincial level and include both urban and rural areas. These are prepared by the relevant DONRE and forwarded to the provincial people’s committee for review and acceptance, are further reviewed at ministerial level (MONRE), and are finally returned to the local level for final approval before adoption. DONREs also prepare annual land use plans (which must be approved by the provincial peoples committees) which set survey fees for such as plot mapping and verify land-use rights. DONREs are also responsible for operating “one-stop” mechanisms for land allocation, land leasing, issuance of LURCs, and land mortgages. At both the district and ward or commune levels MONRE supervises cadastral offices (which report to the peoples committees at these levels). Cadastral officials assist households in land transactions and in obtaining LURCs. The peoples committees and cadastral officials monitor
land areas, land categories, and land transactions. Each year the ward or commune PC must submit a local land use plan based on land use demand to the relevant DONRE.

It should be noted from the above two paragraphs that there is a dualism of responsibilities between the MOC and MONRE, with the former responsible for spatial plans and construction permitting, whereas the latter is responsible for land use control and the functioning of land titling and mapping. Although there is technical linking at each level and through the peoples committees, such an arrangement requires considerable co-ordination.

LAND TITLING, VALUATION, TAXATION, AND CONTROL OF LAND TRANSFERS

As already mentioned, private freehold ownership of land is not permitted in Viet Nam. However, the law recognises ownership deriving from holding of Land Use Rights Certificates (LURCs), which gives the right over the land as well as a description of the land's property. LURCs are the form of registration of 'ownership' of land of all types and in both rural and urban areas. The period land use is divided into 2 types, "permanent" and "fixed-term.” The permanent type is for residential land, public infrastructure works, public administrative offices, national defence and security. The fixed-term type is for leased land for agriculture, plantations, fisheries, manufacturing, and diplomatic offices. The fixed term varies but cannot exceed 99 years.

Land Use Right Certificates (LURCs) or "red books" and house certificates or "pink paper" are so named because of the colour of the certificates. The red book is a land use right certificate issued in accordance with legislation promulgated in 1987 and amended in 1993, 2003, and 2009. The pink paper certificates relate to ownership of the physical structure (always permanent in nature) and date back to legislation promulgated in 1994 for urban areas. A condition for obtaining the pink paper is the possession of a red book. In 2005 a decree expanded the scope of the pink book to all areas and not just urban.

In October 2009, the Government issued Decree 88 which unified the red book and pink paper into one called “Land Use Right, House and Assets Attached to Land Ownership Certificate.” DONREs are responsible for their issuance, effectively extending the executive powers of DONRE beyond land. (Previously DONRE issued the red books; while pink papers were issued by the Ministry of Construction and its branches at the provincial level).

Currently the steps taken to issue a new Land Use Right Certificate take on average 55 working days as shown in Table 26, and the steps needed to transfer a Land Use Right Certificate are shown in Table 27.

Land transfer and its documentation are implemented at land registration offices. Provided transfer taxes and fees are paid, transfer approval for urban residential land transfers is routinely given. Since commercial land use is treated as a special means of production, transfer approval is based on state planning objectives. Official discretion is evidently frequently exercised. Unauthorised land transfers, including subleasing, are punished by administrative sanctions.

Land valuation and pricing in each city or province is established annually by the city or province people’s committee and approved by the city or province people’s council. This valuation and pricing framework is the base for tax imposed on land use, transfer of land use, land transformation (change of land use purpose), land leases and other fees such as registration and land compensation. Land values are assessed annually and are supposed to reflect market values. However in practice, assessed land prices are always lower than prices transacted in the real market price. Land prices are announced by people’s committees on January 1 of each year.

Urban residential land and non-agricultural land (manufacturing, business, etc.) is classified by roads (streets). For example, lands located in the first ranked road of the central business district or urban centres are valued at highest price. The lower ranked roads are consequently valued at lower prices. Similarly, in each road (or street), each land parcel is ranked accordingly to location. The methods of assessing land values are one of the following, whichever is most practical: (1) direct comparison to other nearby similar properties (2) annual profits from the land over and above interest which could be obtained from a bank (3) for land with assets, the residual value after deducting the value of these other assets, and (4) the potential value of undeveloped vacant land. The range of land prices used in land valuation as of 2007 is given in Table 28. The city or provincial people’s committee will assess land prices based these formulae, but such assessments can be as much as 20 percent higher than the maximum price or 20 percent lower than the minimum price.
Table 26: The process of issuing land use right certificate for the first time

<table>
<thead>
<tr>
<th>Step</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Step 1</td>
<td>An individual or organisation submits application dossier to Land Use Right Registration Office</td>
</tr>
<tr>
<td>Step 2</td>
<td>Land Use Right Registration Office inspects records and transfers application dossier to a measurement and verification team (about 2 working days)</td>
</tr>
<tr>
<td>Step 3</td>
<td>Measurement and verification team measures to determine the boundaries of the parcel of land, the location, type of street, verifies the origin; disputes and complaints; compliance to land use planning; inspecting the land registration number, drawing map for issuing land use right certificate. After completing the procedure, transfers the records to appraisal team (about 21 working days)</td>
</tr>
<tr>
<td>Step 4</td>
<td>Appraisal team appraises the dossier in terms of legality and technical specifications, then transfers to the tax team to establish tax invoices (about 8 working days)</td>
</tr>
<tr>
<td>Step 5</td>
<td>Appraisal team submits to leaders of land use right registration office to sign the approval of application, transferring to the Team of Admission to seal and delivers to the printing and copy of the land use right certificate (about 4 working days)</td>
</tr>
<tr>
<td>Step 6</td>
<td>Printing and copy team prints the land use right certificate, copy land use right certificate, prepares the proposal for issuing land use right certificate, transfers to admission team (about 4 working days)</td>
</tr>
<tr>
<td>Step 7</td>
<td>Admission team submits to leaders of Department of Natural Resources and Environment to sign the certificate of land use right, and co-ordinates with DONRE to stamp the certification, citing from cadastral map. (about 4 working days)</td>
</tr>
<tr>
<td>Step 8</td>
<td>Appraisal team submits to leaders of the people’s committee to make a decision to issue the land use right certificate. Admission team transfers the profile to the office of the city people’s committee to seal (about 5 working days)</td>
</tr>
<tr>
<td>Step 9</td>
<td>Admission team records the profile land use right certificate and transfers to tax team, then issues the Land Use right certificate to citizens and transfers the profile to archive team (about 7 working days)</td>
</tr>
</tbody>
</table>

Source: extracted from the process of Land Use Right Certificate issuance in land transfer cases in Quang Ngai Province

Table 27: Steps in obtaining a Land Use Right Certificate in land transfer cases

<table>
<thead>
<tr>
<th>Step</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Step 1</td>
<td>Transaction holders (normally the Seller) submit a transaction profile to Land Use Right Registration Office (LURRO)</td>
</tr>
<tr>
<td>Step 2</td>
<td>LURRO checks and dispatches cadastral data to the tax office to determine tax amount and registration fee</td>
</tr>
<tr>
<td>Step 3</td>
<td>After receiving information from the tax office, LURRO informs the transaction holders to pay tax and fee</td>
</tr>
<tr>
<td>Step 4</td>
<td>After paying tax and fee, transaction holders submit payment receipts to LURRO</td>
</tr>
<tr>
<td>Step 5</td>
<td>The buyer receives the new LURC</td>
</tr>
</tbody>
</table>

Source: extracted from the process of Land Use Right Certificate issuance in land transfer cases
Recently, Decree 69 (Land Law) which took effect on October 1, 2009 provided new provisions on stipulated land prices. Specifically, Article 11.1 of Decree 69, stipulates that when the state allocates land with payable land use fees without going through bidding/auction process and the stipulated land price provided by the relevant provincial/municipal people’s committee at the time of such land allocation is not close to the normal market price, then the provincial/municipal people’s committee may use the market price for re-determination of the stipulated land price. Land prices now are not limited by the rules on minimum and maximum changes to the government’s land price framework stipulated under Decree 188 and Decree 123. In effect, the changes appear to give people’s committees an open-ended discretionary right to override the provisions on minimum and maximum land prices\(^\text{10}\). But this is causing problems, and many housing development projects have been delayed and a number of real estate companies face significant losses if the state calculates land use fees based on market land prices pursuant to Decree 69. Also, in recent years a number of investors and developers have complained that their housing projects have been delayed because the land price determination process is too complicated and uncertain.

There are a range of taxes and fees which are based on this land valuation system:

- **Land use (housing) tax:** This annual tax is normally very low. The taxation is calculated from 3 to 32 times higher than the tax imposed to the first class agricultural land in the city/province. A detailed calculation for tax amount on one m\(^2\) of highest price land is about VND 40,000 (USD 2) per year.

- **Capital gains tax** (assessed as part of personal income tax and enterprise income tax): When the value of real estate transaction (price indicated in the contract) is lower than price indicated in land pricing framework issued by the city/province PC, capital gains will be calculated on price issued by the PC. In case of higher price, it is calculated according to contract price. The tax is normally 25 percent of the generated profit. If the original price and other related costs cannot be identified, a tax rate of 2 percent will be imposed on the total value of the transaction.

- **Tax for non-agricultural use:** On January 1, 2012, the Law of tax for non-agricultural land use, issued in July 2010, became valid. This higher taxation is expected to curb speculative purpose for land, and it also aims to decentralize taxation responsibilities to local authorities.

In addition to above taxes, the land (house) use right holders must pay a registration fee when registering

---

Table 28: Urban land pricing framework (VND 1,000/m\(^2\))

<table>
<thead>
<tr>
<th>Urban category</th>
<th>Special class</th>
<th>Class I</th>
<th>Class II</th>
</tr>
</thead>
<tbody>
<tr>
<td>Urban category</td>
<td>Minimum</td>
<td>Maximum</td>
<td>Minimum</td>
</tr>
<tr>
<td>Urban category</td>
<td>1,500</td>
<td>67,500</td>
<td>400</td>
</tr>
<tr>
<td>Urban category</td>
<td>Class III</td>
<td>Class IV</td>
<td>Class V</td>
</tr>
<tr>
<td>Price</td>
<td>Minimum</td>
<td>Maximum</td>
<td>Minimum</td>
</tr>
<tr>
<td>Urban category</td>
<td>120</td>
<td>19,500</td>
<td>50</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Urban category</th>
<th>Special class</th>
<th>Class I</th>
<th>Class II</th>
</tr>
</thead>
<tbody>
<tr>
<td>Urban category</td>
<td>Minimum</td>
<td>Maximum</td>
<td>Minimum</td>
</tr>
<tr>
<td>Urban category</td>
<td>1,000</td>
<td>47,810</td>
<td>250</td>
</tr>
<tr>
<td>Urban category</td>
<td>Class III</td>
<td>Class IV</td>
<td>Class V</td>
</tr>
<tr>
<td>Price</td>
<td>Minimum</td>
<td>Maximum</td>
<td>Minimum</td>
</tr>
<tr>
<td>Urban category</td>
<td>50</td>
<td>13,500</td>
<td>40</td>
</tr>
</tbody>
</table>

ownership of a home or applying for land use right certification. The fee is calculated at 0.5 percent of the total value of the asset (land and house).

From the above paragraphs it should be clear that there is what could be called a “two-price” system for urban land, especially in rapidly growing urban areas such as in HCMC. The government land price (also called primary market) is administratively set, whereas the market price (also called the secondary market) is set by the market between buyers and sellers and is always higher, sometimes many times more. Whereas the aim of the separate price system is to encourage capital from investors to flow and stimulate economic development, in reality this policy has led to confusion and conflicts over land and has resulted in an insufficient supply of land for general housing. As one report comments: “It seems that the government is trapped by a peculiar two-price system that favours the developers over the public in general.” This issue is taken up in Section 6.3.

6.3 URBAN LAND MARKETS AND KEY PLAYERS

In Viet Nam today there is a large and vibrant formal land market and also an even larger informal land market, about which unfortunately little is known. Land is brought into urban use (see Section 6.4 below) at an ever increasing pace and, due to rising demand, urban land prices in Viet Nam are high and are in general rising rapidly. For example, in the 1990s land prices in urban areas increased by over 500 percent, in both Hanoi and HCMC. Therefore land, both formal and informal, has become a way to invest and speculate, shifting a significant share of the country’s economic resources away from more productive uses.

In urban areas estimates vary, and some suggest that between 60 percent and 85 percent of land is transacted informally. As these transactions go unreported and unrecorded it is very difficult to gauge the size of the informal market with any accuracy. It is important to know that informal markets have evolved and persisted precisely because they meet many of the needs of land market participants.

One reason for the high level of informal market may have something to do with Viet Nam’s history. Land has been possessed and reassigned during and after decades of conflict when laws and rights have been continuously evolving and changing. This has created a decree of suspicion, uncertainty and an unwillingness to share information in the minds of land users, not mentioning the frequent lack of archives, documentation and maintenance on land use rights.

State control in over the formal land market is by no means perfect, and although there are ongoing reforms, the sometimes complicated, opaque and bureaucratic procedures have introduced a high degree of uncertainty. This is one reason for the high level of informal transactions. Distortions in the formal market, which in part drive participation in the informal market, include transaction costs implied by taxation, various fees, lengthy administrative procedures and failure of planning provisions to meet market demands.

The formal urban land market is controlled and regulated through a number of mechanisms, as discussed in Section 6.2 above. And the formal market is still evolving. The main actors in the formal market are described as follows:

- **Households and individuals:** These are the end-users of the housing process, but they are also active players in land markets. They may be searching for land for house auto-construction or for investment or speculation or both. The fact that some individuals whose land is well situated have captured windfall profits spurs the interest in urban land among a very wide swath of Vietnamese society. Thus in addition to land as utility, for many in Vietnamese cities land is also a potential path towards riches.

- **Financiers:** The banking sector play important role in financing real estate businesses and development projects. They include para-state institutions such as the Bank for Foreign Trade of Viet Nam (Vietcombank), Viet Nam Bank for Industry and Trade (VietinBank), Bank for Investment and Development of Viet Nam (BIDV), Bank for Agriculture and Rural Development (AgriBank) and other commercial joint stock banks such as the Asian Commercial Bank, the Hanoi Housing Bank (Habubank) and the Mekong Delta Housing Bank, etc. As the Viet Nam market opens up to more foreign interests, there are more options for financing property investment in Viet Nam. Some banks offer loans up to 70 percent of property valuation. Most of the commercial banks provide loans to real estate business, housing developers, households for real estate business, housing development, buying, or construction. Other financial organisations, such as development...
investment funds (in Hanoi and Ho Chi Minh City) are also seen as financing instruments for land, housing and infrastructure development.

- **Housing developers:** Housing developers can be state or private corporations, foreign investors or joint venture companies. With a booming construction of apartment and housing development projects, such developers obviously are playing a major force to the land market.

- **Real estate brokerages:** Foreign firms such as CB Richard Ellis, Jones Lang Lasalle and Savills are active in Viet Nam in real estate brokerage, consulting and property management. Additionally, hundreds of real estate transaction floors operating nation-wide and in big cities like Hanoi and Ho Chi Minh City also are important intermediaries in land and property markets. According to MOC (Housing Bureau 2010), currently, about 700 RETFs operate in Viet Nam, and transactions via RETFs account for 30 percent of the formal total in Hanoi, 50 percent in Ho Chi Minh City and roughly 40 percent nationwide. Last but not least, there are huge numbers of brokerage and consulting centres in urban areas that provide information to real estate buyers and sellers and collect a fee on each real estate transaction.

- **Land speculators:** In Viet Nam, speculators can be anyone from an investment organisation to an individual investor. They play a decisive role in heating up the land and real estate markets. Besides supply and demand, “the wisdom of the crowd” and rumour have surprising impacts. The lack of transparency, limited information and market distortion have supported speculation purposes for recent years. Recently, due to the high inflation, monetary tightening policy, high loan interest rates, rising construction costs, and speculation control policy, rampant speculation is said to have moderated.

- **Professional and NGO Associations:** The Viet Nam Urban Planning and Development Association, Viet Nam Architect’s Association, Real Estate Associations and some NGOs are active in urban planning and development, land management, architecture and housing. However, the influence and involvement of these associations and organisations on decision or policy making process is generally weak. Their voices and opinions are not always seriously taken into consideration.

- **Foreigners and foreign corporations:** Under current land laws, foreigners are permitted to purchase Viet Nam real estate. Foreign ownership of land is not allowed in Viet Nam, but foreigners residing in Viet Nam can purchase a house and the land is leased from the government. An international investor can also purchase Vietnamese property by forming either a joint venture company with a local partner, a wholly foreign-owned company, a BOT company or one of its variants.

- **Donors and their projects:** Donors including multilateral and bilateral agencies such as the World Bank, ADB, UN agencies, AusAID, SIDA, DANIDA, and JICA have undertaken studies of land issues in Viet Nam and supported the government to develop an effective and transparent land management system. By technical assistance, expertise building and loan projects, these efforts have significantly contributed to this perspective. Examples of recent and ongoing foreign assistance projects are:


### 6.4 MODES AND CHANNELS OF LAND SUPPLY FOR HOUSING

Land with potential for conversion to urban use in Viet Nam is, in most cases, small holdings of agricultural land held by peasant farmers. In some locations there are also large plantation farms, forest, institutional or marginal land held by the state, and low-lying swamps and other water bodies which can be filled and developed for urban purposes.
A report by MONRE on land conversions over the 2005-2010 period estimated that some 27,994 hectares of land had been added to the nation's urban residential land total, an impressive increase of 27.2 percent in five years. And it is not known if this increase includes insipient informal land conversions on the peri-urban fringe. In any event, it indicates that the process of conversion involves huge areas and it is expected that such conversions will accelerate in the future. For example, urban land used for construction is forecast to reach 335,000 hectares (1.06 percent of the country’s surface area) in 2015 and 450,000 hectares (1.40 percent of the total) by 2025.

How is this urban land created for housing in Viet Nam? Basically, there are three main modes or processes or “chains”:

- **Chain 1**: land made available by the state, mainly to private developers and state enterprises
- **Chain 2**: land developed by the formal private sector or individuals (and traded through market mechanisms but with registered titles or LURCs)
- **Chain 3**: privately-held land developed informally, usually through the conversion of agricultural lands held by individuals, and further subdivided

There are no hard figures on how much land of each category is converted to urban use, but it is safe to say that the majority of land is converted to urban use through informal development (Chain 3) and that together Chain 3 and Chain 2 (registered land developed by private developers or "self-reliant" builders) represent at least three-quarters of land created for urban use. There is another possible category – squatting on marginal public land – but this phenomenon seems now to have been largely stopped by authorities.

Each of these processes or chains is described briefly below. It needs to be stressed that this is a simplification of how land is converted for residential use, since land converted under one system may, over time, result in further land subdivision and exchange under other, more mixed methods.

### STATE LAND SUPPLY CHAIN

The land use and spatial planning processes, described in Section 6.2 above, result in the identification of land around towns and cities which can be developed in any year and also indicate land use and urban layouts. Some of this land will be developed by existing landowners (also called "self-reliant" development) or private developers (see below), but in most cases it is the state that supplies and distributes land for approved, formal residential development. In fact, citizens as well as public and private enterprises can make application for land from the state (through DONRE), with allocations being made according type of projects proposed and available land.

Land in state hands may be vacant or marginal lands, but in many cases the state purchases land compulsorily from peasants (usually at low “agricultural” administrative prices and with modest compensation for structures) to gain land according to land use and master plans.

Land distributed by the state is obviously very attractive since, in spite of all attempts by government to bring administrative prices close to market prices, there is always a big gap. This gap makes the acquisition of state land very attractive to large developers and also, parenthetically, is a major motivation for corrupt land practices.

Households, individuals requiring for land allocation or lease must submit application for allocation or lease of land to the DONRE, officials of which then will examine the application and submit documents to the district/town people’s committee for issuance of a LURC. This sub-chain for allocating land to individuals does not represent a large volume of urban land conversions.

Under the state land supply chain, the most notable and predominant feature is allocation of land for massive, project-based developments that depend on special arrangements between the State and the investor (which may be a private, joint-venture, or public enterprise). Figure 19 shows one such land conversion in HCMC. These types of transactions have been called "deal tenures" and indicates that these tenures are special arrangements (including very concessionary prices for land assignments or leasing) made to attract an investor to a particular project. However, these deal tenures are one-off developments of land that may be important for national development but that are antithetical to the national land market because they require intense engagement of governments at all levels in setting up and carrying out the deals, little or no direct engagement of existing land occupiers, and in some cases transactions are not even registered in the land administration system.
Figure 19: Private developer housing sub-divisions in Phu Xuan
(12 kilometres south of the centre of HCMC)

Source: © Google
LAND SUPPLY CHAIN BY THE FORMAL PRIVATE SECTOR OR INDIVIDUALS

Under this method land is usually purchased from the original land owners (mainly from farmers) either by developers (larger tracts) or individuals (smaller parcels). This land will usually have land use titles (the red book or LURCs) and will be designated for development by master and detailed plans. These exchanges go through the land registration system as to subsequent land mutations and market exchanges. The resulting housing development may be villa or apartment units for sale or rent, either by the “self-reliant” individual builder or by the developer as part of a housing estate or high-rise. In any particular area there will be quite a mix of development stages, with multi-storey buildings, villas, shop houses in various stages of development as well as vacant plots. The built developments may or may not conform to building regulations.

INFORMAL LAND SUPPLY CHAINS

Paradoxically, although this form of conversion of land to urban use is the single largest contributor to new urban land in Viet Nam, very little is known about the processes and actors involved. Many observers point to the reasons for the existence of the informal sector, but they usually assume that is has to do with the bureaucracy, high costs, and hassles inherent in the formal land systems. Rarely does anyone try to understand the logic of the informal process and its advantages.

Informal supply chains mainly operate in the peri-urban fringes of cities and involve the direct subdivision and sale of agricultural holdings to individuals and, less frequently, to informal developers. These may in turn further subdivide lands, using the returns to finance construction on the retained parcels. In any event the process is very individualistic, and at most an informal land broker might be engaged for a fee to bring seller and buyer together.

It is important to remember that these informal land conversion processes are progressive, that is a particular informal area may start off at a very low “rural” density of habitation and only slowly increase in terms of built-up areas, in terms of services, and in terms of population. Very often the core of informal development is an existing village or hamlet, or expands out from existing transport corridors. Figure 20 through Figure 23 show how land is developed and informally increased in population density in peri-urban locations in HCMC, Hanoi, and Da Nang using satellite imagery.

Construction work and land development in and around peri-urban villages are beyond the control of responsible agencies and local governments. Consequently utilities and roads may not exist; roads that do exist will tend to be narrow (down to motorbike width) and circuitous. Since there is rarely a good natural or installed surface water drainage system, flooding in the rainy system can be common in low-lying neighbourhoods. Public services such as schools will be few and overcrowded. Over time the built area of a parcel may reach 80 to 100 percent.

A rare glimpse of how “spontaneous” land processes work in peri-urban areas is provided by the 2005 case study of Phu Thuong Ward, Hanoi (see Box 12). Another case study of two wards in peri-urban HCMC carried out in 2005 confirms the general land development features described in Box 12. In other words, the original land owners tended to subdivide their plots and sell them off over time, informal speculators came into the area and bought up plots for holding and eventual resell, local land brokers had an important role, and housing plots were mainly very small (averaging 67 m²) and rectangular and long. Also, it is interesting to note that in these two wards electricity was universal, roads were in poor condition and narrow, and water was obtained from tube wells (There was no sewerage system and inhabitants relied on soak away pits). Government decrees in 2004 had some effect in slowing informal land development.

Neither of these case studies was large nor were the sampled households statistically representative. However, they give some indication of the land dynamics in these peri-urban areas of Hanoi and HCMC. They show, moreover, that through case studies it is possible to begin to gain an understanding of informal urban land conversions on the peri-urban fringes of Vietnamese cities.

Over the 2005 - 2010 period estimated that some 27,994 hectares of land has been added to the nation’s urban residential land total, an impressive increase of 27.2 percent in five years.
Figure 20: Informal housing development in Binh Hung Hoa
(12 kilometres north of the centre of HCMC)

Note influence of minor roads in attracting development

Source: © Google
Figure 21: Phu Dien - Increased density of peri-urban village development
(8 kilometres west of Hanoi city centre)

Source: © Google
Figure 22: Thanh My Loi - Increased density of peri-urban village development
(6 kilometres south of Da Nang city centre)

Source: © Google
Figure 23: Informal housing development in Tan Kien factory area
(15 kilometres west of HCMC city centre)

Source: © Google
Informal development of a peri-urban village in Hanoi

Phu Thuong Village, located in the inner fringes of Hanoi, started to experience urbanisation pressures in the early 1990s and was given a detailed district plan in 2001. Many people in the village wished to change from traditional rural housing to more urban styles, and to raise money for this many, almost half, sold parts of their lands. In addition, other land parcels were subdivided to give to their children. People from other parts of the city and even from other provinces began to come and buy land parcels directly from the land owners. Some of the local people, seeing how profitable land transactions were, set themselves up as land brokers. Land speculators soon became active, buying up parcels in the area once the nearby Ciputra New Urban Development Area plan was declared. From 1996 to 2004 the average price of land in the village increased ten-fold. A survey discovered that although development was informal, 90 percent of households had Red Books (land use certificates), but over half of these kept their original official residences elsewhere and thus in theory the original land owners were the Red Book holders. An interesting feature of the development was that the subdivision process tended to create short and very narrow cul-de-sac streets off of which there were long narrow plots for housing.

Source: Tran et al. (2005)

6.5 URBAN LAND ADMINISTRATION AND CORRUPTION

It is recognised that corrupt practices are common in many aspects of Vietnamese life, and they are especially common in aspects of land administration. A recent survey on corruption in Viet Nam showed that land management tops the list of ten fields accused of corruption, showing that it is highest in housing and real estate at 21 percent, followed by transportation at 11 percent, public administration at 10 percent, construction at 7 percent, education at 5 percent, and finance-banking at just under 5 percent. There are a multitude of corrupt land practices, but the three most popular are:

- Taking advantage of state projects to appropriate land, share land, especially in forested, residential areas and resettlement programmes,
- Making corrupt use of power to confer land for example leasing land plots of large areas, favourable positions, low prices, quickly completing related formalities and seeking profit through land allocation especially for investment purposes,
- Asking for presents and money while performing formalities related to land, such as land allocation, land lease, land rights transfer, land use certificate granting, land compensation and site clearance.

According to a survey undertaken in Hanoi, Vinh Phuc Province and in Ho Chi Minh City by the Government Inspectorate Research Institute of the Government Inspectorate in 2010 showed that 84 percent of the households requesting for a “Red Book” meet obstacles. Also, some 51 percent of households hire administration land staff to process their documents, while 44 percent of households requiring a new “Red Book” needed personal help from a government official.

Obviously such high levels of corruption and official “facilitation” in aspects of land administration are a cause for concern. Although corrupt practices exist in all societies, such high levels relating to urban land in Viet Nam are an indication that the system imposed and developed by the state since the Doi Moi reforms to “manage” land and its value is not working well. Not only is it overly bureaucratic and complicated (which gives ample space for corrupt practices), it simply cannot compete with or begin to control the prices expressed by a very dynamic (and potentially profitable) urban land market. In this competition between administrative prices and free market prices, international experience shows time that market forces, and the gain to be made from them, will pervert any bureaucratic structures.
6.6 CONCLUSION ON URBAN LAND DELIVERY SYSTEMS

The efficient functioning of Viet Nam’s land delivery systems for urban housing are faced with four challenges:

- Rapid urban growth and tremendous volumes of land conversions which are set to continue in the coming decades.

- A cumbersome and non-transparent bureaucratic system of land administration which still contains remnants of command and control practices.

- Rapid land value rises which (1) make “affordable” land for housing less and less possible without direct state intervention and, at the same time (2) allows fertile ground for windfall profits, speculation, and associated corruption.

- A “formal” land delivery system (the “primary market” where the state originates land supply) which responds mainly to high-end real estate investors and has been partly monopolised by special interests.

As a result of the above, the creation and even expansion of a huge informal urban land market that, for all its faults, delivers land and the resulting housing that is affordable to a wide range of limited income families and migrants.

In this Viet Nam is not unique. International experience shows that these challenges are faced to varying degrees by most low and lower-middle income countries with rapidly expanding urban sectors. It is just that Viet Nam seems to be urbanising faster than most, its booming economy is causing acute competition for land, and former command economy legacies are still very much in evidence.

Observers have put forward a host of recommendations to improve the efficiency of urban land administration. There are calls make land titles universal and easy to obtain, to simplify, streamline and make more transparent land administration, to make better use of market indicators and valuations in assessing taxes and fees, and to remove legal complexities and loopholes which are breeding grounds for corruption. In this Viet Nam has already shown in the last decade that it is heading in the right direction, but entrenched interests and hold-over mind sets present formidable obstacles.

Any reform of urban land administration must take into consideration that taxes and fees on land and land transactions generate significant revenues for the state. According to an estimate by MOC, in 2009 revenues from land, housing and real estate activities reached VND 42.7 trillion, accounting for 11 percent of the total state budget revenue. And of this revenue amount land use and transfer fees alone generated VND 33.0 trillion or 71 percent of the entire housing and real estate sector.

Observers also rightly question the allocation of state land for real estate purposes at below-market and “subsidised” rates, even though there is little or no social benefit from these ventures. Urban land policies, especially those of central and municipal governments (including peoples committees) need to avoid land release which results in high-cost and luxury housing. Land is needed for affordable social housing and for economic projects, and experience so far shows that both public and private housing enterprises build only for thin strata of the well-to-do. There are already numerous large areas being developed or in the pipeline around HCMC and other major cities for such projects, enough to satisfy market demand for years to come.

Besides administrative reforms relating to land, much could be gained by looking at and even learning from informal urban land development. As has been underlined in Chapter 5, there is a serious affordability problem for a wide swath of urban households and currently only informal housing processes, including the informal and incremental creation and subdivision of land and subsequent self-built housing production, which can meet the housing needs of the majority. There are many deficiencies in informal urban development, but many of these could be avoided or at least mitigated by selective state interventions, including ways of “guiding” development that will happen anyway. But to do this informal urban development (land plus housing) needs to be much better understood than it is at present, and a priori negative attitudes need to be discarded. If, after all, informal land processes meet the housing needs and aspirations of the majority, then it is only logical that it receive more attention.
1. In the earlier period (1975 to 1986 period in the south and the 1954-1986 period in the north) a certain amount of land exchanged hands and were bought and sold informally, especially in rural areas. There is no information about these informal land markets, but it can be assumed they followed traditional, rural norms.

2. At each city/province there is a department of natural resources and the environment (DONRE) and at each district there is a district division of natural resources and the environment. Finally, at each ward/commune there is also a cadastral office with a certain number of cadastral officials.

3. Adapted from Gillespie (2004): modified changes in 2010


5. In 2009, the prime minister approved the “Adjusted master plan orientation for Viet Nam’s urban system development to 2025 with vision to 2050” which highlights specific indicators of urban development.

6. People’s Committee of Quang Nai (n.d.)

7. For households and individuals who received LURC from 1 July 2004 to 1 January 2009: only pay land use tax according to Inter-ministerial Circular 14/2008/TTLT-BTC-BTNMT. From 1 January 2009 to present, households and individuals making LUR transfer will pay personal income tax (PIT) according to the Law of personal income tax

8. Normally the seller pays PIT and buyer pays registration fee

9. People’s Committee of Quang Nai (n.d.)


11. Thu and Perara (2011)

12. Ibid: 1

13. World Bank (2004b)


15. RETFs are not allowed to engage in activities of real estate investment, trading, or rent. RETF only acts as a broker for selling and buying, renting by authorisation of real estate investors and collects fees on such transactions. House selling – buying by households and individuals does not necessarily go through RETF.

16. MONRE (2010)

17. Ibid


19. A number of sources mention that informal or “self-reliant” processes account for large majorities of urban land transactions in Vietnamese cities (Central Institute for Economic Management 2006) Also, data of the Chief Architects Office of Hanoi indicate that “self-reliant” housing construction by surface area represented in the 1998 to 2000 period varied between 68 and 75 percent of the total for the city. (Machida et al. 2006)


22. Van Der Molen & Tuladhar (2007)

23. 36 percent of urban residential land and 60 percent of special use land have not yet been granted LURCs. In addition, it is common for LURC holders to transfer land outside the administrative system because of the costs and hassles involved (MONRE 2010).

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This Chapter looks at how housing is financed in Viet Nam. It starts with a quick background review of the country’s financial and banking system. It then looks at the evolution of housing finance in the country, the institutional and regulatory frameworks which govern housing finance, housing funds and government subsidies, and means of resource mobilisation and savings systems for housing. It ends with a summary of the main conclusions about housing finance in Viet Nam.

7.1 THE BANKING SECTOR IN VIET NAM AND THE RISE OF HOUSING FINANCE

As recent as 1988 Viet Nam’s economy was dependent on a “one bank” system comprising the State Bank of Viet Nam. Until June 2013, there were six state-owned commercial banks, several dozen joint stock banks, foreign bank branches, joint venture banks, credit cooperatives and finance companies.

The changes which have taken place in the banking industry are remarkable following the restructuring of the State Bank and the introduction of the Doi Moi economic reforms in 1986. The commercial banks today are diversified in terms of ownership and business focus, and Viet Nam has clearly demonstrated its ability in issuing bonds to absorb idle funds, improving money circulation, terminating issuance of banknotes to finance the state budget, stabilising the currency and issuing Treasury Bills. One element in the success of restructuring is control over what had been run-away inflation in the 1980s, although it remains high and the Vietnamese Dong, which is not freely-convertible, continues to be devalued periodically.

Since 1992 Viet Nam’s banking system has consisted of a combination of state-owned, joint-stock, joint-venture, and foreign banks. State-owned banks include the Bank for Investment and Development of Viet Nam and the Bank for Agriculture and Rural Development. The remaining are commercial joint stock banks such as the Vietcombank, Viet Nam Bank for Industry and Trade, Asian Commercial Bank, the Hanoi Housing Bank, and the Mekong Delta Housing Bank. The state-owned commercial banks predominate, but they suffer from high levels of non-performing loans, most of them to state-owned enterprises. Consequently, in September 2005 Viet Nam decided to equitise all five state-owned banks. Since then the government has tried to improve the banking system by improving transparency, establishing credit-rating agencies and performance standards for joint-stock banks. Viet Nam remains largely a cash-based society, automated teller machines have only recently been installed, and there are only a small number of debit cards in circulation. Facing economic recession since 2011, the restructuring of Viet Nam’s banking system is one of the three major directions of economic structural reform in Viet Nam. This is due to the loss of liquidity and high rates of debt among banks. Some measures implemented by the government include: assets classification; establishment of risk contingency fund by banks; merging or consolidating banks; allowing foreign investors to buy bad debt; establishment of asset management companies of credit institutions and promotion of reform in state enterprises.

The structure of the formal finance system in Viet Nam and the situation of housing finance within it can be described as having four tiers:

- At the top level is the State Bank of Viet Nam (SBV), with its function as the country’s central bank, setting the policy and regulatory environment for financial institutions and monitoring their prudential and operational performance.

- The second tier comprises state banks not engaged in housing loan origination to home owners, though they may be involved with construction and development finance loans to housing development and construction companies.

- The third tier is made up of the retail banks that provide housing loans. At present there are five.

- The fourth tier involves other financial institutions such as housing development funds and consumer credit organisations involved in issuing micro credit to home owners (see Section7.6).
Beside the above mainstream formal systems, there are emerging housing finance models in Viet Nam, such as community development funds and micro-finance. These models particularly target low income people who often have limited or no access to the formal systems due to the lack of proper collateral and high interest rates (see section 7.7 and 7.8).

7.2 LEGAL AND REGULATORY FRAMEWORKS FOR THE HOUSING FINANCE

The key legislation dealing with housing finance is presented in Table 29. It should be pointed out that in addition to this specific legislation, there are a number of enabling laws from which housing finance systems derive their legitimacy. These include the Housing Law of 2005 which is extremely important as it:

- Regulates housing ownership, transactions and management
- Defines the eligibility of collateral in housing transactions
- Allows mortgage financing and defines the obligations of borrowers and banks in mortgage lending transactions

Other “enabling” or framework laws which are important for housing finance include the Land Law (2003) and the Real Estate Business Law (2006).

Mortgage lending has been regulated by the two decisions issued by the State Bank of Viet Nam (SBV) in 2005. All financial institutions have issued their internal regulation on real estate business lending. Financial institutions have the right to select borrowers and make decisions on mortgages and guarantees.

Table 29: Key legislation relating to housing finance

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<td>Decree 127/2005 of the State Bank</td>
<td>Elaborates on the mortgage system allowed under the Housing Law of 2005</td>
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<td>Decree 71/2010/ND-CP, Guiding the implementation of the Housing Law</td>
<td>Defines eligible funding sources for housing development Sets criteria on eligibility for social housing Defines different types of housing transactions Sets provisions on the establishment of local housing funds and the use of these funds</td>
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<td>The Real Estate Business Law 2006</td>
<td>Regulates the real estate business, including land use rights; the rights and duties of organisations and individuals working in real estate transactions and related activities</td>
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<tr>
<td>Security Law 2006</td>
<td>Regulates the issuance and management of securitisation, including the issuing of bonds to finance housing projects</td>
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<tr>
<td>Law on Credit Institutions 2004</td>
<td>Regulates the establishment, operation, reorganisation of credit institutions and also the establishment and management of foreign banking institutions</td>
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<tr>
<td>Decree 138/2007/ND-CP, Investment funds for local development</td>
<td>Defines the legal status of local investment funds, their management, funding targets, and eligibility criteria for financing from the funds</td>
</tr>
<tr>
<td>Decision 67/2009</td>
<td>Stipulates eligibility for purchase and rental of low income housing</td>
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<tr>
<td>Decree 163/2006/ND-CP</td>
<td>Regulates security transactions, stipulates the requirements for secured transactions, including mortgages and rights and responsibilities of mortgagees and mortgagors</td>
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Housing finance regulations sometimes cause confusion to both mortgagees and mortgagers, especially since rules are inconsistent with regards to the process of certifying collateral. For example, according to the Housing Law, housing collateral agreements can be certified by districts or communes, popular committees, or notaries, while according to the Land Law certifying land use right collateral is solely the responsibility of commune PCs. Also, it is unclear whether the housing under construction is eligible to being used as collateral or not.

7.3 FORMAL CREDIT FOR PRIVATE HOUSING

HOUSING FINANCE FOR INDIVIDUALS AND HOUSEHOLDS

For households who have the means and who have decided to borrow through the formal finance market in order to purchase or build a home, recourse is mainly through commercial retail banks.

Outstanding loans given to housing purchasers and other real estate stakeholders increased significantly, from VND 50,040 billion in 2005 to VND 184,134 billion in 2009, with the greatest expansion in the year 2007. Most commercial housing loans are long-term and medium-term loans for housing purchase, construction and repairing. The high growth of housing lending by commercial banks has been due partly to the passage of the Law on Real estate Business 2006 and partly to the large FDI inflows into the real estate sector.

Even so, given the potential size of demand, coverage of the formal housing loan market for private households has been quite small, and there are many reasons, some of which are related to credit risk and funding/liquidity risk:

- The constrained availability and quality of collateral (i.e., LUC and BOLUC);
- The unclear and cumbersome nature of the property foreclosure procedures;
- Household income verification;
- The very limited access of lending banks to long term funding sources.

Another reason for the constrained use of formal housing financing is that to date finance products of both public and private commercial banks (state-owned commercial banks and joint-stock commercial banks) are very much traditional mortgages: large loan size, long term (up to 20 - 25 years), market interest rates (currently 18 - 20 percent per annum), collateralised by the land and/or property. As a result, they have been limited to only small portion of households. However, some state-owned commercial banks have started to realise the potential of the middle-income market and are thinking of ways to serve it. For example, Techcombank has been running a pilot programme for smaller sized mortgages with the Asian Development Bank (ADB), but this project has proven difficult to be financially sustainable.

Lending by commercial banks is closely tied to the lending interest rate and the required reserve ratio, which are controlled by the SBV. Various directives in 2008 and 2009 which restricted interest rates to banks and credit institutions and changed the risk ratio have caused contraction in the volumes of loans as of 2010.

Borrowers can use their properties, including housing, movable properties or the guarantees from guarantors to get loans for housing. The property to be mortgaged needs to be (i) owned by the borrowers or guarantors with the certificates of ownerships, (ii) tradable; (iii) without any conflicts at the moment of contract signing; and (iv) carrying property insurance, as required by law.

If borrowers use land use certificates as mortgages, the transactions will need to follow the Civil Code and the related legal documents along with the regulations on mortgage lending.

HOUSING FINANCE FOR PRIVATE DEVELOPERS

Corporate private developers are a relatively new phenomenon in Viet Nam. In addition to their own equity, according to Decree 71/2010/ND-CP housing developers are eligible to accessing the funds from:

a. Credit institutions and investment funds through signing loan agreements or issuing security bonds.
b. Secondary owners through investing in housing equity or signing joint venture agreements specifying the conditions for transferring land use rights and the infrastructure built from the primary project owners to the secondary owners.

c. Individuals and organisations through investing in housing equity or signing joint venture agreements specifying the principles on housing investment and profits sharing or sharing the built houses between the primary project owners and housing investors.

d. Real estate enterprises through signing joint venture agreements on housing development. The real estate enterprises, who sign the agreements on housing development, are eligible to sharing the profits from housing development or the housings built with the primary project owners.

e. Individuals and organisations through signing the contracts on purchasing future houses.

In practice, because of a high reserves ratio set to commercial bank loans and high lending rates offered by commercial banks, most housing developers have had to look elsewhere to raise funds for housing development. The key funding sources for housing developers at present are, besides equity, by raising pre-payments from eventual unit owners (both individuals and organisations).

According to Law of Housing and Decree 90/2006 which provides guidelines on implementation of Law of Housing, investors of real estate projects are entitled to sell housing units to customers when infrastructure of the project has been completed (for new urban projects) and foundation has been completed (for housing project). This policy aims to ensure financial capability of investors while protecting customers from the risk of having their capital occupied by investors. However, this has caused much difficulty for investors in raising funds for their projects. Decree 71/2010 which has replaced Decree 90/2006 has allowed investors of housing project to raise capital from customers in advance in several ways. This policy, in fact, has been controversial. While investors have considered this an enabling policy which has improved accessibility to capital for investors in real estate projects, in reality many risks have arisen from this mechanism, such as: low quality of housing, delay in transferring houses to customers, and investors asking for more compared to the committed housing value in the contract. In order to address this problem, the supervision of government agencies over investors, who are allocated land by the state, is crucial.

**THE FINANCIAL CRISIS AND HOUSING FINANCE**

In 2008 the global economic crisis had a significant impact on the Vietnamese economy, and effects are continuing. In addition, the real estate market, which many considered over-extended, was hit hard and a precarious state has continued from 2010 to the present.

In response to the financial crisis, government policies have had negative impacts on the real estate market. For example, according to a decree in 2009 (Decree 69/2009/ND-CP) investors had to purchase land at the agreed price or negotiate the compensation rate close to the market price. Another example was Circular 13/2010/TT-NHNN which increased the risk ratio for real estate loans from 150 percent to 250 percent. In addition, the drastic implementation of tight fiscal policies and the consequent reduction in public investment, including many infrastructure construction and development projects in 2011, have had strong negative impacts on the financial market in general and the real estate market in particular.

Since 2012, the government has applied several measures to facilitate gradual recovery of real estate market, including: (1) increased accessibility to credit for housing, (2) encouraging credit organisations to co-operate with investors to provide long term credit housing, (3) allowing the subdivision of apartments and encouraging decreases in the selling price, (4) reviewing policies regulating the selling of houses to foreigners who invest in Viet Nam, (5) improving state management of the real estate market, (6) accelerating social housing programmes, (7) applying new financial mechanisms such as a housing saving fund and real estate investment fund, and (8) applying tax policies to prevent speculation on and encourage effective use of land.

According to senior experts at the BIDV, with these new state policies to loosen credit for real estate market, and with the gradual recovery of Viet Nam economy in medium and long term, associated with increasing demand for middle and low income housing, there will be considerable opportunities for investors in the real estate market. Macroeconomic conditions will lead to a further decline in interest rates and inflation will be brought under control.
7.4 INFORMAL CREDIT AND SELF-FINANCING

An unknown proportion – but certainly a large majority – of urban households in Viet Nam rely primarily on personal and family savings to finance housing construction and improvement. In a survey carried out by the VRR500 in 2007 only 20 percent of the respondents said that they wanted to get loans from commercial banks for housing. Most people relied on personal savings (44 percent) and another 35 percent preferred informal loans from relatives or friends to add to the own savings for housing purchase. Respondents said that the procedures for getting loans from commercial banks are too complicated and also that interest rates are too high.

In addition, much informal housing construction is progressive, which allows the home-builder to tailor expenses with available capital. A household can save intermittently and also take on personal loans without interest from relatives and friends. It can also convert other family equity (such as land, jewellery, livestock) into finance for housing construction. Also, remittances from family and friends residing overseas have added to this informal housing finance stream.

In the case of informally-built housing (estimated in Chapter 4 to represent at least 60 percent of all urban housing units production in the country), personal or informal means of housing finance are the only ones available. But informal housing finance is very popular even with those who have overcome the various legal and bureaucratic obstacles (such as the lack of BOLUCs and LURCs) to make their housing “bankable”. Two factors are operating here which probably constrain formal lending for housing more than any others. These are the cultural reluctance to borrow and the high cost of borrowing.

Culturally, Vietnamese like to save if possible and are averse to holding debt. The burden of debt and the worry that repayment in the future may be difficult, partly a result of Viet Nam’s unstable history and partly due to high inflation, has kept many families away from formal sources of credit for housing.

With interest rates for mortgages at very high rates of 18 to 20 percent per annum, a borrower is looking at accumulated premium payments several times the value of the mortgaged property. Although high inflation rates discounts future repayments, for many Vietnamese it seems absurd to be locked into twenty years of high monthly payments. They make a rational decision to forego current “consumption” of housing, accumulate savings, and then purchase the unit with a combination of cash and informal sources.

7.5 RESOURCE MOBILISATION SYSTEMS FOR HOUSING

Because the huge informal and self-built housing sector is outside government accounting systems, it is very difficult to gauge how resources are mobilised for housing as a whole. Our understanding is restricted to funds that flow through the formal system, as follows:

Recently, a key source of finance for housing has been investments from housing developers. To encourage housing investment, the government has provided different incentives to developers, such as reduction of land use fees, taxes on resident land, construction land and reduced corporate income tax.

Foreign Direct Investment (FDI) has also been a big source of finance for housing development for the last years, especially starting in 2000 and increasing rapidly. For the 2004 - 2010 period, applications for FDI projects were worth about USD 8 - 9 billion. In 2007 the FDI reached USD 8.5 billion, representing 42 percent of the total registered FDI capital.

Combining equity investments from real estate developers and that from FDI, it is clear that total investments in real estate development in Viet Nam has soared in the last few years, as is shown in Figure 24.
However, note that the figures for real estate investments mentioned here include investments in commercial, industrial, and office projects and other non-housing purposes. The amount specifically aimed at housing investment is not separately accounted. Also, it must be noted that since 2008 direct foreign investment into Viet Nam has suffered setbacks.

At present, most of the commercial banks in Viet Nam are involved in housing finance. Before 2010, many commercial banks, including some foreign banks such as HSBC lent for housing purchase at up to for 70 percent of housing unit value and with long maturity (usually 7 years, but in some cases for 20 - 25 years). Some commercial banks have issued loans for up to 90 percent of the unit value (such as the ABBank and the Maritime Bank). Table 29 shows housing lending terms of commercial banks as of 2009.

In spite of this impressive expansion in equity investments by private developers, in FDI for real estate, and in housing lending by commercial banks, the means available for mobilising resources for housing finance in Viet Nam remain rather limited. First, the capital market is relatively undeveloped and the lack of sources of long term domestic capital financing (such as from pension funds, insurance funds and long term institutional investors) is a major cause of the shortage of long term capital. In Viet Nam capital market activities are limited to the bill and bond market and the nascent securities market. The bill and bond markets began in 1996 and are dominated by Treasury bills and bonds. The security market was established only in 2000 in HCMC and commenced with only two listed firms, and the securities market experience and its development perspective is uncertain. Also, there is no national superannuation or provident fund in Viet Nam and the life insurance sector was only established in 1997.

Figure 24: Total investment in real estate development for 2000 - 2008

![Total investment in real estate development for 2000 - 2008](chart.png)

Source: Ministry of Planning and Investment (2010)
Table 30: Housing lending terms of commercial banks for housing clients in 2009

<table>
<thead>
<tr>
<th>NAME OF BANK</th>
<th>% OF HOUSING UNIT COST</th>
<th>MATURITY (YEARS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>ABBank</td>
<td>90</td>
<td>20</td>
</tr>
<tr>
<td>Maritime Bank</td>
<td>90</td>
<td>20</td>
</tr>
<tr>
<td>Techcombank</td>
<td>70</td>
<td>20</td>
</tr>
<tr>
<td>Southern Bank</td>
<td>85</td>
<td>20</td>
</tr>
<tr>
<td>HSBC (for Phu My Hung Park)</td>
<td>25</td>
<td></td>
</tr>
<tr>
<td>ANZ</td>
<td>70</td>
<td>20</td>
</tr>
<tr>
<td>Eximbank</td>
<td>70</td>
<td>20</td>
</tr>
<tr>
<td>Sacombank</td>
<td>70</td>
<td>20</td>
</tr>
</tbody>
</table>

Source: Hanh, 2011.

7.6 HOUSING DEVELOPMENT FUNDS AND FINANCIAL SCHEMES FOR LOW INCOME HOUSING

The central government and local authorities have developed funds and policies financially supporting low income housing projects. In particular, HCMC and Hanoi authorities established housing development funds in the 2000s. The main sources of funding for low-cost or social housing in 2009 and 2010 are described in Table 31. The main housing development and other schemes are as follows:

THE HO CHI MINH CITY HOUSING DEVELOPMENT FUND

It was established in 2004 with a grant from the city budget of VND 1,000 billion to capitalize its operations. The objective of the fund is to help raise funds for housing for low income people living in the city. Beneficiaries of the fund are civil servants and government officers of the municipal government. Housing loans are provided from the fund, and borrowers are required to pay a down payment at 30 percent of the value of housing unit and have sufficient stable income to ensure service ability of the loan. The maximum size of a loan is VND 400 million (2010), maturity is 15 years at an annual interest rate of 9 percent, which implies a heavy subsidy. It is difficult to screen for qualifying low income beneficiaries, lending progress had been slow, and an inspection in 2009 showed that the fund has not performed well.

THE HANOI HOUSING DEVELOPMENT FUND

It was established in 2001, under Hanoi’s People’s Committee. The key mandate is (i) to receive the funds from the city and state and issue long-term and medium-term loans to housing developers for housing projects, including resettlement housing and residential infrastructure (ii) receive savings from civil servants as instalments towards the purchase of the city’s low income housing units; and (iii) make direct investment in housing and infrastructure development. To date the fund has mainly focused resettlement housing. Only two low income housing projects were completed, one in 2007 for city civil servants and one in 2010 which is still under processing. Although loans were made at concessionary rates, not many civil servants have participated in the loan programme, due to the unclear eligibility criteria to the loans and the small size of the loans.

HOUSING CO-OPERATIVES

Housing co-operatives have been promoted, but to date only a handful have been formed, and most of these are in HCMC. The “Saving for housing programme” has
been implemented under the Viet Nam Co-operative Alliance. Housing co-operatives have been established to raise the savings from their members for housing. Members are to deposit a minimum of VND 100,000 and a maximum of VND 300,000 as maximum per month. An index scoring system on the savings is used and scores determine the order in the queue for the right to purchase a house. Priority is given to low income households who can pay the required 30 percent down payment. Partner banks manage the housing loans.

**FREE LAND AND CONCESSIONARY LOANS FOR HOUSING DEVELOPERS**

To encourage low income housing, in the last ten years the government has given housing developers free land and concessional loans but stipulating the selling price and who qualifies. If only land is provided, the developer can sell units to anyone from a very long list of eligible applicants at approved prices. There is a problem in targeting. Many who benefit can hardly be called low-income, and conversely very needy households may be unable to afford the units on offer. There is also said to be a problem with inferior construction quality.

Table 31 shows the main sources of funding for low-cost or social housing in 2009 and 2010, by category. Note that these figures refer to the whole country, and that most state-supported housing has been in rural areas.

### Table 31: Funding from the state budget for housing in 2009 and 2010

<table>
<thead>
<tr>
<th>HOUSING PROGRAMME/YEAR</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Units</td>
<td>VND billion</td>
</tr>
<tr>
<td>Housing for the poor</td>
<td>126,876</td>
<td>2,165.5</td>
</tr>
<tr>
<td>Housing for low income</td>
<td>Not yet</td>
<td>2,802</td>
</tr>
<tr>
<td>Housing for students</td>
<td>No data*</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>94 blocs for</td>
</tr>
<tr>
<td></td>
<td></td>
<td>70,000 students</td>
</tr>
<tr>
<td>Housing for workers in industrial parks</td>
<td>No data*</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>200,000m² for</td>
</tr>
<tr>
<td></td>
<td></td>
<td>27,000 workers</td>
</tr>
</tbody>
</table>

*Source: adapted from Ministry of Construction (2010a)*

* Related Decisions (Decision No. 65 and 66) were issued in 2009, and therefore there is no data in 2009

** Data is from www.vietbao.vn, December 14, 2010
7.7 MICRO-FINANCE FOR HOUSING

Housing microfinance (HMF) is a relatively new concept in Viet Nam, and those institutions currently providing true microfinance products for housing are few. As of 2008 there was only one provider, the Capital Aid Fund for Employment of the Poor, that has taken the concept to a significant level. Another party that could be regarded as providing HMF, though at smaller scale, is the VBSP. It provides loans to households whom the government forced to relocate to the Mekong Delta area. Additionally, the VBSP knows that some of their microloans are actually applied for housing purposes. More genuine HMF projects are on their way. For example, Habitat for Humanity Viet Nam is currently in the process of designing a suitable HMF product.

Most institutions currently supplying or considering supplying microfinance products for housing are State or public owned, have a range of general microfinance products, and target poor individuals (especially families in rural areas). Loan sizes are in the VND 2.5 - 15 million range, with tenure of one to three years, and apply interest rates of 0.6 to 1.0 percent per month. None are fully commercial and there are inherent subsidies imbedded in the loan programmes.

As analysed in a study in 2008, housing microfinance has a great potential in Viet Nam. Currently only a very small number of people are served, and these are all very poor and mainly rural. So far the low to moderate income families in urban areas, a segment of the population that is growing very rapidly and that has considerable housing needs, are not served at all. As analysed earlier in this Chapter, traditional mortgage finance programs of state banks in Viet Nam only target the upper middle classes and the rich. On the supply side, there is a solid and growing microfinance industry that is becoming more commercial, and these microfinance institutions will be exploring new products and expanding their geographic reach. With these institutions lies the main hope for a much larger and effective housing microfinance system.

Of course there are obstacles, including the worrying levels of inflation, untested risk in new clientele, and a less-than-perfect legislative and regulatory environment for microfinance. But given the success of housing microfinance in many countries similar to Viet Nam, the future looks promising.

7.8 COMMUNITY DEVELOPMENT FUNDS

“The way the process is carried out makes it simple and opens up opportunities for communities to participate in managing the project. Because in fact when the communities take a loan and manage it, money will never be lost through corruption.”

- Vu Thi Vinh, Deputy General Secretary Association of Cities of Viet Nam

As an innovative mechanism for financing shelter, city level Community Development Funds (CDFs) have been formed since 2001 in Viet Nam by linking and extending existing community saving activities city-wide. They aimed at small scale projects at the beginning, such as street pavement or drainage improvement, but later extended their scope to housing schemes. They primarily target urban poor communities to increase their access to

Figure 25: Saving pig breaking day in Bac Kan
Source: 2012 © ACVN
financial resource and thus allow them to improve their
housing and habitat environment.

The fund is managed by community people and the
primary source of its seed money is savings of community
people (Box 13), and funds from external donors or local
authorities are channelled to the city level CDF. For
improving or rebuilding houses, communities take small
scale loans from CDFs for buying building materials,
hiring sub-contractors, or collectively leasing or
purchasing land use rights. They pay back with a certain
percentage of interests which are deposited in a revolving
fund for further lending.

The CDF Network started in five secondary cities (Viet
Tri, Hai Duong, Hue, Quy Nhon and Can Tho) and has
now spread to 30 cities from grade IV to I in a partnership
with ACVN since 200715. ZTable 32 shows the number
of saving groups, saving members and fund amounts in
16 cities16. The National Women’s Union and ACVN
have actively facilitated the CDFs with the international
supports of UNDP, UNCHS, ACHR and ENDA-Viet
Nam.

The CDFs in Viet Nam have flexible financial mechanism:
they allow communities to discuss and agree on the loan
size, interest rate, and payback period. This flexibility
has increased the accessibility and affordability of needy
people, especially for urban poor communities. In general,
the loan interest averages 1 percent17.

Box 13: Saving activities and
management in Thai Nguyen City.

In Thai Nguyen City, there are 22 saving groups with
765 members, and has raised VND 1,059 million
(USD 52,950). The saving groups are organised
according to communities in a particular ward. Members of saving groups monthly contribute to the
fund at the community cultural house or community
representative’s house, and the group managers transfer
these funds directly to the ward managers. The fund
is managed by selected managers from among three to
five candidates.

The minimum amount of money for each payment is
VND 50,000 (USD 2.5), but there is no maximum,
and interest of 0.6 percent/month in earned. The
saving members have to save money at least for six
months before quitting saving activities.

All people in communities have the right to
borrowing money from the fund. However, lending
money to the poorest families is prioritised at a
rate of 0.9 percent interest per month. The primary
objective of individual loans is for developing family
businesses. The saving groups submit applications for
borrowing and ask the ward managers to disburse
loans. Management notebooks are accessible to both
managers and members to ensure transparency.

Source: Association of Cities in Viet Nam (2012)
Table 32: The scale of savings and community funds in 16 Cities

<table>
<thead>
<tr>
<th>CITY/TOWN</th>
<th>NUMBER OF SAVING GROUPS</th>
<th>NUMBER OF MEMBERS</th>
<th>TOTAL SAVINGS VND (million)</th>
<th>USD savings</th>
<th>STARTING YEAR</th>
<th>JOINED CDF NETWORK</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Lang Son</td>
<td>18</td>
<td>355</td>
<td>366</td>
<td>18,300</td>
<td>2010</td>
<td>2009</td>
</tr>
<tr>
<td>2 Bac Kan</td>
<td>19</td>
<td>510</td>
<td>110</td>
<td>5,500</td>
<td>2012</td>
<td>2012</td>
</tr>
<tr>
<td>3 Viet Tri</td>
<td>252</td>
<td>4,627</td>
<td>3,100</td>
<td>155,000</td>
<td>2011</td>
<td>2007</td>
</tr>
<tr>
<td>4 Thai Nguyen</td>
<td>22</td>
<td>765</td>
<td>1,059</td>
<td>52,950</td>
<td>2010</td>
<td>2010</td>
</tr>
<tr>
<td>5 Hai Duong</td>
<td>578</td>
<td>6,907</td>
<td>1,623</td>
<td>81,150</td>
<td>2008</td>
<td>2008</td>
</tr>
<tr>
<td>6 Hung Yen</td>
<td>19</td>
<td>255</td>
<td>706</td>
<td>35,300</td>
<td>2011</td>
<td>2009</td>
</tr>
<tr>
<td>7 Vinh</td>
<td>556</td>
<td>5,644</td>
<td>13,000</td>
<td>650,000</td>
<td>1997</td>
<td>2009</td>
</tr>
<tr>
<td>8 Ha Tinh</td>
<td>145</td>
<td>1,650</td>
<td>3,300</td>
<td>165,000</td>
<td>2011</td>
<td>2009</td>
</tr>
<tr>
<td>9 Quang Tri</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2012</td>
<td>2012</td>
</tr>
<tr>
<td>10 Tam Ky</td>
<td>10</td>
<td>130</td>
<td>213</td>
<td>10,650</td>
<td>2011</td>
<td>2010</td>
</tr>
<tr>
<td>11 Quy Nhon</td>
<td>186</td>
<td>5,506</td>
<td>3,650</td>
<td>182,500</td>
<td>2000</td>
<td>2000</td>
</tr>
<tr>
<td>12 Pleiku</td>
<td>2</td>
<td>27</td>
<td>15</td>
<td>750</td>
<td>2011</td>
<td>2011</td>
</tr>
<tr>
<td>13 Tan An</td>
<td>4</td>
<td>183</td>
<td>246</td>
<td>12,300</td>
<td>2011</td>
<td>2011</td>
</tr>
<tr>
<td>14 Ben Tre</td>
<td>10</td>
<td>122</td>
<td>60</td>
<td>3,000</td>
<td>2011</td>
<td>2011</td>
</tr>
<tr>
<td>15 Soc Trang</td>
<td>3</td>
<td>60</td>
<td>169</td>
<td>8,450</td>
<td>2011</td>
<td>2011</td>
</tr>
<tr>
<td>16 Ca Mau</td>
<td>28</td>
<td>536</td>
<td>480</td>
<td>24,000</td>
<td>2011</td>
<td>2011</td>
</tr>
<tr>
<td></td>
<td>TOTAL</td>
<td></td>
<td>1,852</td>
<td>27,277</td>
<td>28,097</td>
<td>1,404,850</td>
</tr>
</tbody>
</table>

Source: adapted from ACVN (2012)

### 7.9 INTERNATIONAL DONORS AND HOUSING FINANCE

Besides a considerable amount of studies and technical assistance provided by donors to Viet Nam in the last decade that touch on aspects of housing finance, there have been two donor-sponsored housing finance projects of note:

#### ADB’S HOUSING FINANCE PROJECT

The ADB Housing Finance Project, which started in 2002, aims to provide approximately 27,500 housing finance loans, disbursed through financial institutions participating in the first round of lending. The project supports the establishment of a housing finance facility that is to become the housing finance sector’s apex institution. It also facilitated the implementation of a policy and institutional reform action plan. The project consists of: (i) mortgage lending to urban low-income households; (ii) housing microfinance to urban poor households and; (iii) institutional strengthening and capacity building. However, according to an interview with an MOC HREMA official interviewed in 2010, the ADB project has not been popular since it only targets urban households with a stable income, the interest was high, and the lending mechanisms through commercial banks is not attractive for the banks to participate.

#### AFD SUPPORT TO THE HCMC INVESTMENT FUND

In 2006, the Agence Française de Développement (AFD) allocated a Euro 30 million concessional 15 year line of
credit to the Ministry of Finance that was on-lent to the Ho Chi Minh City Investment Fund for Urban Development (HIFU). The line of credit was used to increase the HIFU’s commitment to social housing. It also targeted environmental service upgrading in order to reduce water and solid waste pollution in Ho Chi Minh City.

In addition, one component of the World Bank Urban Upgrading Project (started in 2004, see Chapter 4) was to help the HIFU, one of the city-based funds in Viet Nam that aim at financing municipal infrastructure.

7.10 FUTURE CHALLENGES FOR ACCESS TO HOUSING FINANCE

Although there have been many types of housing finance, the key sources for households to finance housing are still own savings (44 percent) and informal sources from friends and relatives (35 percent). The procedures for getting loans from commercial banks are considered complicated and the interest rates are very high. The legal framework on mortgage loans still suffers inconsistency and lacks clarity. Finally, there is a cultural aversion among Vietnamese to incur long term debt. In effect, probably over 80 percent of urban housing units in Viet Nam are financed completely outside the country’s formal financial structure.

For housing developers, the legal and regulatory frameworks have improved, giving more choice to housing developers in selecting the ways to raise funds for housing development. Agreement has been reached to allow funding to be raised from the owners of future housing through advance payment at intervals. These forms of up-front payments are now very important sources of funding for housing development.

There is still room for improving the legal framework on housing development. The Housing Law and under-the-law legal documents can be further improved to address the un-clarity in the Housing Law in terms of authority to appraise the houses to be mortgaged. The Law does not stipulate clearly who are competent to approve the legal status of mortgaged housings. The inconsistency between the Housing Law and the Civil Code 2005 in terms of using housing for mortgage loans and in terms of effectiveness of real estate ownership transfer should also be addressed.

There are various housing finance mechanisms that have not yet been introduced in Viet Nam, such as real estate investment trusts and mortgage-backed securitisation, also called the secondary mortgage market. Their adoption in Viet Nam could strengthen the housing finance sector, especially by reducing or spreading risks.

For low income households, accessibility to traditional housing finance systems is problematic and is likely to remain so in Viet Nam. Even social housing programmes have difficulty reaching needy people. Urban migrants have practically no hope of accessing either of these systems. However, innovative housing finance models such as the Community Development Funds (CDF) and housing microfinance have shown the possibility to fill gaps in the traditional housing finance systems in Viet Nam. Since these models have short tenor (one to two years) and do not require mortgage collateral, they could fit well with Vietnamese household finance behaviour and would also be readily available to urban migrants. There is already an established micro-finance industry in Vietnam and the CDF Network is expanding, thus it should be relatively easy to deepen and expand these models.

In order to improve accessibility to housing for low income people, while also supporting the real estate market during economic recession, Resolution 2 was implemented on January 7, 2013 by the government, to target groups for the loan package of VND 30,000 billion provided by the State Bank, including households and individuals who need to be provided with loan to rent and purchase social housing and commercial housing with total area less than 70 m² and price under VND 15 million per m². This resolution also targets enterprises that invest in construction of social housing, or convert commercial housing projects into social housing projects. Before the promulgation of this resolution, very few investors participated in constructing social housing, low-income housing due to low profit and lack of financial incentives provided by the state. The supply of social housing, thus, has been very limited. In order to accelerate the disbursement of this VND 30,000 billion loan package, enterprises need to focus on increasing supply of social housing, which will make both enterprises and their low income customers eligible for loans under this package.
ENDNOTE

1. Tran (2011: table 2)
3. Decree 85/2002/ND-CP, supplementing the Decree 179/1999/ND-CP, regulation on assuring loans from financial institutions, issued by the Prime Minister on October 25th, 2002
4. Articles from 727 to 737, Civil code 2005
5. Dau Tu News (2010)
7. See the Decree 71/2001/ND-CP, The incentives to the housing development providers to build housing for renting and selling, issued by the government in October, 5th, 2001
9. Information from the Housing Loan Programme introduction at HOF (2013)
11. Decision No- 131/2001/QĐ-UB, issued by Hanoi Provincial People’s Committee in 2001
12. Ministry of Construction (2010a)
17. Ibid
22. Tran (2011)
8.1 BASIC URBAN INFRASTRUCTURE PROVISION IN NUTSHELL
8.2 LEGAL AND REGULATORY FRAMEWORKS FOR INFRASTRUCTURE PROVISION
8.3 ACTORS AND SERVICE PROVIDERS FOR URBAN INFRASTRUCTURE
8.4 INFRASTRUCTURE PROVISION, PLANS, AND FINANCIAL CHALLENGES
8.5 COST AND AFFORDABILITY OF BASIC INFRASTRUCTURE
8.6 POTABLE WATER SUPPLY
8.7 WASTEWATER TREATMENT AND SANITATION
8.8 SURFACE DRAINAGE SYSTEMS
8.9 ELECTRICITY SYSTEMS
8.10 URBAN ROAD SYSTEMS
8.11 CONCLUSIONS
This Chapter examines the provision of basic urban infrastructure services in Viet Nam as a key component of the housing or shelter package. It outlines the processes and organisations involved in residential infrastructure and its planning, finance, implementation, management and operations and maintenance. The legal and regulatory frameworks are also taken up. Issues such as costs, tariffs, and the burden on household expenditures are addressed, as is the current extent of population coverage of these services and expected trends. The scope of this Chapter is limited to potable water, sanitation, surface drainage, power supplies and roads. Other basic services which do not relate directly to residential areas – such as transport, major dams and bridges, and solid waste management are not covered.

8.1 BASIC URBAN INFRASTRUCTURE PROVISION IN NUTSHELL

In Viet Nam urban infrastructure is mainly provided, owned, financed and built at the provincial or city level by the public sector. The responsible authorities are either local authorities or, especially in the case of the larger towns and cities, quasi-independent state owned enterprises (SOEs). These SOEs had been government divisions that were “equitised” in the 1990s following the liberalisations of the Doi Moi reforms, and they still operate under considerable control of central ministries, which set sectoral plans and targets, and people’s committees and local levels.

Viet Nam has made great strides in extending infrastructure services to urban households since the Doi Moi reforms. Residents have benefited greatly from the provision of potable water and electricity networks and from the construction of paved roads and minor streets. Sewerage networks have also been extended, and in recent years a huge sewage treatment construction programme has been launched. Surface or street drainage in urban areas has also improved a crucial infrastructure service in mostly low-lying urban areas which are subject to seasonal flooding.

Almost all urban households and 85 percent of rural households have access to electricity. However, there are still challenges of providing water and sanitation infrastructure. In 2009, access to safe water reached 73 percent national wide, but in urban areas, only 63.4 percent of urban household had access to treated piped water: 31 percent used alternative clean water sources; 2.4 percent used rain water; and 3.2 percent used unknown sources. In terms of sanitation, 46 percent of households national wide did not have access to standard toilets, and it is estimated that about 10 million people are still practice open defecation, especially in the Mekong Delta, remote areas, low-income community settlements, and urban squatter areas. In urban areas, 71.4 percent of households had an indoor flush toilet, 16.3 percent had an outdoor flush toilet, 10 percent used a ‘simple toilet’ (probably an outside pit latrine and 2.3 percent did not have toilet at all. However, the relatively high proportion of flush toilet provision does not mean that they are all well equipped with proper septic tanks. Many toilets discharge directly

In 2009, access to safe water reached 73 and access to treated piped water was 63.5 percent. 70 percent of roads are equipped with drainage in large cities. Even so, surface water drainage is a common problem and flooding is a constant risk in Vietnamese cities.
into waterways which create significant health concerns for settlements located around canals and water ways.

There are also seasonal challenges. Households living in dense urban neighbourhoods are facing inadequate water supply in the dry months. In addition, flooding in entire urban areas is common phenomenon in Viet Nam during the rainy season from July to September because of weak sewerage and drainage system.

Nationally, it is estimated that infrastructure investments currently consume 9 to 10 percent of GDP, mainly for transport, energy, telecommunications, and water and sanitation. However, rapid urban growth and urbanisation, and the proliferation of unplanned settlements, is causing significant challenges of proper infrastructure provision. In addition, climate change impacts are adding more challenges because most cities in Viet Nam are located in low lying coastal areas.

Experts foresee that Viet Nam will need to increase these infrastructure investments dramatically to meet the rapidly growing demands from cities and the booming manufacturing and commercial sectors as well as to address current shortfalls in domestic and residential infrastructure services. Overseas development assistance has provided a portion of infrastructure investments in the recent past and also has been assisting the government in its planning and policy development. Yet the challenge remains enormous as Viet Nam must on the one hand upgrade its infrastructure base to support its ascension to the status of a middle income country and key player in the growing Southeast Asian economy, and on the other hand meet the growing aspirations of its population for improved and modern urban services.

8.2 LEGAL AND REGULATORY FRAMEWORKS FOR INFRASTRUCTURE PROVISION

The legal frameworks in Viet Nam governing infrastructure services are relatively well developed, although enforcement is sometimes still a difficult issue. There are sets of laws, decrees and circulars that cover most infrastructure services, all of which are run by state or quasi state entities. The following is a sampling of some of this legislation.

- There are two main decrees, namely Decree 92/2006/ND-CP and Decree 52/1999/ND-CP, which regulate infrastructure planning and investment processes respectively. Decree 52 requires that approved investment projects (including infrastructure projects) need to be presented in the 10 year sector plan. Under Decree 92 each provincial department is responsible for its own sector master plan.

- Private Partnerships: Decree 78 regulates the modalities of BOT, BTO and BT contracts. This decree is soon to be amended by MPI.

- The Law on Enterprises of 1999 allows the involvement of private companies in water supply services.

- The road sector is governed by the Road and Traffic law (NA Order 26/2001/QH10) and by Decree 186/2004/ND-CP which manages road construction and maintenance.

8.3 ACTORS AND SERVICE PROVIDERS FOR URBAN INFRASTRUCTURE

Central and government level actors develop plans for urban infrastructure provision, state owned enterprises and other public sector companies are implementing the projects. Meanwhile communities have shown their possibilities as a project planner and implementer in micro level by reflecting people’s real needs. There are also actors sharing technical knowledge by consulting, training or providing human resource. The Viet Nam Water Supply and Sewerage Association (VWSA) is one such association. However, as will be seen, the most important actors are the public sector state-owned enterprises (SOEs) and their variants at the city and provincial levels.

CENTRAL LEVEL

At the central level the main government actors are the following:
• The Prime Minister, who approves urban and sectoral orientation plans

• The Ministry of Construction (MOC), which is the main line ministry for urban development

• Ministry of Planning and Investment (MPI), which allocates the state budget to the various sectors and regions according to the Social Economic Development Plans

• Ministry of Finance (MOF) which distributes state funds and monitors their use

• Ministry of Natural Resources and Environment (MONRE) which manages water resources, water use and pollution and is in charge of land use planning.

• Ministry of Transport performs state management of road transportation, railway, waterways, maritime, aviation in the country; State management of public services as prescribed by law.

PROVINCIAL LEVEL

At the provincial level infrastructure services are steered by Provincial People’s Committees (PPCs), each of which have departments that more or less mirror ministries at the national level. In some cities the City People’s Committee defines the functions and tasks of water, drainage/sewerage and waste activities but delegates responsibilities to SOEs. The Department of Construction (DOC) is the line department for urban development at the provincial level, and the SOEs report to the DOC or other line departments (depending on the service). Water supply and sewerage services are under the authority of the Department of Construction.

STATE OWNEDENTERPRISES (SOES)

Except for the power sector, it is public utility SOEs that are responsible for the provision, construction, management and operations and maintenance of infrastructure services in urban areas. These companies are under the direct authority of the city and town peoples’ committees, who also control SOE budgets and annual work plans. Due to budget limitations, these companies often face difficulties in improving service quality, and they face challenges in maintaining and upgrading their services properly. Annual budgets of SOEs are reviewed by the Departments of Finance and the Departments of Planning and Investment and are approved by the relevant PPC.

PUBLIC SECTOR CONTRACTING COMPANIES

SOEs contract out works mainly to state-controlled construction and utility companies, although foreign companies are sometimes contracted for larger and more sophisticated projects. Vietnamese privately-owned contracting companies mainly focus on small constructions projects. There are currently three types of public sector companies:

1. “Classic” public sector companies, governed by the Law of State owned enterprises 2003, which will eventually all be turned into limited liability companies or public limited companies.

2. Public sector companies with a private status. These have assets that are separate from their supervisory authorities and officially operate in an autonomous manner, although this autonomy generally remains relative. They have the status of a single-member limited liability company. They are wholly owned by the state or the local governments they are dependent on. In theory, this is only an intermediary status, prior to their full “privatisation”, but they tend to remain as they are, either because their commercial viability is not yet guaranteed and they consequently cannot attract sufficient private equity, or because the authorities wish to maintain full control.

3. “Privatised” public sector companies (where part of the capital has been transferred to external investors). This is increasingly common. The external shareholders may be executives or employees of the company, investment funds (private or controlled by public sector companies) and sometimes even foreign investors. They then become joint stock companies (JSC). In a few very limited cases, this privatisation, generally negotiated “by mutual agreement”, has led to an initial public offering. In some sectors, particularly for urban services, there are limits to the transferable part of the company. It is also increasingly common for companies to be directly
set up with a status of JSCs, for example, in property operations when the province or city provides the land in exchange for shares in the company that will develop it. The capital of “privatised” companies has mainly been opened up to employees and managers to acquire.

ASSOCIATIONS

An important business association utility actor is the Viet Nam Water Supply and Sewerage Association (VWSA) which was established in 1998 and has more than 230 members from water supply and sewerage utilities, consulting companies, and materials and equipment providers. VWSA provides a platform for organisations, business entities, officials, workers, managers, and scientists with an interest in the water supply and sewerage sector. VWSA organises scientific, technical and management conferences and seminars, and has specialised training. It also disseminates scientific and technical knowledge and collaborates with local and external organisations to provide human resource training for the water supply, sewerage and sanitation sector. The VWSA maintains close liaison with the MOC and acts as an important conduit of co-ordination and dissemination to water supply and drainage companies. However, its operating effectiveness is constrained by its limited manpower and resources.

COMMUNITIES

In some cases local communities, especially poor communities, have themselves improved or constructed infrastructure such as neighbourhood streets, sewage, drainage and toilet facilities. The main feature of these community participation projects is ‘collective work by people with the state’. In general, communities develop the project and budget plans, local authorities provide the enabling environment such as relaxing related regulations or providing construction permits, and the communities implement the project. The cost is covered by both the communities and authorities: communities fund certain portions of the cost from their community savings and credits or from the community development fund (see Chapter 7), and authorities fund the rest. The ratio of matching fund can vary depending on their negotiation, but the normal formula of contribution between communities and the people is usually between 50/50 to 70/30 percent (see Box 15 for a case study). Up to now the number of community projects is still very limited. However, they have benefited not only the community but also the local authorities by reducing the local governments’ financial burden and helping them to extend infrastructure provision to micro-level areas otherwise difficult to reach.

INTERNATIONAL DONORS & NGOS

Major external funding sources for urban infrastructure in Viet Nam include the World Bank, ADB, JICA, DANIDA, AusAID, FINNIDA, the German Government and the AFD. The management of overseas development assistance follows a top-down approach with MPI being the focal point, MOF being the official contractual “borrower”, and central ministries or line agencies acting as supervisors of project and programme implementation.

8.4 INFRASTRUCTURE PROVISION, PLANS, AND FINANCIAL CHALLENGES

The Orientation Master Plan for Urban Development to 2020 (described in Chapter 2) identifies urban infrastructure goals. It also incorporates spatial master plans for Hanoi and Ho Chi Minh City through the year 2020 as well as spatial planning guidelines. These plans delineate expansion areas for the cities and are replete with lists of projects across all sectors, including those of basic infrastructure. The plans, however, do not define priorities for investment nor do they indicate the costs or sources of funding.

There are also two national sectoral plans for water and drainage which set ambitious targets:

- The Orientation of Water Supply for Urban Centres and Industrial Parks to 2025, Vision to 2050 aims to supply 90 percent of the population with water at 24 hours a day and 120 litres per head per day; ensure water loss of less than 18 percent for urban centres of class IV and bigger cities and provide 70 percent of the population in class V cities with 100 litres per head per day and ensure water loss of less than 25 percent in the urban centres of these cities.
Box 14: Community participatory infrastructure upgrading in 16 cities

Since 2009, ACVN and a NGO, Environment and Development of Developing Countries (ENDA) Viet Nam, have intensively supported communities’ infrastructure upgrading projects in 16 cities in collaboration with each city’s Community Development Fund (CDF) mechanism. The Asian Coalition for Community Action programme (ACCA), which is coordinated by the Asian Coalition for Housing Rights (ACHR), has granted USD 245,000. The very first objective of the projects and supports is to help communities with improving their most needed infrastructure.

During the period 2009 to 2012, 83 infrastructure upgrading projects were approved and 68 projects were completed, of which 17 projects included revolving fund mechanisms. The projects included the construction or upgrading of drainage/sewerage (28 projects), roads and alleys (40 projects), toilets (5 projects), street lighting (8 projects), community centres (7 projects), water supply (4 projects) and irrigation for agriculture production (2 projects). Some cities in the initial stage of the CDF started with savings activities to prepare for small project implementation.

With the active support, communities turned from waiters to doers. Communities worked collectively to develop their plans, discussed most strategic project issues especially in terms of project costs, regularly saved money, and contributed their labour for the project. This process also built up trust with local governments.
Box 15: People-financed upgrading project: Phu Binh Ward in the city of Hue

A good example of a sustainable blend of subsidy and people’s contribution comes from Phu Binh Ward, in the Vietnamese city of Hue. Phu Binh is a poor area often hit by floods during the rainy season. As a result of meetings of residents of the alley, a community leader presented the local authorities with a proposal to upgrade the alley and a request for financial support. Local authorities agreed to the proposal but could provide only 30 percent of the required budget.

After discussions the community agreed that each of the 16 households living along the alley would contribute VND 140,000 (about USD 8), borrowing this sum at no interest from the community savings and credit group running in the alley, with support from ENDA (Environmental Development Action in the Third World). Loan recipients repaid the loans from daily savings. Those who could not afford to take loans because of low or unstable incomes contributed their labour instead.

When the paving of the alley was finished, everyone agreed that life had definitely improved. Also, the project encouraged residents to take on more improvements, starting with cleaning up some waste that had been dumped nearby. This project also stimulated the local authorities to apply the same “70 percent–30 percent” formula to another 18 alleys in the Phu Binh Ward.

Source: UN-Habitat (2008)

- The Orientation of Drainage in Urban Centres and Industrial Parks⁹ utilises the principle “polluters pay for the pollution” and underlines the need to change from a government subsidized sector to one where cost recovery is required. It also sets goals to eliminate floods in the urban centres of class IV and bigger cities; extend drainage service to above 80 percent of the population; invest in a system to ensure that 60 percent of domestic waste water be collected and treated in urban centres of class III and bigger cities, and 40 percent in urban centres of class IV and V; and, finally, prevent the pollution of drainage systems.

Even though urban residential infrastructure services are the responsibility of local authorities and associated SOEs, to a large degree investments are financed through central government allocations, revenue apportionment, or transfers. The government operates a complicated budget system based on the State Budget Law of 2002 (replacing the basic State Budget Law of 1996). The 2002 legislation introduced a number of reforms, including a certain amount of fiscal decentralization. The Budget Law distinguishes three types of revenue:

- Taxes assigned 100 percent at the central level
- Taxes assigned 100 percent at the provincial level
- Taxes shared between central and provincial levels

Those assigned 100 percent to the local level include land and housing taxes, license tax, tax on transfer of land use rights, fees on land use, land rent, revenues from the leasing and sale of publicly owned dwellings, and registration fees and other fees and charges. However, local and shared
revenues are insufficient for the investment programs of local authorities and a system of capital transfers to provinces and cities is in place. The bulk of the funds that can be used by local governments for investment in capital infrastructure are included in the “balancing” transfer, although there are also some conditional grant funds from the centre that can also be used for investment in infrastructure.

There are elements of cost recovery in water, sewerage, and electricity through user fees, but only in the domestic electricity sector is there anything approaching full cost recovery. In addition, there are no direct means to recoup investments in local roads or surface drainage. Indirect cost recovery could be said to exist, at least theoretically, through to local revenues from taxes on land use and land transfers. These are at least somewhat “buoyant” since the administrative land values upon which these taxes are based are increased periodically to follow market prices (see also Chapter 6 on land administration and taxation.) Thus, to the extent that land values rise in a particular area due to infrastructure investments, revenues to local authorities increase. However, these are general revenues most of which go to covering recurrent costs, and the link to financing infrastructure through these revenues is very weak. Meanwhile, overseas aid has been a significant resource in the past in contributing to basic infrastructure finance.

Given the huge financial resources required by the urban infrastructure sector, the government of Viet Nam has a strategy to attract private capital into infrastructure ventures either through public private partnerships or incentive contracts or both, and a set of reforms and measures have been initiated to attract foreign private participation in infrastructure. These efforts have concentrated on issues related to the implementation of build operate and transfer (BOT), build transfer operate and build transfer projects. However, to date few variations of PPPs have been successfully implemented. Only few examples can be found in the road, energy, and water sectors. Its major constraints include the lack of a clear legal framework for sharing financial risk and a framework for cost recovery by promoting gradual increases in fees. There is also a lack of transparency in selection of contractors, preference is often given to state companies; and bidding processes are deficient another common constraint is that structuring PPPs and carrying out due diligence in pre-feasibility phases requires a significant amount of efforts and time.

8.5 Cost and Affordability of Basic Infrastructure

WATER

Financially, water supply systems have been hampered by low tariffs. Legislation enables water supply companies and local governments to increase tariffs, but local political considerations often prevent the timely application of tariff adjustments10. Affordability and willingness-to-pay surveys have indicated that consumers are prepared to pay for improved services. A study in 2003 estimated that poorer households spent a larger portion of their income on water purchases, as follows11:

- The poorest quintile devoted 2.8 percent of household income
- The 2nd quintile devoted 2.7 percent of household income
- The 3rd quintile devoted 2.2 percent of household income
- The 4th quintile devoted 1.8 percent of household income
- The richest quintile devoted 1.3 percent of household income

Although these percentages are a very small amount of total household income, they mask the fact that poor families without piped water must purchase water from those neighbours that do or from water sellers as several times the rate charged by public water companies (see Box 16).

As with electricity, household water tariffs vary by consumption bands. In 2010 the prices of water increased remarkably, but the Government maintained a supporting policy for the poor.

SEWERAGE

Sewerage charges are small surcharges put on metered water consumption charges in neighbourhoods where sewerage networks exist. Otherwise a household must build and maintain a septic tank and/or soak away, and
frequent emptying may be necessary. The capital cost of constructing such tanks represented a considerable outlay, and repeated emptying can be quite expensive to a family of modest income.

**ELECTRICITY**

Domestic electricity charges in Viet Nam are complicated and vary by the time of day and different voltages. A general principle is that household charges in urban regions increase rapidly by level of consumption. Since March 2010, electricity charges have been slightly increased by a circular of the Ministry of Industry and Commerce. Under this framework, the new average charge of electricity in 2010 is VND 1,058 per Kwh. To support poor households, the government entitles providers to retain the older retail charge for the first 50 Kwh at VND 600 per Kwh, which keeps reasonable the electricity burden on the household budget for these groups. There are six consumption bands and the price per Kwh increases with each band, with the highest band charging almost twice that of the lowest band. (For example, in 2010 rates were set at VND 1,890 per Kwh for 401 Kwh and above versus VND 1,004 per Kwh for less than 100 Kwh).

8.6 **POTABLE WATER SUPPLY**

**ACCESSIBILITY TO CLEAN WATER**

In urban areas, the population with access to “improved water sources” is officially quoted as 98 percent. However, only 59 percent of the urban population has a connection to a potable water network, and another 39 percent have access to water through shared stand pipes or protected wells. Data from the Water Sector Review 2009 show that access to clean water ranged from around 70 percent for Class 1 towns to less than 15 percent for Class 5 towns. In particular, the half of households in HCMC, and three out of ten households in Hanoi did not have access to private tap water in 2010, turning to well-water or purchased water instead.

As in many countries in the global south, vulnerable groups such as migrants and the poor in urban areas in Viet Nam have less access to clean water and public supply. The fees for installing water metres are too expensive for poor households that they instead buy water privately. According to the survey done by UNDP accessing urban poverty in Hanoi and HCMC, migrants were less likely to get their water from a private tap: 65 percent of migrants in Hanoi, and 40 percent in HCMC had an access while average access ratio of all residents were 70.6 percent and 52.5 percent in each city in 2010. In addition, only 43.3 percent of the poorest households have private tap water, and 43.2 percent use a drilled well, while the corresponding ratio in the richest quintile was 75 percent and 14.2 percent (see Table 33). There is a concern that these differences may relate to housing types and condition: the UNDP report highlights that households who live in rented housing or shared housing, where most migrants or poor people are residing, mainly buy water from containers (39.6 percent) and drilled wells (30.6 percent).
Box 16: Case story - transported tap water in Phuoc Kien commune, Nha Be district in HCMC

Phuoc Kien Commune is a poor commune located in Nha Be District in a remote area in south-east HCMC. The lack of access to a clean water supply is a common problem in Ho Chi Minh City’s southern region, especially in Phuoc Kien Commune. The commune people often use alternative types of available water sources such as drilled underground water, bottled water, transported tap water and rain water, but they are not adequate to meet the community’s need and some services are not affordable for residents.

Beside drilled underground water, transported tap water is the main source of water especially during the dry season. The Nha Be District Public Service Company provides transported tap water to the community at a subsidised rate. Trucks transport tap water to several roadside locations in the commune while individuals or local private sector deliverers carry the water directly to houses. This public-private partnership serves as a main supplier of water. Their average consumption from this source was 2.0 m³ per month and the average payment was USD 2.27 per month. Poor people living far from the main road could pay up to USD 2.67 - 3.33 per m³ for transported tap water, especially during the dry season.

Through a private arrangement, piped water from other districts was also transported to the commune. On receiving a phone call or message, a private deliverer typically would provide tap water at the rate of USD 3.33 per m³ via a three-wheeled vehicle. In this case, households must have electrical power and facilities to pump water from the vehicle to their storage tank. Survey results showed that about 61.7 percent of households used this method to access clean water. The average consumption from this system is 1.5 m³ per month with an average payment of USD 5 per month.

In general, the total cost of transported tap water is very high. Even with the government subsidy, the price of the water available at the roadside is six to seven times higher than other tap water, with the price almost 20 times higher if delivered to a home. The price for clean water to households rises significantly (usually 10 to 25 times or 50 times in retail buying) with this delivery system. As a result, the demand for clean water is small, although the need is high. Limited demand reduces the scale of the service, but costs remain high.

Source: Chowdhury et al. (2009)
Table 33: The proportion of households with main source of drinking water in Hanoi and Ho Chi Minh City (%)

<table>
<thead>
<tr>
<th></th>
<th>PRIVATE TAP WATER</th>
<th>PUBLIC TAP WATER</th>
<th>BUYING WATER</th>
<th>DRILLED WELL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>58.3</td>
<td>14.3</td>
<td>26.0</td>
<td>1.4</td>
</tr>
<tr>
<td>Hanoi</td>
<td>70.6</td>
<td>0.3</td>
<td>26.3</td>
<td>2.8</td>
</tr>
<tr>
<td>HCMC</td>
<td>52.5</td>
<td>20.8</td>
<td>25.8</td>
<td>0.9</td>
</tr>
</tbody>
</table>

Income quintiles

<table>
<thead>
<tr>
<th>Quintile</th>
<th>PRIVATE TAP WATER</th>
<th>PUBLIC TAP WATER</th>
<th>BUYING WATER</th>
<th>DRILLED WELL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quintile 1</td>
<td>43.3</td>
<td>9.9</td>
<td>43.2</td>
<td>3.6</td>
</tr>
<tr>
<td>Quintile 2</td>
<td>54.3</td>
<td>14.9</td>
<td>28.7</td>
<td>2.1</td>
</tr>
<tr>
<td>Quintile 3</td>
<td>54.7</td>
<td>17.4</td>
<td>26.6</td>
<td>1.3</td>
</tr>
<tr>
<td>Quintile 4</td>
<td>59.3</td>
<td>18.5</td>
<td>21.7</td>
<td>0.5</td>
</tr>
<tr>
<td>Quintile 5</td>
<td>75.0</td>
<td>10.4</td>
<td>14.2</td>
<td>0.4</td>
</tr>
</tbody>
</table>

Source: Haughton et al. (2010)

CAPACITY AND CHALLENGES OF URBAN WATER SUPPLY COMPANIES

There are 68 urban water supply companies with a combined installed capacity of 5.5 million m³ per day and operating at 3.9 million m³ per day. Restrictions in the capacity of the transmission or distribution networks and unaccounted-for-water (UFW) are the main reasons for the gap between installed and operating capacity. Service provision of these companies averages 21.6 hours per day, with 55 companies supplying 18 hours per day or more. Average supply ranges between 80 - 90 litres per capita per day (lcd) to 120 - 130 lcd in the larger cities, compared to a national design target of 120 - 150 lcd. As much as 96 percent of connections are metred. However much of the distribution system is old or in poor condition, since low water tariffs and lack of accountability have provided little incentive for water companies to maintain their distribution networks. UFW is reported as having been reduced from 39 percent in 2000 to around 30 percent in 2009. These official averages however mask UFW values in some of urban areas that reach as high as 75 percent. Furthermore, questions have been raised by the Viet Nam Water and Sewerage Association (VWSA) on the reliability of the data on UFW provided by its members.

Towns in Class 3 and higher are generally served by water supply systems that are managed by dedicated water supply companies, almost all of whom are members of the VWSA and subject of the “benchmarking process”. These water supply companies are now in the process of “equitisation,” which would constitute a first step towards being able to take loans from commercial banks. Class 4 and 5 towns, often collectively known as “district towns”, are usually served by state-owned water supply and drainage companies under provincial government. An unknown number is served by small informal private schemes. For the immediate future, this category of towns will require access to concessional ODA loans for any future capital works.

Financially, water supply sustainability has been hampered by low tariffs. Legislation enables water supply companies and local government to increase tariffs, but local political considerations often prevent the timely application of tariff adjustments. Affordability and willingness-to-pay surveys have indicated that consumers are prepared to pay for improved services. Water bills on average are 1.1 percent of urban household income. Most water supply companies recover at least operation and maintenance costs, with an average working ratio close to 0.7. However, few if any companies achieve full cost recovery, if depreciation, replacement and financing costs are included. Urban water supply systems are therefore still subsidised to a large measure by their respective local governments.
8.7 WASTEWATER TREATMENT AND SANITATION

According to 2008 MOC data, less than 10 percent of urban wastewater is treated. Serious environmental degradation and health concerns are caused by water pollution from untreated human waste and unregulated discharge of industrial wastewater.

Officially, the fraction of the urban population that “is using improved sanitation facilities” has increased from 63 percent to 94 percent between 1990 and 2010\textsuperscript{20}. However, this figure includes access to a “sanitary latrine”: it gives no indication how the human waste is collected. In fact, the majority (75 percent) of households in provincial towns are not connected to any form of local or central sewerage system, but only to a septic tank. With the exception of Hai Phong, no towns offer a reasonable septic tank de-sludging services. AUSAID regional septic waste management study\textsuperscript{21} estimated that less than 5 percent of septic waste in Viet Nam is properly treated: only few people in Viet Nam empty their septic tanks or latrines on a regular basis or ensure that the pit contents are safely disposed. Table 34 below shows details of waste water collection and treatment in some cities.

<table>
<thead>
<tr>
<th>ITEM</th>
<th>THAI NGUYEN (RANK I)</th>
<th>CA MAU (RANK II)</th>
<th>TUYEN QUANG (RANK III)</th>
<th>PHU THO (RANK III)</th>
<th>DIEN KHANH (RANK IV)</th>
<th>LONG MY (RANK IV)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Density of major sewers (km/km²)</td>
<td>5.1</td>
<td>3</td>
<td>2.78</td>
<td>1.09</td>
<td>3</td>
<td>1.5</td>
</tr>
<tr>
<td>percentage of domestic waste water treated</td>
<td>40</td>
<td>30</td>
<td>40</td>
<td>30</td>
<td>20</td>
<td>23</td>
</tr>
</tbody>
</table>

Expansion of water treatment and distribution facilities in recent years has increased per capita water consumption, in particular in urban areas. As a result of this increasing water use, more wastewater is being generated, generating strains on the already insufficient wastewater networks and treatment plants and raising concerns about the environmental impacts of untreated discharges. To date, expansion and rehabilitation of the drainage and sanitation in provincial and district towns has relied primarily on allocation of limited budgets from central or local governments and some official development assistance (ODA) funds for drainage and sanitation to complement water supply development. Most investment in the drainage and wastewater sub-sector has focused on developing drainage infrastructure to reduce flooding in the major cities. As a result, the drainage and sanitation systems in most provincial and district towns are incomplete.

Provincial-level people’s committees are responsible for the implementation and the management of sewerage and drainage activities in areas under their jurisdiction. In the five largest cities the city people’s committee defines the functions and tasks and delegates the management of drainage and sewerage activities to an urban company. The DOC or Department of Transportation (DOT) act as professional bodies to advise and assist the PPCs.

8.8 SURFACE DRAINAGE SYSTEMS

Most Vietnamese cities have combined wastewater and surface drainage systems, and responsibilities for surface drainage are usually combined with those for sanitation. However, the issue of surface drainage in Vietnamese cities deserves special focus because of the heavy rain during the monsoon season in Viet Nam. The large volume of heavy rainwater is a significant challenge to accommodate especially in urban areas where requires improved drainage system for preventing flooding.

Exacerbating the situation is that most Vietnamese cities are very flat and low-lying, and the majority are located on or near the sea coast. In addition it has been observed that more frequent storms are hitting the southern regions of Viet Nam. With increasing concern about climate change and rising sea levels, adequate surface drainage systems are becoming a significant issue for urban areas in Viet Nam.

In larger cities, some major drainage works have been executed, often by strengthening and expanding natural rivers and channels. In provincial and district towns, drains are usually limited to the highways and main roads, and
where drains exist they are generally poor or incomplete as a result of lack of maintenance, lack of investment, ad hoc development, and poor design and construction standards. It is estimated that 70 percent of the total length of roads are equipped with drains in large cities.

The risks of flooding in Vietnamese cities could become acute if projections made by climate change experts prove to be accurate. Already monsoon season floods can be very severe, and as pointed out above the very process of urbanisation reduces natural hydraulic coping systems. Thus a combination of climate change and urbanisation processes inevitably will make surface water drainage a huge challenge in Vietnamese cities, especially those in coastal regions. Awareness of the problem is rising and the National Target Programme for Response to Climate Change has been established by MONRE. This is a strategic national level plan with recommendations and priorities for local assessment, stakeholder identification, planning, and investment. The Ministry of Construction is also developing a proposal on coastal urban development in the context of sea-level rise. The ministry is collecting data and creating flood maps for 100 coastal cities, with in-depth studies of 27 coastal cities.

8.9 ELECTRICITY SYSTEMS

Unlike other urban infrastructure sectors, electricity generation, transmission, distribution, and management is concentrated in the hands of one institution – Electricity of Viet Nam, a semi-autonomous state enterprise.

In recent years public investment in the power sector in Viet Nam has allowed the country to reach almost universal electricity coverage for domestic households and at the same time to meet increasing demand for power from the agricultural, industrial, and commercial sectors. According to statistics by cities, percentage of household using electricity is near to 100 percent.

However, this high electric use rate does not necessary mean that all households have access to the electricity. Surveys of urban poverty have shown that many households are using electricity by indirectly connecting with national electric grid system through other families. As a result, those people have to pay more than those having direct connection. For example, in Hanoi and HCMC in 2010, the ratio of households having a direct connection with separate metre was only 81.2 percent. 8.7 percent of households were using electricity directly with shared meter with other households and up to 10.1 percent of households use electricity through other households.

It is also important to note that this different accessibility is observed differently upon different vulnerable groups. The poor people often buy electricity from others or pirate because they cannot afford to install electricity in their homes. In addition, unregistered migrants are not entitled to have electricity. According to a case study in Hanoi and HCMC, migrant households were much less likely to have access to direct connections: 31.5 percent were using electricity with indirect connection as are those in rented housing (43.3 percent) or with rooms in large buildings (30.6 percent), or in temporary houses (20.2 percent). However, the proportion of direct and indirect electrical connections across income quintiles was not much different. This implies that migrants and tenants can have more direct connections of electricity and thus reduce the cost if residential registration regulations are improved.

8.10 URBAN ROAD SYSTEMS

There are over 8,500 km of roads and streets in cities and towns of Class III and above. Most of these have been paved and have side drains and pavements. Road building and street extensions and widening are a constant activity in any Vietnamese city, and local authorities struggle to improve circulation in the face of rising populations and expanding vehicle fleets. As estimated by the Urban Development Agency (2008), the ratio of transportation land to buildable construction land in the inner cities and towns nationwide is around 16 percent, much lower than international standards (approximately 20-25 percent). And in suburban and peri-urban areas of Viet Nam, the ratios are even lower. For example in HCMC, urban road areas are on average 6.2 percent of the total buildable area, whilst the same ratio is only 0.4 percent in peripheral areas.

The systems of urban streets in Vietnamese cities have been developing constantly. For most provincial capital cities new streets have been constructed and existing ones have been upgraded. Internal and mostly residential streets are developed according to the establishment and development of residential areas. Thus, except for major real estate projects, it is common for main streets of wards and communes.
to have widths of only 3 to 5 metres. Internal streets and pathways have widths of less than 2.5 metres. Pathways or lanes of 1 to 1.5 metres, width are the most common types of residential access. Obviously, this situation makes accessibility by private car or public transport extremely difficult in most residential areas, especially those which have developed "organically" or informally on the suburban and peri-urban fringes. However, difficult accessibility in Vietnamese towns is greatly reduced by the overwhelming use of motorbikes and scooters by a very large percentage of urban dwellers. In fact, the motorcycle gives a new meaning to urban mobility in Viet Nam and challenges Western concepts of urban transport planning. The mobility provided by the motorcycle also explains in part the great popularity of the sprawling peri-urban areas as a location for informal housing (see also Chapter 6 on urban land and peri-urban areas).

8.11 CONCLUSION

The urban infrastructure sector in Viet Nam has achieved much in the last twenty years. Even in the face of rapid growth of the urban population, access to electricity and clean water is nearly universal, and coverage of sewerage networks is increasing. In addition, urban roads and streets as well as surface drainage systems have been built. In the 2000s wastewater treatment plants are finally being built to correct the previous environmentally unsound practice of discharging raw sewage into water bodies.

These achievements have been accompanied by reforms in the institutions and regulations that control infrastructure service delivery. State-owned enterprises, which are the main infrastructure builders and operators, have been created mainly at the provincial and city levels and given some autonomy, although they are still controlled by the relevant people’s committees. The tariff structures for water and electricity consumption have been allowed to rise, and they are designed to keep small the burden on poorer households. In these reform efforts the international community has and continues to play an important role.

However, much remains to be improved in urban infrastructure services to urban residential areas, and the expected costs are correspondingly great. At present only Electricity of Viet Nam (EVN) is at all financially sustainable (and some would argue that even it receives support from the government). Water and sewerage networks and the SOEs that run them are still partly tied to the older "state finance and control" systems, and more needs to be done to make them financially independent going-concerns while at the same time preserving their social roles vis-à-vis poor households. The greatest difficulty will lie in the sanitation and sewage sub-sectors. Investments in reticulated sewerage systems and treatment plants are very expensive, and both the numbers of households connected and percentages of effluent treated remain only fractions of the total needed. This is not just an issue of household convenience – existing latrine and septic tank systems which are today used by the majority of urban households pollute groundwater and also water bodies, thus the social and health costs are tremendous and rising. Where will the required investment finances for sewerage systems come from? Will favourable treatment continue to be given to upscale real estate developers and prestige projects (and, parenthetically, will they continue to be allowed to carry out landfill operations that compromise of natural drainage systems, such as has happened in Saigon South)?

Perhaps the biggest physical and social challenge relating to urban infrastructure lies in the dense and rapidly growing peri-urban areas surrounding major Vietnamese cities, especially around HCMC. It is here that the majority of migrants, the poor, and the lower middle classes are locating in great numbers because mobility is acceptable, employment is available in nearby industrial areas, and also because housing solutions are affordable to all. But the unplanned, informal patterns of development represent infrastructure challenges and call for inventiveness. Until now all infrastructure networks have been provided in these areas only after urban development has taken root, and thus designs and capacity considerations must adapt to non-linear patterns and progressive densification. Much must be learnt, since the Vietnamese engineering profession is trained to and oriented towards providing infrastructure for mega-projects on open green field sites where development is one-off and design capacities mainly involve mathematical calculations. This is the antithesis of suburban and peri-urban development in Viet Nam, where perhaps three-quarters of new urban housing units are being created.

Many peri-urban areas are often developed by migrants or other informal actors before government’s plans are developed or implemented because of the rapid urban growth. These informally developed areas tend to have organic and non-linear patterns with incremental development activities, and therefore it is difficult to adopt the approaches of infrastructure planning and construction
in conventional, i.e. macro scale projects. Incremental improvement of infrastructure needs to be considered and urban upgrading projects and the cases conducted by communities have shown their possibility of filling the gap although its number is quite limited yet.

ENDNOTE

1. Habitat for Humanity Viet Nam (2008)
2. Vu (2011)
3. New legislation is being prepared to govern public private partnerships. What status that legislation will eventually have (law or decree or circular) has not yet been decided.
4. There is no clear rule on this. Some cities have established companies while others have not.
5. Albrecht et al. (2010)
6. Water Competence Centre (n.d.)
7. The 16 cities are the same ones where the CDF is formed. Refer Chapter 7
9. Prime Minister Decision 1930/QD-TTg dated November 20, 2009
11. Viet Nam Development Information Centre (2003)
13. Ibid
17. Haugton et al. (2010)
18. Data in this section adapted from Viet Nam Water and Sanitation Association, VWSA (2008)
19. “Access to improved sanitation facilities refers to the percentage of the population with at least adequate access to excreta disposal facilities that can effectively prevent human, animal, and insect contact with excreta. Improved facilities range from simple but protected pit latrines to flush toilets with a sewerage connection. To be effective, facilities must be correctly constructed and properly maintained,” World Bank (n.d.)
20. World Bank (n.d.)
21. AECOM International Development and the Swiss Institute of Aquatic Sciences and Technology (2010)
22. Dasgupta et al. (2007: 2)
23. Ibid
25. The impact of one metre rise in sea levels shows that large parts of HCMC would be underwater and also most of future expansion areas in neighbouring Long An Province (Waibel & Eckert 2009)
26. World Bank (2011b: Table 1.30)
27. Haugton et al. (2010)
28. Nguyen (2002b)
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<th>Section</th>
<th>Page</th>
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Building materials and the construction industry are obviously crucial components of any housing sector. This Chapter investigates the state of these components in Viet Nam and assesses whether they represent constraints to affordable housing production and whether improvements could be made. Focus will be put on the basic building materials used in housing construction and the main actors in housing construction, following the housing typologies developed in Chapter 4.

9.1 The Construction Industry in a Nutshell

Viet Nam has been industrialising and urbanising over the last two decades. The industry and construction sectors, which accounted for 23.8 percent of the country’s GDP in 1991 has grown to 39.9 percent in 2008. In 2001 the construction industry itself registered USD 1.8 billion in investments, of which state investment accounted for 56 percent, private investment 25 percent, and foreign investment 18 percent. By 2008 the total value of construction reached USD 5.8 billion, representing 6.5 percent of GDP. The construction industry continues to achieve high growth rates, and in the first quarter of 2010 its value increased approximately 17 percent over the same period in 2009, a rate double the growth of GDP.

However this data includes non-residential, infrastructure, and large superstructure activities, and residential construction consists only part of the overall construction industry. The data from 2010 suggests that residential construction accounts for roughly 30 percent of the total value of construction, and its annual increase in value was 9.2 percent on average over the 2005 - 2010 period, slightly less than increases of the construction sector as a whole (10.4 percent). Note that these figures refer to all Viet Nam, and also that they probably do not include the value of informal and “self-built” residential construction, which as explained in Chapter 4 is a very large and growing sub-sector especially in urban areas.

Housing construction is almost exclusively carried out by Vietnamese contractors and Vietnamese expertise and labour. Besides the large state-owned construction firms, there are hundreds of small and medium-sized licensed contractors. The activities of foreign construction firms in Viet Nam are mainly in joint ventures limited to large and sophisticated construction projects, including high-rise residential towers. There are also an unknown but large number of informal builders and others self-employed in building trades, none of whom are licensed.

The country produces almost all of the basic building materials used in housing construction and even has export capacities such as cement and ceramic tiles. Currently there are roughly 300 large-scale building materials enterprises, mostly SOEs, and these produce a wide range of products. Although some are modernising, most rely on older production technologies and develop products which are not always responsive to domestic markets. The country still needs to import high-end finishing products in order to meet demand.

9.2 Regulatory Frameworks Governing Residential Construction

The Construction Law of 2003 is the main legislation that covers most aspects relating to construction. It regulates construction activities, including technical surveying; design, construction permit granting, site clearance; supervision; work acceptance; contract signing and liquidation; guarantee; operation and maintenance; resettlement; contractor selection; inspection; construction discipline.

In addition to the Construction Law of 2003, a number of specialised national building codes have been issued recently in response to the need to control the quality of modern buildings. These include the Building Code for Disabled Access in 2002, the Building Code of Energy Efficiency in 2005, and the Building Code of Dwellings and Public Buildings - Occupational Health and Safety in 2008. However, they are only compulsory for large-scale buildings such as office high-rises or multi-story apartments. Low-rise housing designs have to comply with the Construction Law as well as with regional regulations, such as Decision 135/2007/QD-UBND of Ho Chi Minh City and Decision 19/2006/QD-UBND of Da Nang City, and the National...
Building Code of General Planning and Design.

The Construction Law has decentralised to the district level the issuance of construction permits for housing projects and individual housing. To apply for a building permit, the applicant must first have a Land Use Right Certificate and an appropriate building plan. The Urban Planning Law of 2009 added the requirement that an applicant must also obtain a planning certificate and/or planning permission. Technical stipulations are not onerous for low-rise housing, mainly dealing with design and building height.

The following documents are required for to apply for a building permit:

- Application letter (in the approved form)
- A copy of the land use rights certificate with abstracts from the real estate registry or an outline of the construction site
- Business license if project is owned by or being constructed by a company
- One set of construction designs.

If deemed necessary, the department of construction consult will consult up to nine related offices, which is time consuming. However, the department of construction is required to abide by the overall time limit of 30 working days to issue or refuse the license. In practice, this time limit is seldom met, and 90 days is considered average.

Decree 64/2012 is the first decree dedicated to building permit issuance and Circular 10/2012/TT-BXD, which provides guideline for implementation of Decree 64, includes new regulations to create favourable conditions for investors when applying for building permits. For example, for projects involving many construction activities, the investor may apply for a building permit for one, many or all of the construction works under the project. State management agencies in related fields must give comments on projects within 10 days. To avoid the situation where the agency issuing building permits requests investors to supplement their application many times, Decree 64 specifies that the agency must review carefully the application and send only one written notice to the investor to revise and/or complete the application. Another reform is that revision of building permits is not required in case revision of building design does not influence the exterior of the buildings.

However, under the new regulations, individual houses in urban areas must comply with detailed planning regulations to have building permits approved. But even in big cities like Hanoi and Ho Chi Minh City there are still many areas where detailed plans have not been prepared. Therefore, the new regulations specify that in these cases construction work must comply with regulations on planning, architecture and urban design relevant to the general locality.

The Law on Tendering (2005) defines the procedures and requirements for tendering, including the selection of contractors for provision of consultancy services, for procurement of goods, and details for construction and installation tender packages. However, in Viet Nam tendering of construction works remains an area where unfair practices are common, especially in government-funded housing projects, enforcement of the Tender Law has been severely hampered by weaknesses in tender document preparation, the opacity of the contractor selection processes, the preference given to state companies, and low project management capacity and insufficient means to cover operation and maintenance costs. And the current social housing development tendering framework allows contractors to be appointed, bypassing competitive bidding procedures. Although this can shorten the housing production process, it can also encourage corruption and result in preferential treatment to state-owned contractors who have better access to information and financial subsidies.

Viet Nam’s residential construction standards are not themselves obstacles to economic housing units and affordable land sub-divisions. Minimum plot sizes are 30 - 40 square metre and allow near total plot coverage. However, the official minimum required floor area of 9 to 14 m² per inhabitant is rather high. Also, current standards do not take into account the possibility of housing as an incremental process. This is precisely how many informal housing units are being built. The high incidence of informal construction can be partly explained by the bureaucratic hassles and hurdles that official processes impose on the building permit applicant and also the high land transaction taxes and land use rights registration fees associated with land delivery.
9.3 CONSTRUCTION INDUSTRY ACTORS

The Ministry of Construction (MOC) has the primary technical oversight of the construction sector. The MOC is responsible for the state’s management of construction, construction materials, housing, public works, architecture and development planning.

The MOC also manages state corporations and groups operating in construction and construction material production which directly serve housing construction such as Housing and Urban Development Group (HUD), Viet Nam Cement Group (Vicem), Viglacera Corporation (Viglacera), Viet Nam Construction, Export and Import Joint stock Corporation (Vinaconex) and Viet Nam Construction Consultation Group.

There are over 300 large-scale building materials firms. Cement and reinforced bars are manufactured in Viet Nam mainly by large SOEs. The largest cement producer is Viet Nam Steel Corporation. Brick making is largely in the hands of small and traditional enterprises, although large brick manufacturing plants are assuming a larger and larger share of the market.

In 2007, it was estimated that total number of construction companies and corporations (State-owned enterprises or SOEs) under government entities were 2,677. In the years following the enactment of the Enterprise Law in November 2005 the number of private construction company substantially increased, but construction companies under the MOC still occupy the largest share of the market Viet Nam.

The major projects of the state-owned enterprises (SOEs) were housing development, urban infrastructure, cement, hydro electricity and industrial area. According to the 2007 annual report of MOC, the SOEs’ total output was VND 103,153 billion covering 501 projects.

The decision to grant a construction permits are made by the chairman of the people’s committee, at the provincial level, and the relevant director of the department of construction.

The Viet Nam Association of Construction Contractors (VACC) is a voluntary professional organisation of enterprises in the construction sector, including areas of construction and installation, consulting, interior decoration, material supplies, equipment, building materials, and construction machinery. The VACC was established under Decision 13/1999/QD-TCCP dated May 27, 1999. The VACC aims to strengthen cooperation among contractors in the country and to promote fair competition and transparency, scientific and technological advancement, equality, and business development. After 10 years of establishment and operation, the Association now has over 600 businesses as members. The VACC has main offices in HCMC, Hanoi, and Da Nang and is in the process of opening branches at the provincial level.

In construction industries in Viet Nam most workers are informal whether they work in the formal or informal sectors. In addition, informal construction is one of the largest informal industries in the country. In 2007, 75 percent of total number of jobs in the construction industry was from informal sector.

9.4 BUILDING MATERIALS: PRODUCTION AND COSTS

Viet Nam is well endowed with natural resources upon which the building materials industry is based. For example, there are over 350 limestone mines for cement production, 694 mines for clay to produce bricks, and many more producing kaolin, sand for glass, stone, sand and gravel, dolomite and other stone, and refractory clay. However, mines for inputs into the manufacture or steel reinforcing bars are insufficient, leading to the importation of both raw materials and semi-finished products such as steel ingots.

The country’s building material sector has registered strong growth over the past few years, as illustrated in the following: According to the Viet Nam Cement Association, there are 105 cement production lines in Viet Nam with combined capacity of over 61 million tonnes, putting Viet Nam into the list of the world’s top 10 cement producers. Viet Nam has recently passed Indonesia to become the biggest tile producer in Southeast Asia and the world’s sixth largest. Production output of construction glass and sanitary ware reached roughly 107 million square metres and 3.2 million units per year. There are more than 60 tile producers in Viet Nam; among them the biggest producers are Viglacera, Dong Tam and Prime Group. Growth in production of selected building materials industry is illustrated in Table 36.
Which building materials are most important for housing, especially affordable housing? As shown in Chapter 4, all housing typologies use at least some cement, so this material is absolutely essential for all housing (except the “simple” category, only some 2.5 percent of housing production in urban areas). Fired brick is also very ubiquitous, being used both for load bearing walls (for “semi-permanent” or informal housing) and as infill walls (for “permanent” housing with RC frames). Modern or “permanent” housing categories depend on reinforced concrete for footings, columns and beams, floors, and even sloped roofs, thus reinforcing bars is an important building material for modern housing. Other metals are used for roofing and roofing trusses, especially for informal housing. Glass is in wide use for windows and even high-rise building cladding, and ceramic tiles are popular in both permanent and semi-permanent residential structures. Timber is no longer preferred in residential construction due to its high cost, and potential for decay and termite damage in hot humid conditions. “Durable-wood frame” and “simple” categories of housing may use traditional products such as bamboo, rattan, thatch, rice stems, rice husks, and coconut husks, all of which are abundant in Viet Nam.

For a summary of the most common building materials used in Viet Nam by type of structure, see Table 37.

In the following paragraphs the key building materials for housing production in Viet Nam such as cement, fired brick, reinforcing bar, and metal are briefly reviewed and issues are raised.

CEMENT

As mentioned above Viet Nam has caught up with domestic demand and is now self-sufficient in the production of cement. In fact, Viet Nam exported a total of 3.4 million tonnes of cement and clinker in the January-October 2011 period, mainly to Cambodia, Laos, Bangladesh and Middle East markets. Total national production during the same period was 39.4 million tonnes, meaning that currently Viet Nam is exporting almost 10 percent of production.

The country has been increasing cement production capacity at a very rapid rate since 2001. For example, production increased from 16.7 million tonnes in 2001 to 29 million tonnes in 2005, an annual increase of over 10 percent (in 2006, domestic consumption was 32.6 million tonnes, showing that at the time there was still a slight shortfall in domestic production11). In 2011 annual production is estimated to be 47.3 million tonnes, showing continued increase in production (total production in

Table 35: Construction companies under government entities in Viet Nam, 2007

<table>
<thead>
<tr>
<th>CORPORATION</th>
<th>COMPANY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ministry of Construction</td>
<td>19</td>
</tr>
<tr>
<td>Other ministries</td>
<td>12</td>
</tr>
<tr>
<td>Local provinces</td>
<td>3</td>
</tr>
<tr>
<td>Total</td>
<td>34</td>
</tr>
</tbody>
</table>

Source: Pham (2008)

Table 36: Total Production of Selected Building Materials 2001 - 2007

<table>
<thead>
<tr>
<th>NO</th>
<th>TYPES</th>
<th>UNITS</th>
<th>2001</th>
<th>2003</th>
<th>2005</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Cement</td>
<td>Million tonnes</td>
<td>16,10</td>
<td>24,12</td>
<td>30,80</td>
<td>36,80</td>
</tr>
<tr>
<td>2</td>
<td>Ceramic tile</td>
<td>million m²</td>
<td>67,83</td>
<td>110,20</td>
<td>170,00</td>
<td>270,00</td>
</tr>
<tr>
<td>3</td>
<td>Construction glass</td>
<td>million m²</td>
<td>30,72</td>
<td>38,35</td>
<td>74,76</td>
<td>80,00</td>
</tr>
<tr>
<td>4</td>
<td>Construction brick</td>
<td>million numbers</td>
<td>10,300</td>
<td>14,101</td>
<td>18,128</td>
<td>22,000</td>
</tr>
</tbody>
</table>

Source: Nguyen (2011c)
2010 was actually higher, exceeding 50 million tonnes). In fact, it seems that in the last two years there is somewhat of a glut on the local market for cement, as new capacity has outstripped demand. Currently some cement companies are being sold at reduced prices and in the sector the phrase “bankruptcy” has started to be used, whereas just a year ago, enterprises had raced to invest in cement production.12

Over the last decade, cement prices in Viet Nam have been stable in VND terms, but there has been a trend of lowering prices in USD terms. Due to the current glut, cement producers would like to reduce prices but are facing rising input costs. Portland cement is currently being offered at USD 50 - 60 per tonne Free on Board on international markets.

Cement production plants use mostly rotary kiln technology, and older technologies are being phased out. Except for a handful of joint venture companies with foreign partners, state owned cement factories dominate the sector. These are gradually moving to become joint stock companies13.

FIRED BRICK

As mentioned above, fired brick is used extensively in all types of housing construction. Vietnamese brick production has been expanding as fast as the economy. Today, Viet Nam consumes more than 20 billion bricks a year, which rounds out to almost 250 bricks per head, according to Swiss Development Corporation studies14. Viet Nam is self-sufficient and exports a small portion of total production to neighbouring countries, particularly to Cambodia.

Currently, about 80 percent of fired building material (brick and tile) in Viet Nam is produced by small-scale enterprises, which are inefficient and have negative effects on health and environment15. In order to reduce the detrimental impact of traditional kilns, uncontrolled clay exploitation and conflict between farmers and brick manufacturers, the government has been aiming to eliminate traditional kilns, to be replaced by mechanized, high volume industrial plants. Most of these are to produce modern hollow bricks (instead of the traditional brick which is solid) that saves on energy consumption and thus costs.

Also, there is a campaign to gradually replace clay-fired bricks with non-fired bricks in construction projects. Prime Minister issued Decision 567/QĐ-TTG dated 28/04/2010, National Programme for development of non-baked Construction material toward 2020, which sets a target for non-fired bricks of 20 - 25 percent of production by 201516. Non-fired bricks are normally comprised of soil and lime compressed into bricks or blocks.
STEEL REINFORCING BARS

Steel reinforcing bars are a key material for “permanent” housing construction, as can be seen from the following Table 37.

Steel reinforcing bar is one of many steel products. At the end of 2006, Viet Nam’s steel production industry had a capacity of 6 million tonnes per annum, according to the Viet Nam Steel Association. At the same time, the government estimated that the industry requires an investment of USD 12 billion through 2025 to bring production up to 25 million tonnes per annum. The country’s partial dependence on steel ingot imports has made locally made steel products less competitive when compared with imported products.17

Reinforced bar hot rolling mills have been present in Viet Nam for years, buying imported billet (ingots) as their raw material. Production tends to cover domestic demand, but the steel industry is still dependent on imported ingots. Prices fluctuate according to domestic demand but also according to production costs, mainly energy.

The country’s largest mill (Viet Nam Steel Corporation) quoted reinforced bar at VND 17 million (USD 803) per tonne in November 2011, including 10 percent tax, down slightly from the previous month. But prices rose over the summer of 201118.

ROOFING MATERIALS

For “semi-permanent” and “wood frame” housing, lightweight roofing is most commonly corrugated iron or other metal sheeting on wood or metal frame trusses. There are many types of varying durability, and prices are inexpensive. However, most metal sheeting is imported. There are also attempts to find alternatives, such as bamboo corrugated sheeting.

CONSTRUCTION MATERIAL COSTS

The prices of construction materials have risen over the last decade due to the construction boom in Viet Nam. In addition, there is generalised inflation due to the nature of the economy. Variations in the prices of general construction materials as well as housing materials over the 2001 - 2007 period are shown in Table 38.
Table 37: Main structural solutions for housing

<table>
<thead>
<tr>
<th>NUMBER OF STOREYS</th>
<th>MAIN SOLUTIONS</th>
<th>Material had been used for main structures</th>
<th>Roof</th>
<th>Cladding and surrounding wall</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Foundation</td>
<td>Sheep wall</td>
<td>Column</td>
<td>Beam</td>
</tr>
<tr>
<td>1 to 2 stories</td>
<td>Brick F or Stone F or RC F</td>
<td>Brick</td>
<td>Brick</td>
<td>RC or S</td>
</tr>
<tr>
<td>(5 to 10 m)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3 to 5 stories</td>
<td>or RC raft F</td>
<td>RC</td>
<td>RC</td>
<td>RC</td>
</tr>
<tr>
<td>(12 to 20 m)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6 to 12 stories</td>
<td>RC driven pile</td>
<td>RC</td>
<td>RC</td>
<td>RC</td>
</tr>
<tr>
<td>(25 to 50 m)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>15 to 35 stories</td>
<td>RC Bored pile, RC Barret Wall</td>
<td>RC</td>
<td>RC</td>
<td>RC</td>
</tr>
<tr>
<td>(42 to 135 m)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note:
- F: Footing (foundation); RC: reinforce concrete; S: Steel, PC: Prestressed concrete.
- Buildings which are less than 6 stories and beam spans more than 7.2m may use PC for beams
- High rise building, which using flat slabs and without beam, may be using PC for Slab.

Source: Le Truong Giang (n.d) in Nguyen (2011c)

Table 38: Fluctuations of general and housing and construction materials CPI performance 2001 - 2007

* percent increase compared to previous year

Source: Pham (2008)
IMPORT AND EXPORT OF BUILDING MATERIALS

In Viet Nam, the supply of building material is import oriented\(^{20}\). Although the value of exported materials has increased during the 2000s, imported values have been several times larger over the same period (Table 39). The main imported materials are cement, iron and glass exported materials are pottery, glassware, wood and wooden products\(^{21}\).

To enhance local production capacity, a Master Plan to Develop the Building Materials Industry through 2020 was approved by the prime minister on August 29, 2008. It aims to increase the capacity of the local building material manufacturing industry and thus enable to meet the increasing demand. It also highlights a plan for increasing production of key materials for export. The master plan also focuses on development strategies for basic building materials such as: cement, ceramic bricks, sanitary wares, construction glass, building materials, roofing material, marble, interior finishing products, and new and environmentally-friendly materials\(^{22}\).

<table>
<thead>
<tr>
<th>YEAR</th>
<th>TRADE DEFICIT</th>
<th>EXPORT</th>
<th>IMPORT</th>
<th>GROWTH RATE (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>Value</td>
<td>Growth rate (%)</td>
<td>Value</td>
<td>Growth rate (%)</td>
</tr>
<tr>
<td>2002</td>
<td>277.052</td>
<td>45.965</td>
<td>-6.19%</td>
<td>323.017</td>
</tr>
<tr>
<td>2003</td>
<td>454.972</td>
<td>64.706</td>
<td>40.77%</td>
<td>519.678</td>
</tr>
<tr>
<td>2004</td>
<td>502.630</td>
<td>68.781</td>
<td>6.30%</td>
<td>571.411</td>
</tr>
<tr>
<td>2005</td>
<td>492.075</td>
<td>87.431</td>
<td>27.12%</td>
<td>579.506</td>
</tr>
<tr>
<td>2006</td>
<td>704.251</td>
<td>100.938</td>
<td>15.45%</td>
<td>805.189</td>
</tr>
<tr>
<td>2007</td>
<td>509.808</td>
<td>156.440</td>
<td>54.99%</td>
<td>666.248</td>
</tr>
</tbody>
</table>

* Corporations and companies under Ministry of Construction


9.5 CORRUPTION IN THE CONSTRUCTION INDUSTRY

The construction industry of Viet Nam is known to be rife with corruption. Recent government anti-corruption efforts have led to the detection of many violations within the construction sector that have occurred during all stages of a project: investment, preparation, implementation, and handover.

It is said that the high levels of corruption found in construction contracts stem mainly from their large size, technical complexity, extensive approval processes, and easy concealment of sub-standard workmanship and materials\(^{23}\).

Violation of government regulations by housing developers during construction is also a common occurrence\(^{24}\). For example, the evaluation of feasibility studies as well as consultant selection are often not in line with regulations. Survey data and concept design documents are often incorrect. Incorrect calculations of work volumes, applications of wrong unit prices, payments that do not comply with the works done and usage of sub-standard materials are just a few examples of violations that occur frequently. Housing developers at times “forget” to build social amenities such as community clubs, healthcare stations, playgrounds and kindergarten. They later apply for changes in the purpose of the land dedicated for such purposes into housing for sale or commercial facilities.

Many efforts have been made to combat corruption in the building industry. Experts from the Ministry of Construction and the UK Department for International Development recently worked on an initiative to provide more financial transparency in the construction industry\(^{25}\), and many other efforts have been and continue to be made. However, as long as standards, procedures, and regulations are overly-detailed, complicated, and time consuming corrupt methods will be applied to circumvent them.
Currently over 75 percent of energy consumed in buildings is used for air conditioning and water heating, and the rest is for lighting and cooking, and by applying “green” approaches it should be possible to reduce energy consumption by 30 percent, reduce water consumption by 30-50 percent and reduce carbon emissions by over 35 percent.

9.6 CAPACITY BUILDING NEEDS

For simple residential construction techniques there is little “capacity building” needed in Viet Nam that is already covered by the country’s technical institutes and colleges. However, training on energy efficient design for housing is only in its infancy in Viet Nam and needs to be strengthened.

Considerable training and familiarisation with adapted building materials is needed. In particular, knowledge of the production and cost-reduction of non-fired bricks and blocks needs to be promoted heavily throughout the country.

The country’s technical institutions and colleges can easily teach simple residential construction techniques. However, considering the increasing reliance on sophisticated and imported construction technologies, a more diverse and expanded vocational training programmes are increasingly required.

9.7 ENERGY, GREENHOUSE GASES, AND EFFICIENCY IN HOUSING CONSTRUCTION

As in many countries, Viet Nam has been slow to champion energy efficiency in residential construction and operation. Currently over 75 percent of energy consumed in buildings is used for air conditioning and water heating, and the rest is for lighting and cooking, by applying “green” approaches it should be possible to reduce energy consumption by 30 percent, reduce water consumption by 30-50 percent and reduce carbon emissions by over 35 percent. Clearly the benefits of green construction in the housing industry buildings are great.

However, Viet Nam does not currently have a specific mechanism for the promotion of green buildings and the environmentally-friendly production and use of building materials. Specific energy regulations as part of construction licensing do not exist and the energy efficiency of multi-storey and commercial buildings have not been adequately addressed. To reduce greenhouse emissions in the housing sector, according to Deputy Ministry of Construction Cao Lai Quang, research on environmentally friendly building materials, resource efficiency and other planning solutions, energy saving urban architecture, high performance residential equipment in order to save energy, and other technology solutions relevant urban waste treatment, will be critical.

The Construction Material Development Master Plan to 2020 ensures the continued research and development of environment friendly major construction and finishing materials. Developed in 2008, this master plan calls for stakeholders in the construction sector to be encouraged to use building materials which are low energy consumers, minimise production of building materials from agricultural land, encourage the development of lightweight materials and the use of ultra-light walls. New investment projects must meet energy efficiency requirements. For example, new ceramic tile production facilities must use 0.88 kg of liquefied petroleum gas per square metre of tiles or less, or 1.07 kilogram of diesel oil per square metre of tiles or less, or 2.58 kwh per square metre of tiles or less. Similar targets have been set for sanitary ceramic production and glass production. There are also investment incentive measures for special products, including tax exemption for 4 years and 50 percent reduction in 9 years.
9.8 CONCLUSION

In the construction and building materials sector, the formal or “modern” modes of construction, which presently account for much less than half of total housing unit production in the country, are those that receive almost all attention, whereas the informal and self-built modes, which represent the majority of housing unit production (see Chapters 4 and 5), are left to their own devices.

The formal construction sector is of course important, since it will inevitably become the main mode of housing delivery in the future. Improved and clear regulations combined with greater transparency will address many of the faults, and transformations in the construction markets towards greater competition and technological innovation will help steer the sector towards greater efficiency. However, much will need to be done to introduce green building applications and encourage greater energy efficiency.

Basic building materials for housing are produced in the country, but even so the country relies heavily on imported goods. Thus there is a need to increase the capacities of local manufacturers. However, there is also a need to reduce materials costs and to replace high-energy consuming materials (such as cement, reinforcing bars, fired bricks and tiles) with low-energy alternatives and also to expanded materials recycling.

Since little is known about the informal modes of housing production, it is difficult to come up with recommendations for their improvement, especially in cost reduction. Perhaps one area of intervention would be simple awareness campaigns about alternative and eco-friendly building materials that also reduce overall construction costs. Local durable materials, such as stabilised or compressed bricks, could be encouraged as means of cost reduction. Better use of recycled materials should also be encouraged. Design for flexibility should be applied so that spaces can be varied according to changing occupant requirements and building functions.

Figure 34: Green House in HCMC
Source: © Hinoyuki Oki
ENDNOTE

1. Most of the data in this section and the following one come from Nguyen (2011b)
2. Doing Business (n.d)
3. MPI’s Comprehensive Capacity Building Programme (CCBP) for ODA Management in Viet Nam cited in Navarro & Tran (2009)
5. Ibid
6. Nguyen (2011b)
7. Pham (2008)
10. Cling et al. (2011)
11. From the presentation by Nguyen Van Thien, Chairman of the Vietnamese National Cement Association (Nguyen 2007)
12. Viet Nam Business News (2011a)
15. Nguyen (2011b)
17. Industrial Info Resources (2007)
22. Ngo (2011)
24. interviews with Ministry of Construction Officials (2010)
25. See for example American Chamber of Commerce in Viet Nam (2009)
26. Data in this section is from Nguyen (2011b)
27. Nguyen (2011b)
28. Prime Minister Decision No.121/2008/QD-TTg dated August 29, 2008
10.1 THE URBAN HOUSING MARKETS IN VIET NAM 134
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10.1 THE URBAN HOUSING MARKETS IN VIET NAM

EMERGING URBAN HOUSING MARKETS

Housing markets in Viet Nam are still in the initial stages of development. Before 1986 there was technically no housing market, and housing transactions then were mainly limited to the sale of state-owned units at administratively-set prices. The creation of the housing market began in the end of the 1980s following the Doi Moi reforms. The ban on self-help building activity was lifted and local governments began to allocate land to state employees for housing construction via various state institutions. Housing production was further boosted in the late 1990s by a series of directives in encouraging investment by large developers. Investments of foreign developers in real estate were also encouraged.

These reforms triggered a housing boom in many cities of Viet Nam. The Real Estate Law, enacted in 2006, further boosted the housing market with the introduction of a comprehensive legal framework for land and housing transactions, leasing of land and property, and real estate services. The climate for international investment also improved at the same time. Viet Nam’s continuing economic boom, increasing inflow of foreign capital, and rising expectations all led to a heated real estate market in which speculation in land and property became rife. Typical in such situations, housing prices and rents in big cities like Ho Chi Minh City and Hanoi have skyrocketed. And a host of players have entered the transactions market.

Thus it could be said that Viet Nam has rapidly evolved and that its urban real estate market has become much like that of other South East Asian countries. However, over the same period another kind of market has emerged in parallel. A look at the current structure of the housing market will reveal that there is market dualism, where a minority of market exchanges are formal, highly valorised, and increasingly sophisticated and modern, but where the majority of housing and land exchanges operate on informal, individualistic modes which are outside this system.

Housing markets in Viet Nam, and especially the markets operating in the large informal sector, are not well understood. In fact, just as housing markets ruled by the forces of supply and demand are new and still evolving in Viet Nam, so too is the information on and understanding of these markets. One factor which bedevils standard market analytics is the fact that for many urban Vietnamese, perhaps even a majority, housing is self-built, thus the housing product is not exchanged (except eventually as part of the small secondary market), and “market” behaviour is mainly found with the most important housing input – land and the land-use right market.

THE FINANCIAL CRISIS AND HOUSING MARKETS

The formal real estate market in Viet Nam since 2009 has been quite calm in most of segments. Prior rapid expansion showed a disregard for fundamental supply and demand factors and too much reliance on state budgetary resources. Presently there is a severe oversupply of high income housing, particularly high-end apartment units. On the other hand, the supply of social housing has not met the demand of most of low income groups. These supply and demand imbalances, associated with accumulated speculation in the 2006 - 2007 period and a decreasing trust of the people in real estate markets due to shortcomings in construction and management of apartment building production, has led to a sharp decrease in real estate prices and quantities of transactions. The real estate market, consequently, could be said to have reached a crisis by the end of 2012.

10.2 THE CURRENT STRUCTURE OF THE HOUSING MARKET AND ITS SEGMENTATION

In Chapter 4 current housing production was analyzed. New housing in urban areas was produced at rate of at least 273,000 per year over the 1999 - 2009 period. Of this total, the corporate real estate sector produced perhaps 10 percent, other formal private sector (mostly individuals and small developers) producing maybe 15 percent, and government-backed housing (both directly built by government entities and through incentives to the private sector) contributed another 8 percent. This left a huge amount of production – some 65 percent of the production – that was informal
Some 65 percent of the production – that was informal and outside the system. In fact, housing that is “self built” or “self-reliant” and which makes up roughly 80 percent of urban housing stock, does not enter the primary housing market at all and is exchanged informally.

and outside the system. In fact, housing that is “self built” or “self-reliant” and which makes up roughly 80 percent of urban housing stock, does not enter the primary housing market at all and is exchanged informally. As shown in Chapter 6, there was a parallel urban land market which, in volume terms, was dominated by informal exchange.

This dualism also exists on the demand side of the market. As shown in Chapter 5, a large majority of urban families cannot afford to purchase or rent the housing produced by private real estate sector and even has difficulty paying for government-sponsored housing. For them only the informal land/housing market offers housing solutions which are anywhere near affordable. Housing demand by a rising urban professional and middle class is being met by the “corporate” real estate sector, but this sector, in volume terms and in terms of meeting overall housing demand, remains secondary.

INFORMAL SECTOR

According to some experts 80 percent of real estate transactions are informal. The causes of the informal real estate market are as follows:

- Majority of people have insufficient understanding of laws and regulations, thus they don’t consider registration of LUCs and BOLUCs.
- There are few mechanisms for punishing those who remain informal.
- High registration tax rates lead people to avoid registering.
- Complicated land registration procedures in addition to poor quality services of administrative agencies have deterred people from registering.

Very little is known about the operation and players in informal housing markets. It can be assumed that market knowledge is mainly by word-of-mouth among relatives, friends and co-workers. In any locale there are said to be informal housing agents who take a small fee for bringing buyers and sellers together.

CORPORATE REAL ESTATE SECTOR

Formal housing production is dominated by state and private corporate entities that create large urban real estate projects and market the units through media and a host of brokers. The corporate real estate sector, although still a small portion of the total urban housing sector, is growing rapidly. Such growth is reflected in the continued expansion of lending to real estate clients. To the end of July 2010, the total outstanding loans to real estate clients was VND 210,770 billion with the growth rate of 14.38 percent over the previous year, and the bad debt ratio was lower than 2 percent. Also, FDI for real estate has taken a large proportion of the total FDI inflows, representing more than 20 percent over the 2007 - 2010 period. For the first eight months of 2010 the total amount of FDI in real estate has been USD 2,358 million, or 21.8 percent of the total FDI.

The corporate real estate market was further stimulated by legislation in 2009 that allows overseas Vietnamese to buy housing and the attached land. In 2009, the registered FDI from about 3,000 Vietnamese overseas entrepreneurs to Viet Nam was about USD 2 billion. According to the Association of Vietnamese Overseas, there is about USD 41 billion ready to be invested in Viet Nam, 95 percent of which will be in real estate sector.

SMALL PRIVATE SECTOR AND SECONDARY MARKET

Small developers, normally un-incorporated, build individual apartment buildings and shop houses, register them, and market them both formally and informally. It is not known precisely how large this sub-sector is, but it is common both on the urban fringes and in older urban areas that are becoming denser.
In addition, units that had been produced and sold by the corporate real estate sector may soon be resold through the market from individual to individual. Much of the supply in this secondary market come from families who acquired housing units as an investment and eventually seek profitable gains from resell in a market where prices are increasing rapidly.

**THE RENTAL HOUSING SECTOR**

Renting is not a huge market segment and rental tenure represents, according to the 2009 Census of Population and Housing, only some 15 percent of the total urban housing stock. As with the housing purchase market, rental housing is exchanged mainly informally. Informal rental exchange is through informal and individualistic means, and the greatest informal rental market activity involves the exchange of single-rooms mainly on the urban peripheries for migrant workers. Presumably market information for this kind of housing relies on word-of-mouth among co-workers and migrants coming from the same rural communes and provinces. The formal rental market is mostly high-end and caters largely to foreigners and overseas Vietnamese. Apartment rentals in HCMC and Hanoi can easily fetch over USD 1,000 to 2,500 per month.

**THE SOCIAL HOUSING SECTOR**

This segment of the housing market involves state agencies who produce and sell units according to administrative prices and rules on eligibility. Potential beneficiaries learn about units from public announcements and other media. Social and “low-cost” housing (including resettlement housing) only really enter the housing market upon resell or rental of units. Although such secondary disposal of social housing units has been prohibited in the past, it is quite common, and exchange in this secondary sub-market operates informally.

The same could be said about the stock of older social housing units. The state-adopted a policy of selling these older units, such as apartments, villas for multi-households, small houses and dormitories to their current tenants in the late 1980s. However, the sale of such units faced many difficulties because the sale prices were high compared to household income even though very low compared to market prices. Thus, most units have remained in a legal limbo in the hands of the tenants, many of whom sublet informally.

10.3 **HOUSING MARKET ACTORS**

In the 1990s housing markets expanded and began to acquire more actors as economic and property rights reforms took effect and as encouragement was given to SOEs and private enterprises to develop housing. The emergence of these new actors is described in the following paragraphs.

Housing end-users are the main demand side of the housing market and they seek housing through both formal and informal channels, with upper and middle income families tending towards the formal market and the lower middle classes, migrants, and the poor tending towards the informal market. This is true in both the primary and secondary markets.

**Housing owners** as investors represents another type of demand in the market. They acquire housing either to hold and resell at a profit, or to rent or lease out the units to gain a stream of revenues. This type of market player is said to be increasing, although there is no information to confirm this. According to the VRR500 survey of 2010, 62 percent of respondents stated that their purchase of housing is for investment, of which almost half aimed at short-term investment and just over half aimed at long-term investment and renting.

**Housing developers**: The first housing developers were SOEs specialising in construction. Recently, many real estate corporations, both state and private, have become housing producers, normally by developing large real estate projects, which are not in construction sector, have expanded their business to the housing development sector. The number of the enterprises involving in doing real estate business has increased rapidly, as described in Chapter 4. Banks are becoming more involved in facilitating the purchase and sale of housing. As described in Chapter 7, outstanding loans given to clients for real estate purchase have increased significantly. For example, in 2005 to 2009 the value of such loans more than tripled.

**Real estate brokers** play an important role in the urban housing market in Viet Nam. The number of real estate brokers has increased significantly for the last years with around 13,000 professional certificates given to real estate brokers per year. In addition to the official real estate brokers with professional certificates, there are many brokers operating unofficially without registration. Most of the official real estate brokers with professional certificates work for housing transaction floors.
Housing transaction floors (HTFs) have recently become housing market players. There are now over 375 registered housing transaction floors and they function as official real estate brokers who give information, advice and services to the clients for fees. However their scope is still limited and as of the end of 2009 they had made only around 20,000 completed transactions. To encourage the use of these HTFs, a Decree in 2010 required housing developers to market 80 percent of apartments through real estate transaction floors, but it is not known the degree of compliance. HTFs are in need of improvement, since some do not have qualified professional real estate brokers and lawyers. HTFs are not supervised by any agency. Most floors only provide information of housing for sale and do not provide related transaction services such as payment services, price appraising, registration, titling transfer, and legal services.

10.4 HOUSING MARKET REGULATIONS

The regulatory framework for land and housing transactions is quite extensive, resting on a number of laws and decrees promulgated over the last 20 years. These are discussed in Chapter 2 and include the Ordinance on Civil Contracts, the Housing Law, the Law on Real Estate Business, the Land Law, the Investment Law and the Law on the State Budget.

Basically, there are two regulatory systems, one for urban land and another for housing and other property on that land. The very fact that two systems exist has made housing transactions more complex and confusing than in a system of freehold property.

Furthermore, although the Land Law of 2003 and other legislation have allowed the free exchange of official certificates on land use rights and the use of these certificates as collateral in mortgages, there are still imperfections, mainly to do with inconsistencies between different regulations, as described in Chapter 6.

Obstacles in obtaining planning and construction permits have negatively influenced housing markets. Many construction projects have had to be stopped because of long delays in getting planning.

10.5 THE APPRAISAL INDUSTRY AND NEEDED CAPACITY BUILDING

The weakness of the real estate appraisal industry in Viet Nam has had a negative influence on the housing market. The key real estate appraisal method used in Viet Nam is direct comparison, which requires adequate market information, including the legal status of the property to be appraised, local spatial planning requirements and verification of any financial liabilities attached to the property. However, such information is not easy to come by.

One of the reasons for the poorly performing property appraisal system in Viet Nam is simply the shortage of price appraisers. There are said to be only 200 price appraisers in the country, while the demand for housing price appraisers is two to three times higher.

The Ordinance on Pricing of 2002 defines the price appraisal methodology, process and responsibilities of all partners in the process of price appraisal. A draft decree on price appraisal drafted in 2009 includes the specific provisions on price appraisal including the provision on types of assets to be appraised, the price appraisal methodology, process and responsibilities of all partners in the process of price appraisal, and price appraisal fees. However, the draft decree hasn’t been approved yet.

To date not many people use housing price appraisal services for making decisions on housing transactions. Reasons include:

- Shortage of price appraisal experts
- Lack of information on housing markets for appraisers to give accurate estimations
- High fees for housing price appraisal services
- Collusion between housing price appraisers, clients and possibly with government officials to raise/reduce prices
10.6 CONSUMER PROTECTION AND RISK IN HOUSING MARKETS

In Viet Nam consumers have weak legal and regulatory protection as concerning housing as a product and housing land markets. There are no regulations on quality standards for housing units or clear rules on housing management. Also, many people poorly understand and are confused by the laws and regulations governing land and housing.

Lack of adequate housing appraisal capacity, mentioned in the proceeding section, has also served as one of the factors causing poor consumer protection and risk management. Most individual housing buyers and sellers do not know how to obtain appraisal services. It is not uncommon for a purchased property to be falsely appraised at a higher value and then quickly sold in what is called ‘property flipping’. What makes property flipping illegal is that the appraisal information is fraudulent. Kickbacks to buyers, investors, property/loan brokers, and title company employees are common in these schemes.

In the past few years, particularly in Hanoi city, there have been many cases where conflicts arise between users of apartment buildings and investors, mainly about the high service charges applied by the investors of these buildings. Although there are articles in the Law of Housing on residential building management (Articles 70, 71, 72 and 73), the rights and responsibilities of apartment building management units and investors have not been clearly spelled out in these articles, leading to conflicts between investors and managers and residents.

10.7 CONCLUSION

Although there has been considerable development of housing market regulations and expansion and sophistication of professional market services, formal housing markets in Viet Nam still contain a number of flaws which need to be addressed if housing markets are to perform better, especially so that many are not forced to operate informally outside the system. To address these flaws and further develop the market, a number of issues need to be addressed:

- Simplify property registration procedures and improve the transparency in housing transaction processing.
- Reduce land and housing registration tax and fee rates.
- Increase the capacities of housing market management and staff and housing transaction facilitators such as real estate price appraisers, brokers.
- Revise and improve taxation policies to make them effective deterrents to pure speculation in housing and land markets.
- Transparency in urban planning and development control needs to be improved to make information on future land and housing supply more widely available to the public.

ENDNOTE

1. Vu (2010)
4. Comment of Phan Thanh Mai, Chairman of the Board of Directors, Viet Nam Real Estate Floor Joint Stock Company (Viet Nam Law Newspaper 2010)
6. Housing and Urban Development (n.d.)
11.1 GENERAL CONCLUSIONS

11.2 POLICY IMPLICATIONS: AN URBAN HOUSING ENABLING STRATEGY FOR ALL, AND ONE THAT BEST CONTRIBUTES TO VIET NAM’S OVERALL DEVELOPMENT
11.1 GENERAL CONCLUSIONS

The following are the main conclusions that can be drawn from the investigations of Viet Nam’s urban housing sector.

AN EVOLVING LEGAL, INSTITUTIONAL, AND POLICY FRAMEWORK AND AN IMPRESSIVE RECORD

Housing policies and associated legal frameworks have significantly improved, especially in the last 20 years. Many laws and regulations have come into force to ensure that the citizen has rights to use land and own their housing as well as transfer these rights. Regulations have been put in place that aim to improve housing market mechanisms and ensure fairer rules. Some decision making power has been decentralised to local levels. Comprehensive urban development and housing policies have been articulated, and housing has been recognised as an important part of government socio-economic plans. Policies have enabled a transition from housing as a social good to a market-oriented housing provision system. Legislation has been written to encourage the mobilisation of all resources for housing development.

As a result of government policies, as well as the rapid pace of urbanisation and economic development in the country, the urban housing sector has registered tremendous achievements over the last decade. For example, the number of housing units has increased in urban areas from 4 million in 1999 to 6.8 million in 2009. Modern housing typologies have been introduced or have gained in popularity, particularly high-rise apartment buildings. Housing space has also improved dramatically, with the country’s average housing floor area rising from 7.0 square metres per head in 1999 to 16.7 in 2009. Social groups such as students, workers of industrial parks, and urban low-income people have started to benefit from housing support. The private sector has grown significantly. The real estate industry in general, including housing in particular, has significantly contributed to the country’s GDP growth.

WEAKNESS REMAIN IN HOUSING POLICY FORMULATION AND IN THE INSTITUTION AND REGULATORY FRAMEWORKS

In spite of many achievements in Viet Nam’s urban housing sector and its evolving institutional and regulatory framework, there remain serious outstanding issues. The most serious of these issues are briefly discussed as follows.

- Policies related to social housing, low income housing, rental housing and housing for resettlement are still influenced by an approach that implies significant subsidies. Furthermore, social housing policies focus support to some specific target groups, but do not enable a wider number of poor households to participate.

- There are a large number of government institutions and agencies dealing with housing issues in Viet Nam and these exist at multiple levels – national, provincial, city, district, and even commune and ward. With all of these actors, it is inevitable that co-ordination and consistency are constant problems. For example, although the Ministry of Construction is the lead agency in housing management, it only deals with some aspects of the sector. Land and housing finance are inseparable parts of housing development; however they belong to MONRE and MOF. In real estate management, while MOC is in charge of housing market, the MONRE is responsible for land use right market and housing registration.

- There is no proper information sharing and cooperation between agencies in charge of housing. There is no centre for basic housing knowledge and no ways to sponsor important field research. In addition, mass organisations’ representatives complained that their opinions are not often taken seriously by the government. Thus there is little means of feedback to assess how well housing policies are working.

- Although the Urban Planning Law allows many urban planning actions to be decentralised to local levels, the central level (mainly the Ministry of Construction) retains a large influence, and its agencies and enterprises are often invited to be a planning contractor due to low capacities at local levels. In other words, top-down planning approaches remain. Although the decentralisation
process has assigned powers to the provincial level, there are no guidelines on how the provincial level can decentralise further to lower levels, and this has resulted in a passive attitude of lower local governments in implementing housing and neighbourhood improvement programmes.

- Laws supporting citizen participation exist; however there is little guidance on how such participation should work. There is insufficient information provided to citizens and citizen groups, and a lack of responsibility of government to offer feedback to the public. Citizens are not fully aware of their right to participate, they do not really feel that they have representatives who can raise issues, and there is a lack of trust in the ability of the government to change.

A DUALISM IN URBAN HOUSING PRODUCTION EXISTS AND IS BECOMING MORE ACUTE

Data shows that the urban housing stock is evolving and improving, with greater space and better amenities on average. However, there is a kind of dualism in the housing stock, with well over half of units being informal or “extra legal” and at least 75 percent being “self built.” Only perhaps 20 percent represent modern, formal modes of production where the developer is a corporate or state entity, and probably 65 percent of units are produced by informal modes. Production of the shop house comes second, and while these units are of durable construction they are largely self-built and only a fraction of units come to be exchanged through the formal housing markets. Only perhaps 15 to 20 percent of current production can be considered modern and formal, although virtually all state policies (and incentives and subsidies), all media commentary, all mortgage finance, and all real estate businesses focus on this modern sub-sector.

It needs to be stressed that the largest share of new housing units in urban Viet Nam are self-built, in other words constructed in a self-directed and self-managed process. This has produced and continues to produce the large majority of urban housing in Viet Nam, housing that suits well the means and life styles of the inhabitants. However, in attempts to rid cities of slums and irregular settlements, to “solve the housing problem,” and to launch Vietnamese cities on a rapid trajectory towards modernist, global real estate attributes, policies have favoured mostly high-rise housing projects both for the rich, the middle classes and the poor. In their haste to achieve the Singapore or Hong Kong paradigm of urbanism, authorities and many of the professional elites in Viet Nam have little taken into account their country’s own, people-centred methods and modes of housing production.

AFFORDABILITY FOR HOUSING IS AN ACUTE PROBLEM

An analysis of current urban household income distribution and housing costs shows that, in terms of cost-to-price ratios, in terms of prevailing rents, and in terms of standard housing loan programmes, urban households will find it extremely difficult to afford even modest modern housing units. The only housing type that is affordable to the majority of urban households – even low income households – is that which is self-built informally in peri-urban areas and may be deemed illegal. Thus it is clear that there is a huge housing affordability challenge in urban Viet Nam, and one that, owing to rapidly rising housing values and rampant urbanisation, is bound to get worse. Social housing, which the government has started to launch on a grand scale, will only be affordable with massive subsidies and other concessions.

For the foreseeable future, the only hope for reasonable and affordable housing for the urban majority lies in the informal “self-built” housing sub-sector. Ironically, it is this sector that has, until now, been mostly ignored by policy makers and which is perceived by many to be an anathema.

THE MAJORITY OF URBAN LAND DELIVERY SYSTEMS FOR HOUSING ARE INFORMAL

The efficient functioning of Viet Nam’s land delivery systems for urban housing are faced with four challenges:

- Rapid urban growth and tremendous volumes of land conversions which are set to continue in the coming decades.
- A cumbersome and non-transparent bureaucratic system of land administration which still contains remnants of command and control practices.
Rapid land value rises which make affordable land for housing less and less possible without direct state intervention and, at the same time allows fertile ground for windfall profits, speculation, and associated corruption.

A formal land delivery system (the primary market where the state originates land supply) which responds mainly to high-end real estate investors and has been partly monopolized by special interests.

As a result of the above, the creation and even expansion of a huge informal urban land market that, for all its faults, delivers land and the resulting housing that is affordable to a wide range of limited income families and migrants.

In this Viet Nam is not unique. International experience shows that these challenges are faced to varying degrees by most low and lower-middle income countries with rapidly expanding urban sectors. It is just that Viet Nam seems to be urbanising faster than most, its booming economy is causing acute competition for land, and former command economy legacies are still in evidence.

Observers have put forward a host of recommendations to improve the efficiency of urban land administration. There are calls make land titles universal and easy to obtain, to simplify, streamline and make more transparent land administration, to make better use of market indicators and valuations in assessing taxes and fees, and to remove legal complexities and loopholes which are breeding grounds for corruption. In this Viet Nam has already shown in the last decade that it is heading in the right direction, but entrenched interests and hold-over mind sets present formidable obstacles.

Observers also rightly question the allocation of state land for real estate purposes at below-market and “subsidised” rates, even though there is little or no social benefit from these ventures. Urban land policies, especially those of central and municipal governments need to avoid land release which results in high-cost and luxury housing. Land is needed for affordable social housing and for economic projects, and experience so far shows that both public and private housing enterprises build only for thin strata of the well-to-do. There are already numerous large areas being developed or in the pipeline around HCMC and other major cities for such projects, enough to satisfy market demand for years to come.

Besides administrative reforms relating to land, much could be gained by looking at and even learning from informal urban land development. There is a serious affordability problem for a wide swath of urban households and currently only informal housing processes, including the informal and incremental creation and subdivision of land and subsequent self-build housing production, which can meet the housing needs of the majority. There are many deficiencies in informal urban development, but many of these could be avoided or at least mitigated by selective state interventions, including ways of “guiding” development that will happen anyway. But to do this informal urban development (land plus housing) needs to be much better understood than it is at present, and a priori negative attitudes need to be discarded. If, after all, informal processes meet the needs and aspirations of the majority, then it would need to receive more attention.

**HOUSING FINANCE SYSTEMS MISS THE MAJORITY**

Although Viet Nam has developed mortgage systems for housing finance, the key sources for households to finance housing are still own savings (44 percent) and informal sources from friends and relatives (35 percent). The procedures for getting loans from commercial banks are considered complicated, a steady income on the part of the borrower is required, and interest rates are very high during the time when the country faces inflation. The legal framework on mortgage loans still suffers inconsistency and lacks clarity. Finally, there is a cultural aversion among Vietnamese to incur long term debt. In effect, probably over 80 percent of urban housing units in Viet Nam are financed completely outside the country’s formal financial structure.

For housing developers, the legal and regulatory frameworks have improved, giving more choice to housing developers in selecting the ways to raise funds for housing development. Agreement has been reached to allow funding to be raised by the owners of future housing through advance payment at intervals. These forms of up-front payments are now very important sources of funding for housing development.

There are various housing finance mechanisms that have not yet been introduced in Viet Nam, such as real estate investment trusts and mortgage-backed securitisation, also called the secondary mortgage market. But for low income households, the expansion and deepening of the nascent housing micro-finance systems shows the most promise. Since micro credit has very short tenure (one to two years)
and does not require mortgage collateral, it should fit well with Vietnamese household finance behaviour. There is already an established micro-finance industry which is set to expand, and micro-credit for housing should be relatively easy for micro-finance institutions to promote through their existing networks.

BASIC URBAN INFRASTRUCTURE HAS IMPROVED DRAMATICALLY BUT WEAKNESSES REMAIN

The urban infrastructure sector in Viet Nam has achieved much in the last twenty years. Even in the face of rapid growth of the urban population, access to electricity and clean water is nearly universal, and coverage of sewerage networks is increasing. In addition, large amounts of urban roads and streets as well as surface drainage systems have been built. And recently large investments have been made in sewerage treatment plants to replace the environmentally unsound practice of discharging raw sewage into water bodies.

These achievements have been accompanied by reforms in the institutions and regulations that control infrastructure service delivery. State-owned enterprises, which are the main infrastructure builders and operators, have been created mainly at the provincial and city levels and given some autonomy, although they are still controlled by the relevant people’s committees. The tariff structures for water and electricity consumption have been allowed to rise, and they are designed to keep small the burden on poorer households.

However, much remains to be improved in urban infrastructure services to urban residential areas, and the expected costs are correspondingly great. At present only electricity services are at all financially sustainable. Water and sewerage networks and the SOEs that run them are still partly tied to the older “state finance and control” systems, and more needs to be done to make them financially independent going-concerns while at the same time preserving their social roles vis-à-vis poor households. The greatest difficulty will lie in the sanitation and drainage sub-sectors. Investments in reticulated sewerage systems and treatment plants are expensive, and the both the numbers of households connected and percentages of effluent treated remain only fractions of the total needed. This is not just an issue of household convenience – existing latrine and septic tank systems which are today used by the majority of urban households pollute groundwater and also water bodies.

In addition, Viet Nam’s cities are mostly low-lying and flood prone. With global warming the situation can only get worse, and thus civil works and controls are needed to ensure that natural water bodies and drains function well and are not encroached upon by property developers.

Perhaps the biggest physical and social challenge relating to urban infrastructure lies in the rapidly growing and increasingly dense peri-urban areas surrounding the major Vietnamese cities, especially around HCMC. It is here that the majority of migrants, the poor, and the lower middle classes are locating in great numbers because mobility is good (largely thanks to the motorcycle), employment is available in nearby industrial areas, and also because housing solutions are affordable to all. But the unplanned, informal patterns of development represent infrastructure challenges and call for inventiveness. Until now all infrastructure networks have been provided ad hoc in these areas only after urban development has taken root, and thus designs and capacity considerations must adapt to non-linear patterns and progressive densification. Much must be learnt, since the Vietnamese engineering profession is trained to and oriented towards providing infrastructure for mega-projects on open green field sites where development is one-off. This is the antithesis of suburban and peri-urban development in Viet Nam, where perhaps up to three-quarters of new urban housing units are being created.

THE CONSTRUCTION INDUSTRY AND BUILDING MATERIALS PRODUCTION HAVE EXPANDED BUT NEED IMPROVEMENT

As with many aspects of the urban housing sector in Viet Nam, there is a kind of dualism operating in the construction and building materials sector. The formal or “modern” modes of construction, which account for much less than half of total unit production, are those that receive virtually all attention, whereas the informal and self-built modes, which represent the majority of housing unit production and which produce the only housing affordable by the majority are left to their own devices.

The formal construction sector is of course important, since it will inevitably become the main mode of housing delivery in the future. Improved and clear regulations combined with greater transparency will address many of the faults, and transformations in the construction markets towards greater competition and technological innovation will help steer the sector towards greater
efficiency. However, much will need to be done to introduce green building applications and encourage greater energy efficiency.

Since little is known about the informal modes of housing production, it is difficult to come up with recommendations for their improvement, especially in cost reduction. Perhaps one area of intervention would be simple awareness campaigns about alternative and eco-friendly building materials that also reduce overall construction costs. Local durable materials, such as stabilised or compressed bricks, should be encouraged as means of cost reduction and also to replace high-energy consuming materials such as cement, fired bricks and tiles. Better use of recycled materials should also be encouraged design for flexibility should be applied so that spaces can be varied according to changing occupant requirements and building functions.

HOUSING MARKETS ARE BECOMING MORE SOPHISTICATED BUT STILL CONTAIN FLAWS

Although there has been considerable development of housing market regulations and expansion and sophistication of professional market services, formal housing markets in Viet Nam still contain a number of flaws which force many to operate outside the system. To address these flaws and further develop the market, a number of steps need to be taken:

- Simplify property registration procedures and improve the transparency in housing transaction processing
- Reduce land and housing registration tax and fee rates
- Consider better the needs of the poor and the poor and low income households in housing market activities
- Increase the capacities of housing market management and staff and housing transaction facilitators such as real estate price appraisers, brokers.
- Revise and improve taxation policies to make them effective deterrents to pure speculation in housing and land markets.

11.2 POLICY IMPLICATIONS: AN URBAN HOUSING ENABLING STRATEGY FOR ALL, AND ONE THAT BEST CONTRIBUTES TO VIET NAM’S OVERALL DEVELOPMENT

The previous section identifies the main areas where Viet Nam’s urban housing systems are in need of improvement and shifts in focus. Here the emphasis is on what these improvements imply in terms of overall urban housing policy.

It should be clear that Viet Nam’s rapid urbanisation, itself a result of impressive economic growth, and presents huge challenges for the housing sector. The objective of urban housing policies should thus be to meet these challenges in an inclusive manner – in a way that addresses the housing needs of all social and economic groups, both those residing in cities today and those that can be expected to arrive tomorrow. This challenge is not an easy one, as experience from other developing countries shows.

HOUSING AND ECONOMIC DEVELOPMENT

The government of Viet Nam has many priorities and urban housing is only one of them. The international debate on housing and its contribution to economic development continues – is proper urban housing purely a consumption good, something socially desirable but divorced from the processes that generate investment and wealth, or can it also be considered a prerequisite or integral part of these processes? In Viet Nam a strong argument can be made that the support for systems that generate affordable and acceptable housing/shelter packages will have huge economic returns. First of all, for many urban inhabitants in Viet Nam a dwelling is more than a residence, it also provides a locale for small businesses and street-oriented income generation. Secondly, the main strength of the Vietnamese economy is manufacturing, an industry that locates around major cities and relies on a large labour force, much of which is low-wage. It has been argued convincingly that employees that are both well-housed and can anticipate a better future will inevitably be more conscientious and hard working. If the systems that produce their housing are “enabled” by government, then the factory workers will enjoy better and more affordable
housing and will live in better neighbourhoods. If this is the case then more skilled and experienced workers will be able to carve out better futures on the urban peripheries – not as single migrants but with their families. If they cannot, then these key workers may well return to their villages, to the great loss of the country’s manufacturing.

VIET NAM’S ENABLING STRATEGY FOR HOUSING

At first look, Viet Nam has put in place all the elements of an enabling housing strategy (see Box 17). The state is the main provider of land for housing, it has developed an array of mortgage finance instruments, it has made great strides in extending basic urban infrastructure, and its construction and building materials industries are expanding. Housing construction itself is mainly in the hands of private (or state-owned) enterprises and individual builders.

However, the problem in Viet Nam is that these “enabling” elements have, so far, only supported urban housing processes that few can afford and access. In a way the state recognises this fault and has recently embarked upon a massive social housing programme for students, migrant workers, and the poor. However, as has been shown time and again in other similar countries, such social housing needs to be heavily subsidised (either directly or through opportunity cost subsidies or both), it may not reach the expected target beneficiaries, designs are often inappropriate, abuses are common, and inevitably huge segments of society are left outside the system. Thus one policy implication is that a very critical approach to the emerging social housing program is needed. Such critical views resulted from the problems of low-cost housing programmes of the 1970s, and it would be prudent to revisit them.

ADOPTING NEW AND ENHANCED ENABLING STRATEGIES

It should be clear from this report that the processes that house the majority of urban dwellers in Viet Nam – the informal and self-build sub-sectors – are not only dominant, they also are the most affordable, are more efficient (cost less to build), provide more choice, and are extremely popular both for cultural and economic reasons. It is thus logical that the government adopt a policy shift and put priority on supporting these sub-sectors with targeted enabling strategies.

Box17: Housing enabling strategies

Since the early 1990s UN-Habitat has promoted housing strategies in which the key concept is “enabling.” Governments in developing countries have nowhere near the resources needed to finance and directly provide housing for the huge and growing shelter needs faced by these countries. The strategy recognises that these countries have very dynamic private and individual modes of housing creation, and that, were the basic elements underlying these processes made available, much more and more suitable housing could be generated than any government housing programmes. The provision of these basic elements and their easy accessibility – land, infrastructure, finance, and technology and appropriate building materials – constitute the core of “enabling strategies.”

Source: UN-Habitat (2006)

This does not imply a complete policy rupture. Formal “permanent” housing created by the formal private and SOE sector, financed through the formal banking and mortgage systems, and aimed at the new middle classes, foreigners, and Vietnamese expatriates will inevitably continue to receive attention, and this report recommends a number of ways to improve formal housing systems. But the state should restrict the delivery of urban land for this mode of housing production. And there should be a progressive shift towards “enabling” the informal sector (or formalising the informal sector, which is another way of putting it). This new enabling strategy has implications in a number of policy areas:

- Housing information and knowledge management: Embarking on a new urban housing enabling strategy that targets the informal sector must be well informed. Although there have been some case studies and investigations of informal processes on the urban fringe, there are many unknowns. It has already been noted that there is a lack of housing research and associated information collection, research, sharing and management in Viet Nam. Thus a concerted effort, both by government institutes and private foundations, needs to be promoted to gain the insights necessary to design appropriate interventions in the areas discussed below.
• Urban residency for all: Although in the last five years the system of migrant registration and rights of abode in cities has been liberalised, there are still constraints and inequalities. The whole system of legal residence has proven unworkable and has negative repercussions on both migrant livelihoods and also on the labour pools crucial for manufacturing. If this system were scrapped, one positive outcome would be an influx of family capital to finance new and better housing in urban areas.

• Formalising informal land processes: Perhaps the most important enabling strategy concerns making land registration, exchange, taxation and subdivision as easy and straightforward as possible. By “formalising” what is now an informal and chaotic process land markets will function better and provide easier access to land for affordable housing. And the place to start these reforms is in the increasingly dense villages and urban extensions on the peri-urban fringes of the main cities. Urban planning will have a role mainly in designating main transport and development corridors and water retention areas where no building should occur, thus preserving natural drainage systems. A simple, community-sanctioned code for street and lane widening would be very welcome.

• Better, earlier infrastructure on the urban fringes – and a greatly expanded urban upgrading approach: It is logical that reserves for trunk infrastructure and secondary roads, be staked out and reserved in advance of urban development. In addition, Viet Nam’s recent but expanding urban upgrading programmes would have the greatest effect and benefit in villages and agglomerations on the urban fringes, both to provide for existing inhabitants and to anticipate increasing populations.

• More community participation: The success of interventions on the urban fringes will depend, in large part, on participation of the communities involved. Land rights and exchange, urban planning, and infrastructure provision in these areas will greatly benefit by community involvement, articulated through the existing ward, commune, and town forms of local administration and people’s councils and committees. In parallel, this implies greater devolution of both powers and finances to levels below the province.

• Finance for progressively-built housing: It is clear that traditional mortgage financing will not benefit the large majority of those seeking urban housing in Viet Nam. The largely progressive “self-built” mode of housing creation is extremely popular, and for this housing micro-finance systems, if well promoted and encouraged through existing and new micro-finance systems, should enjoy a huge popularity. And, it should be added, they need not be subsidized and thus can be financially sustainable.

ENDNOTE

1. There are a number of papers that have recently appeared that look at the positive links between more suitable housing policies, more liveable neighbourhoods, and better spatial strategies on the one hand and economic development on the other in Viet Nam, especially on the urban fringes. See for example: Waibel et al. (2007), Waibel (2008), Dapice et al. (2010) and Storch et al. (2008).
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