

# The Development of Housing Sector in Vietnam

## Proposals for the new housing policy

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## Introduction

Housing always is a critical problem of cities in general and of Hanoi in particular, where the process of urbanisation is very fast. During the period before 1988 (The Soviet financial assistance) there were 3 sectors in housing supply in Vietnam: the private, the public and the informal sectors, but public sector played the main role in construction and provision of housing production. The housing policy was heavy subsidised. The Government has distributed housing in kind, which including infrastructure system, public facilities... Housing delivery and standards were mainly based on salary levels and occupation. The housing rent was not enough even for small maintenance. It did not reflect the true cost of the buildings, including the cost of land, depreciation, operation and maintenance, interest etc. Every year (before 1988) the Government had a certain investment for housing according to the national budget. But because of the lack of finance and the heavy subsidised policy, the Government supply never met satisfactorily the needs and the demand of the citizens. In Hanoi, a large number of residents do not have adequate housing. There is always a housing shortage and the average dwelling area per person is only 5m<sup>2</sup>.

Since 1992, within the context of national economic reform, the housing reform became an important part of the overall economic reform. With the housing reform the Government expects to increase its capital, construction funds, decrease its housing subsidies and finally concentrate funds in infrastructure development. The Government stimulates the public and the private sectors to invest in housing construction. The Government is aware of the importance of other actors involved in housing programs and prepares itself for implementation of new national housing policy and strategy.

In this papers I attempt to describe and analyse the development of the housing sector and the housing policies applied in Vietnam since 1958. Furthermore I

aim to give some recommendations for the improvement of the newly proposed housing policy.

## Trend of Housing Policy of the Government

### Subsidised Period (1958-1986)

#### **Housing Situation**

This was very difficult period for the country. The national budget concentrated almost to the military and the production sector. The Government followed the centrally planned policy and concentrated its reconstruction and development effort in the production sector, to which some 90% of the budget was dedicated, and specific emphasis was laid on heavy industries (particularly prescribed in the First Five – year plan, 1960-1965). Housing and urban development were attributed to the sphere of consumption and received no more than 2% of the budget, at least before 1986. Due to over 30 years of war economy and direct destruction there is an extreme shortage of housing in Vietnam, especially in Hanoi.

#### **Objectives**

The constitution states acknowledge the right to certain minimum standards of housing for every family. Housing is a social service and not as a commodity, whose financing, production and distribution is a social responsibility, as other social services like health and education. The Government recognised housing as a social right, but had never officially declared it to be its responsibility. However effort have been witness to tackle the urban housing problems. After unification of the country in 1986 the Government housing policy was providing subsidised rental apartments with minimum

standards and low rent only for Government servants. This subsidy was concentrated in Hanoi capital.

**Strategies**

In the context of centrally planned policy, the Government had a housing programs for 5-years. Ministry of Construction, mainly for the capital city prepared these programs. The implementations of these programs were financed by national budget. With the heavy subsidy the state had to look for the finance from outside.

With the Government effort during this period the living quarters were built for renting, though with minimum standards:

- The living quarter- apartment buildings - 5 floors
- The living quarter- individual houses (2 floors)

Only public enterprises could implement these housing programs

**Actors**

In this period there were mainly 3 sectors involving in housing production: the private sector, the public sector and the informal sector. The public sector was the sole landlord, the main sector in housing provision.

*Private sector*

After 1954, the country’s liberation, almost of the vacant houses and private rental houses were expropriated by the Government and rented to the habitants. The Government was the real unique “landlord” in the country. The private sector in the city was a small one and they had actually proprietary right only on houses but not on the land. Due to the Government policy, the private rental housing sector was ignored. The people owned houses, constructed houses, but the supportive actions from the Government agencies were weak or almost non-existent. In this period the transfer of land use rights could not be done directly between individuals or corporate owners such as - co-operatives, but needed to be handled back to the local authorities which would handle registration and authorisation of landownership through its Department of Housing and Land Management. The people could buy freehold land, lease land from each other, and build houses in informal way.

In this context the private sector was involved only in housing production (small proportion) for their demand, not in housing market, even a part of population afforded to do this. The role of this sector in term of housing developers (private enterprises) was restrictly forbidden. The private sector played the role of self-help building only. They did not have any support from the Government.

*Public sector*

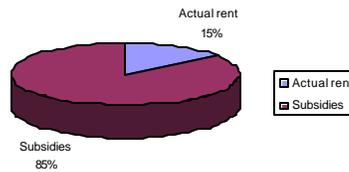
The public sector was playing the main role in new housing production, provision in Vietnam. Since 1960s, the Government has built housing for renting in large collective estates, representing about 30% of the urban stock. This urban stock was managed by the state on behalf of former big landlord.

The State gave a housing subsidy policy for state staff and a part of people, which are under preferential treatment policy of State by means of using budget for housing construction to distribute with cheap rental price which as free of charge price program. The housing

delivery based on the salary, housing condition and occupation. The houses are with minimum living standards with 2 -3 rooms and small kitchen, bathroom (Figure 2 and 3). Even some families have to share kitchen, bathroom.

The living quarters were developed with basic infrastructure. The national budget was concentrated in housing production; hence the level of infrastructure was low, with primitive roads system... In these areas the problem of water supply was extremely critical, especially in the summer season.

Figure 1: Low Rental Price



In housing production, the building industry was controlled by the state enterprises, which opted in housing, for prefabricated concrete system, without paying too much respect to the local climatic and social conditions. Poor quality and short supply of all building materials affected the technical quality of the housing stock, therefore the buildings ages very quickly.

The housing rent was very low, which was about 1-3% of the income. This rent could not cover even cost for maintenance and operation. The cost-recovery ration was about 15% (Figure1). Lacking of finance for maintenance, the Government rental houses downgraded very quickly.

In this period the Government was the sole provider of basic building materials such as cement, bricks, and iron, steel etc. For getting the building materials, it needed to have the approval from the Department of Construction. Hence only Government employees, whose salary was too low, could have this. The other households who were able to build themselves rarely had access to buy it. This caused the black market of building materials, deterring the self-help construction.

There was only public sector involved in housing planning, designing, housing production and provision.

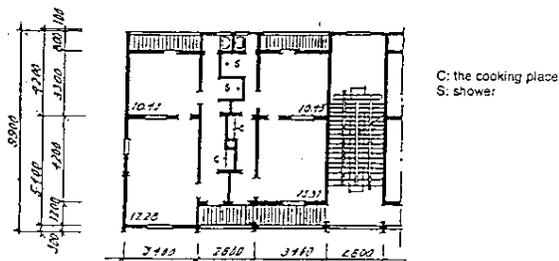


Figure 2: Rental apartment unit in Thanh cong – Hanoi with corridor kitchen and small shower and toilet

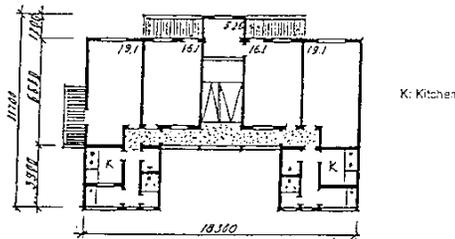


Figure 3: Rental apartment unit in Kim Lien – Hanoi (in some apartments there are 2 families living, sharing kitchen and shower, toilet), with finance from North Korea.

#### Informal sector

Squatter settlement is considered as an informal sector. All of them are self-help housing. Most of them are small, illegally locate in city non-development land (with inadequate or without infrastructure). At first they were built by temporary materials and after some years were improved step by step by the people themselves. This illegal settlement characterises with overcrowding, insecurity of houses and plot tenure, deficiency of basic social and community services, location in poor living areas, and little access to jobs in the formal economy.

#### Institutions involved in housing sector

##### Central Government:

- Ministry of Construction: formulating the housing, urban development programs, approving housing programs
- Committee of Capital Construction: preparing master plans for big cities, formulating the building, planning standards.

##### Municipality:

- Department of Planning: preparing long-term and annual economic plans for the city, of which the housing development plans.
- Department of Construction: having construction companies and building materials companies. In the subsidised period their main function was building rental houses.
- Committee of Capital Construction whose major tasks is land management, to preparing urban plans for urban development, and of which housing development. The other function is to give planning guidelines for project development, construction permits.
- Department of Housing and Land Management: responsible in maintenance of rental houses, housing management (making rental contracts, giving tenures...)

#### Evaluation

This was very difficult period for the country. The Government did not encourage the private sector in any way. It was a policy of the Government. The major deficiencies to promote self-help housing before 1986:

- The Government did not have a right policy for self-help housing

- The salary was too low, almost the people could not be able to build the houses
- Lack of housing financial system, providing loans for self-help building
- Lack of supportive measures (Introduction of the new building materials, new technologies in construction...).

This period characterised with centrally plan economy in general and heavy subsidised policy in housing sector. The Government policy gave more emphasis to “the Department’s self engagement in the housing provision” rather than encouraging or supporting the housing activities and promoting the housing sector development in general and the Department’s main activity therefore remained only building rental houses. Most of the housing programs were soon impossible to sustain. Housing program/Plan of 5 year’s period never were accomplished (only 50-60%). The number of housing units constructed by the public sector went down gradually because of the rising construction cost, diminishing backward inflow of capita due to highly subsidised rents, lack of finance. Many public housing companies were broken. With the subsidy policy, the big proportion of the budget went to housing production, so there was a lack of finance for social and physical infrastructure. The average dwelling area per person and the living condition was very low, especially for the low-income people and the people, which were not under the subsidy policy.

This built-in subsidy on housing increased with more housing construction, thereby creating a constant financial burden on the Government. This was particularly true, since the end of financial assistance from other socialist countries and since the Government had a target to achieve average dwelling area per person 6 m<sup>2</sup> by the year 2000.

## Transitional Period (1986-1992)

### Housing Situation

This was the end of the Soviet financial assistance, the beginning of country’s “Doi moi” renovation policy and radical reform in all sectors of the economy. The important step was the proclamation of “market socialism” implied the legalisation of private enterprises in almost all sectors, self-financing of state enterprises and provision for joint public-private venture. The main problems in housing sector were the housing shortage in qualitative and quantitative term:

- Large shortage of housing areas: the average dwelling area per person was very low. In the new situation the Government could not control the migration to the urban area. With the high migration, urbanisation and high natural population growth after the war the housing shortage became critical.
- The living condition was low. It was common in this period that some families had to share an apartment with minimum standards.
- The infrastructure situation was inadequate and downgraded. There was great shortage in health,

education, transport and basic infrastructure facilities, especially in the squatter settlement.

- With the economic reform a part of people could afford to build the new houses or to renovate their houses. But there was not access to the urban land and to the credit.

### Objectives

The policy reform marked a turn in Vietnam housing policies, by attributing housing and infrastructure provision the fourth priority after agricultural production, consumer goods and exports. The Government had housing program with the target to achieve average dwelling area per person 5m<sup>2</sup> in 1995 in urban area and in this period with the participation of individuals.

### Strategies

In order to achieve the targets the state aware the role of the other actors in housing development, and

- To continue the housing subsidy for the State staff
- To involve individuals in housing production
- To provide lands for work units
- To legalise the exchange of sites between individuals
- To improve the institutional framework and establish credit institution for housing development though it was still primitive.

### Actors

- *Public sector:* state enterprises and institutions. In this period the state enterprises became self-financing units. The role of the public sector became less and less significant. The proportion of housing produced by this sector went down and down (Table 1)
- *Private sector:* remained as a self-help building but with support from Government, though only for not big group of people. In this period the work units was involved in housing production. The state recognised the role of these actors and had measures though inadequate to support it.
- *Informal sector:* this problem always exists in urban area, especially in developing countries. The people living in the squatter settlement were not only migrants from rural areas but also the urban households that can afford the rising prices for housing and land in better parts of the city. The Government still did not aware this problem and did not have policy for solving this (untouched sector)

In housing provision the Government continued to give a housing subsidy for the State staff with average quantity per year, which much lower than other period. In the context of economic reform, almost of the state enterprises transferred to self-financing. With the decrease of finance for housing production from the state, some of them were broken and some were merged in to a corporation.

Awareing the financial burden with the subsidy policy and in order to reach the housing target the state had changed housing policy to involve the other actors in housing construction.

### Legal measures:

The Government returns the confiscated before to the households and legalised the exchange of sites between individuals.

### Land measures:

In 1986 the Government began to implement a guideline "State and people together to work in housing construction". This scheme would cater houses for an upper income group and the individuals, who had relation with local authorities. The public enterprises mandated in housing construction prepared lands and standard house plots with basic infrastructure. The households should pay 3 times and could participate in the design process and control the construction carried out by public enterprises.

In order to increase the housing stock the state began to provide lands to Government Institutions. Mobilising finance from their officials, the Institutions built individual houses or apartments building. But at this period with the low salary and lacking of access to credit the proportion of this was still small.

Table 1: Dwelling areas built during 1985-1990 in Hanoi (m<sup>2</sup>)

	1985	1986	1987	1990
Total	85.239	55.866	85.020	76.391
1.Built by central Government	26.751	3.268	3.830	1.310
2.Built by local Government	8.250	1.344	4.160	1.817
3.By Institutions	7.470	4.028	8.664	2.660
4.Self-help built	42.767	47.226	68.366	70.604

Source: Statistic data of Hanoi in 1991

Some people, who were not under the housing subsidy of State should establish a shelter for themselves. With the low salary, a lot of families had to live in very crowded houses with bad living condition.

During this period the state began to pay attention to the land tenure legislation.

### Financial measures:

In 1989 special co-operative saving banks were set up with objective of specialising in housing finance and to serve projects proposed by the central and local Government. Credit now became accessible, at least in theory, to all kind of enterprises including private firms and co-operatives. The people, even Government employees still did not have access to the credit.

### Institutional measures:

In 1989 the Government had merged Ministry of construction with Committee of capital construction into Ministry of construction, in the local level this two institutions were merged too. With this institutional framework the Government wanted to erase the overlap and the un-coordination between institutions, facilitate the construction process and the land titling system.

### Evaluation

In the beginning of this period the Government continued the subsidy policy for housing and had housing programs for the coming years. Because of lack of finance these housing programs were broken. For mobilising finance sources, the state began involved the other actors in housing production. The measures of the Government had

pushed the self-help building in the front lines. The problems remained in this period:

- The housing shortage remains a critical problem
- *Lack of access to the land for the large part of people:* with the low salary, the high cost of lands, it was very difficult to get the land, even to the people who had some available money for housing construction. The Government provided the lands to work units, but it took a long time for getting the land use right. The state still did not have the clear land policy for housing development.
- *Lack of credit policy*
- *The land and property registration system was not transparent to the people*

This was the period when the country was on the first steps with “market economy”. The state was seeking the way to improve housing situation. The measures undertaken to encourage private investment in housing remained cumbersome and high cost of construction, scarcity of building materials, rigid bureaucracy land allocation and complicated registration and building permit procedures characterised this period.

## Period 1992 up to Now

### Housing Situation

From the previous periods with the implicit policy of land and property tenures the housing situation is very compound in ownership, quality and management. The population growth rate and the migration to urban area made average housing area per head in Hanoi decreased from 5.3m<sup>2</sup>/person in 1995 to 5m<sup>2</sup>/person in 1998.

Especially about 30% have residing area of 3m<sup>2</sup>/person and even only 2m<sup>2</sup>/person, for more than 300.000 people in urban area. Besides, quality of residential building is seriously downgraded due to different reasons: out of depreciation, prolonged housing subsidy regime with extremely low rental that is not enough for renovation, maintenance etc. The area of seriously damaged house that is not safe for residents, including some new building that sink or cracks only few years after date of using (table 2). The existing housing conditions in urban areas today are under question. It is not unusual to find two or three families crowded in a single government house. It is not also unusual to hear people, with the need and capacity to build, complaining the problem of getting the smallest plot, to getting construction permits. In HoChi Minh City, the average dwelling is 6,3 m<sup>2</sup>/person. And with the increasing population in this city, the housing situation becomes very critical. The low and middle-income people can not afford to housing if they do not have the support from Government.

Table 2: Urban housing fund in current, proportion of m<sup>2</sup>

No	Items	Proportion, % in Hanoi	Proportion, % in HCM
1	Classify by storey		
	- Low	70	86
	- High	30	14
2	Classify with ownership term		
	- State	64	30
	- Others	36	70
3	Classify with quality		
	- Good	52	32
	- Need to repaired	47	64
	- Need to be destroyed	11	4

Source: Housing management Department – Ministry of construction

Since the economic reform policy, Vietnam has made significant economic growth. In Hanoi the official average GDP per capita is 700\$/year. But this figure does not consider the real economic situation in Hanoi due to existence of informal economy. The difference of GDP value between official and unofficial may be great. Unofficial source indicates that about 1.5 times as much as that of the official average. In urban area people having already TV sets, sewing machines etc... Now they have priority to build and to own individual houses. This financial potential of the people can improve the housing sector if there is the right support from state and the explicit housing policy. *These problems are all indications of need of an explicit national housing policy.*

### Objectives

The housing program of the Government intend to reach:

- The average dwelling areas per person to 8m<sup>2</sup> in urban areas in 2010 and in 6m<sup>2</sup> in 2000
- To improve the housing condition in the crowded area (every family has its apartment or individual house)

Which are to be achieved by public participation, particularly by individuals, who would organise themselves in co-operatives in the construction of standardised houses.

### Strategies

To achieve the set up objective the main intervention of the Government are:

*Legal measures:*

- To begin the privatisation for housing policy: The Government sells public- owned rental dwellings. In order to increase housing fund the state begins privatisation for the rental houses and the apartments, selling public- owned rental dwellings. In big city such as Hanoi and HoChi Minh City the committees for housing privatisation are established with the members from government institutions responsible in housing development. But this process takes long time and the proportion of houses to be privatised is still small. Some reasons are inefficient committee,

lacking of pricing policy. In the other hand, the renters (almost the government servants) are not willing to buy the rental apartments with the low quality and low living standards.

- The state begin legalise informal lands that are not under disputing and according to physical planning.

*Land measures:*

The Government provides the planning land (without infrastructure) to Government offices to develop the land and to build themselves: In the context of limitation of finance, the Government concentrated budget to infrastructure development and changed policy from providing rental houses to providing lands to Government servants. The Government agencies can apply for the lands for their employees. In principal, with the finance of employees these agencies hire the public or private enterprises to develop land and basic infrastructure inside the land and build individual houses for their officials. In real life, after development land and basic infrastructure these agencies provide individual plots to the officials. The officials, who have money available build houses in 1 year or incrementally. The officials, who do not have need for houses or don't have enough money for construction sell their plots to the others, creating the black market. This policy do not create the well development housing areas, the houses were built without paying too much respect to the architecture. In the other hand, there is still not credit system-providing loans for them, in some areas there is not adequate infrastructure (only electricity). The living situation is still critical. Since 1996 the state ended this provision and the housing construction must be developed synchronously by developers.

*Financial measures:*

- To erase housing distribution regulation
- Rental reform (increase housing rental price higher 54 times): In 1993 the Government began the housing rent reform with the reform of wage system. With the rent reform housing expenses are expected to be borne by the residents themselves either through purchase or rent. The wage reform aims at changing the "hidden subsidy" into "open subsidy" and increasing the proportion of housing factor in the wage income and making the rent reach to level of cost rent. That is to say "increase the rent while giving subsidies".
- The radical innovation is house building for sale by the state (from rental house building). This is good only for people who have some money available. The houses are paid at once. There is still not the payment system of some years.
- To establish the housing development banks

*Institutional measures:*

- During this period the state established the new institutions for urban development. But this can not be seen as a good solution for institutional framework. Instead of having main contact with one office (for getting urban planning guidelines or planning certificate, building permits...), now the project developers have to come and go between these offices. It will be more difficult when there is

no co-ordination, clear procedure, especially with the corruption among officials.

- In 1992 the Architect in chief office was established with functions of land and construction management transferred from Department of Construction (preparing urban physical development plans, land use rights for development projects, giving building permits)
- In 1994 the Department of Land Management was established with the functions of preparing land use rights for development projects, land management transferred from the Architect in Chief office)
- To prepare itself for implementation of national policy on housing for next period:
  - + Put up a development of housing
  - + To improvement a strategy for supporting low-income people they can establish housing them.

**Actors**

- Public sector: state enterprises and institutions
- Private sector: self-help building (individuals), work units, private enterprises
- Informal sector: awareness of the state (begin legalisation for informal lands)
- Main Municipal Institutions involving in housing production and provision:
  - Department of Planning and Investment: preparing long-term and annual economic plans for the city, of which the housing development plans.
  - Department of Construction: having construction companies and building materials companies. In the subsidised period their main function was building rental houses. With decreasing subsidies some of them were broken.
  - Architect in Chief Office whose major tasks is to preparing urban plans for urban development, and of which housing development. The other function is to give planning guidelines for project development, construction permits.
  - Department of Land Management: responsible in giving land use licenses, land management.
  - Housing Management Department: main tasks are maintenance of rental houses, housing management (making rental contracts, giving tenures...)
  - Housing development banks (Governmental): giving credit for housing development.

**Evaluation**

Through these periods, the state is aware of the roles of the private sector (including private enterprises, people with their resources) and involves them in housing production. The tendency of this sector's role become more and more important (table 3, 4). With the financial potential of the actors in this period, in the early 90s the state's measures to support housing development pushed up the housing construction. The housing situation is improved noticeable:

- Remove the crowded housing areas
- Increase housing stock
  - The average dwelling area per person in 1995 reached the target 5m<sup>2</sup>/person in Hanoi.

This figure can not give the true situation of housing sector. There are a lot of problems that should be studied carefully before going to the new housing policy. These problems are given in the next subchapter. If the state could solve them, it will create a friendly housing development.

The trend of participation of the sectors through the periods can be shown in the Table 3. The public sector plays less and fewer roles in housing development, and the private sector, including the people themselves takes more and more important role.

Table 3: Matrix of participation in housing development during periods

	Period 1	Period 2	Period 3	New policy
<b>Public sector</b>	○	○	○	○
<b>Private sector:</b>				
- Private enterprise			○	○
- Individuals	○	○	○	○
- Work units		○		
- Community			○	○
- NGOs				
<b>Informal sector</b>			○	○
<b>Donors</b>	○			○
<b>Foreign Investment</b>				○

## Achievement and Constraints

### Achievement

Under "normal" conditions of ongoing war situation over years, with the proclamations that the state acknowledged the right to certain minimum standards of housing for every family, the state guaranteed this right though at low standards in cities of North Vietnam until the late seventies.

With the new development the state changed economic policy in general and of which housing policy. From negation of private sector the state implies the legalisation of private enterprises and the role of individuals in housing sector. With the housing measures encouraged private investment the housing condition is improved much higher comparing with the previous period in the quality and quantity. In Hanoi, the average dwelling area per person increases from 4m<sup>2</sup> to 5m<sup>2</sup> in 1995, reaching the target of 1990. But this is only in quantitative term. It doesn't reflect the real adequate housing.

Table 4: Newly built area of residential housing in the year, m<sup>2</sup> (in Hanoi)

	1995	1996	1997	1998
1. Central construction	9800	10850	7200	35350
2. Local construction	241748	212892	211050	303841
Of which, %				
Central budget	-	4,2	-	2,1
Local budget	-	-	2,6	4,7
Others	2,2	-	2,7	-
Self-help building	68,3	77,4	81,7	83,5
Bid capital	1,8	2,4	-	-
Capital for building house for sale and mobilised joint-venture capital	27,67	16,0	13,0	9,7

Source: Statistic Book of Hanoi in 1998.

### Constraints

Despite of this achievement, this very recent housing policy changed seems positive and negative at the same time. From heavy subsidy the state erased it almost totally (Table 4). Housing condition have greatly improved for those who have some money available. At the same time, the very poor can not rely upon the assistance of the State. And they have to live in the crowded or slum areas. The measures undertaken to encourage the participation of private enterprises and individuals do not respond to their potential.

The main constraints for development of housing sector are:

#### *Lack of access to urban land and security of tenure:*

In the last period the state provided lands to work units for housing construction. These housing areas were developed with inadequate infrastructure, creating disordered housing units in urban areas. This land delivery system is not fair and creates the land speculation and black land market. Meanwhile the state don't have mechanism to control the land market, the land price increases at very fast level. This makes the access to land more difficult for people, especially for low-income households.

#### *Lack of access to credit:*

The housing development banks were established but the state still doesn't have the clear policy providing loans with low interest rest to the people. In the other hand one of the major impact of poor titling and land registration system is the inability of landowners to gain access to formal credit sources. Formal sector lenders require that borrowers collateralize loans by pledging their property as security. Without an adequate title this is impossible.

#### *Lack of access to housing information, urban planning information, urban zoning codes:*

Until now there is the lack of housing, land censuses, current statistical data and the formal housing information system. The statistic departments, land and housing departments of municipalities can not give the true, accurate and up-to-date data of housing stock, housing construction, land market. This data is critical important for evaluating policies, providing information for private-sector investment and development decision.

The land use plans are made behind the development and are not transparent to the people and developers. Buyers of land in the one hand are often not sure if they are actually buying from “real” owner, in the other hand, if it is, the access to the planning information of land use codes is very difficult. This costs time and money for people and developers, who want to carry out development project.

*Inefficient housing institutional framework and weak capability of government officials in housing sector:* The lack of good cadastral, registration and tenure records is serious constraint. Formal systems were established at a time of slow urban growth, but now the increasing volume of land transaction, and changes in land use related to urbanisation are causing land registration agencies to fall further and further behind in their work. In addition the cost of registration and related procedures including staff time, transfer tax, stamp duties and in some cases unofficial payment breed a cynical attitude in the community about the supposed benefits of using the formal process. This problem arises in squatter areas where people occupy their land and dwelling without any formal security of land tenure. A further problem is the long delays in registration, which force many people to deal with their land and construction informally. This causes a fear of eviction for the dwellers. The practice shows that as security of tenure increases, households invest more resources in upgrading their residences.

The establishment of 2 new departments in this period is not a good solution for improvement of institutional framework. Complicated procedure for obtaining development permissions make it difficult for developers to quickly respond to changing housing demands and create barriers for new enterprises wanting to build and sell housing.

*Lack of clear policy that support low -income people*

These housing problems indicate the need to have explicit housing policy, especially for affordable housing for low -income people.

## Proposed Housing Policy of the Government

With the economic reform policy, Vietnam has made significant economic growth. But the housing market in Vietnam is volatile and still in the infancy compared to other industrial sectors. The Government aware that the key for the success of the Government economic renovation policy is to provide affordable housing to the local. The fundamental aims of public housing reform are:

- To support the overall political, economic, and social stability of the country.
- To offer public pride as a homeowner (If one owns an asset in the country, one would stand to defend it)
- To provide financial security for homeowner which will appreciate in value and serve as a hedge against inflation.

In 1996 the Government was prepared a draft housing policy up to 2010 and delivered to Government Institutions for reviewing and giving comments to this draft. Until now it is still under discussions and is not approved yet.

***Objectives of housing policy up to year 2010:***

- Up to year 2010 the average dwelling area per person should be 8m<sup>2</sup> in urban and 10m<sup>2</sup> in rural area, in Hanoi 6,0 m<sup>2</sup>/person in 2000. *Each family should have their house/apartment.*
- The Government have policy that support officials and low income people getting affordable housing
- To continue subsidised policy to the people that can not afford to housing

***Strategies***

The housing strategies in coming years can be reviewed in some points:

- Policy of Architecture and Planning
- Land policy
- Financing policy
- Housing trading policy
- Institutional framework for housing development and management

## Policy of Architecture and Urban Planning

- Urban housing development should be carried out on issues of planning project
- A balance between housing development and infrastructure investment, other facilities as trading, services, cultural, sport, offices etc should take into consideration. Building activities should be preceded by the development of infrastructure.
- The average high-rise of floor is depended on land of each difference urban with each difference province.

## Land Policy

- The infrastructure development should precede housing.
- The State should take a part to assist in financing technical infrastructure. When the cost of infrastructure is too high to attract developers the Government may help by granting subsidies, which for reasons of equity should conform to regulation.
- Free land use fee or leasing with preferential treatment price should be applied for housing construction.
- The housing development investment projects were issued by the State to build will be paid land use fee for State, when they start to sell or lease housing only
- Provide the land with treatment price for the housing development projects, which are carried out for low - income people
- Legalise informal lands that are not under disputing and according to physical planning.

## Financing Policy

This is the most important for implementation of housing policy. Financial policy aims to maximise the financial mobilisation for housing development. For this purpose Housing development fund will be established by Housing development bank. Housing development fund is established from resources:

- Savings of people who need housing
- Land use fee
- From selling public rented houses
- From offices, organisations, having housing demand for their staff
- Grants for housing development.
- Borrowing from the bank
- Joint – venture

Housing development fund can be used for:

- Housing developers borrowing for implementation of housing projects (Rental or selling), renovation of existing downgrading housing, infrastructure development
- Housing projects for low income people (rental or pay by instalments)
- Loan to low income people with the preferential interest rest for self- help housing

## Housing Commercial Housing Policy

To reach the objectives of the housing policy, the Government encourages all sectors to participate in housing development, give preference for housing activities.

The business, who are responsible for housing development project, can receive the loan from development fund to make:

- Build houses for low-income people
- Prepare for clearing the land and technical infrastructure construction before land hand over people, who will build the house.

## Institutional Framework for Housing Development and Management

To reach the objectives of the housing policy, the Government aware the importance of improvement institutional framework for housing development and management. The Central steering housing Committee was established in 1996. Prime minister of Ministry for Investment and Planning, vice - heads of Bank for Investment and Development, Vietnamese Women Association should be a member of this Committee.

In city level, the Management Board for Housing Development projects should be established.

## Problems in Housing Sector within the Context of New Housing Policy

Assessments of the previous periods of housing development point out critical problems that should be solved for improving housing sector by the new housing

policy. This new housing policy should clearly identified and aim to solve them.

The new housing policy follows the right tendency of involving private sector in housing development. The previous housing programs had the objectives that were very much oriented to increase the floor per person. With the economic development in urban area, in the new policy, the Government has the objective to improve housing situation not only in quantitative but also in qualitative aspects. The houses should be provided with basic services (drinking water, sewage and lighting) and facilities (access to transport communication, garbage collection, recreation, commerce, education, health, etc). It is reflected in the policy of architecture and urban planning. On the other hand, reviewing this proposal housing policy it can be seen that there are not the transparent targeting mechanisms for housing subsidies, which is very important, especially for the low-income people. The Government is aware of the role of sectors in housing development but still do not have the explicit measures to encourage private sector, individuals to invest in housing and especially the role of NGOs is not mentioned in housing policy. Beside this, the partnership, the co-operation, the participation of the actors should take into consideration in the housing policy. The main issues that remain in the present but are not clearly identified in the new housing policy:

### Land Policy

The policy of architecture and urban planning and land policy should be considered as land policy. This policy does not deal with the following problems:

- **Lack of access to land and security of tenure:**  
Land is the basic requirement for any kind of housing development. As a result of migration from rural areas, of increasing population, squatting is critical issue. This problem is closely linked to inappropriate urban planning which encourages inflationary land speculation that puts land in urban areas out of the reach of the poor. Since no mechanisms to control the land prices increase at very fast rate. Within 2 years (1993 – 1994) the prices have gone up to 15 times in HoChiMinh city, 300 – 400% in Hanoi. And it makes more difficult for the low, middle-income people to access to housing.
- **Lack of social and physical infrastructure:**  
Infrastructure is important component in housing development. In previous period, with heavy subsidies the Government could be affording to build the rental apartments with minimum standards and incremental infrastructure. A comprehensive planning imply the inclusion of all such infrastructure elements as roads, water supply, waste disposals, sanitation, electricity, communication, school, etc. The Government has never had explicit policy for infrastructure development. The housing policy should clearly state the duties and responsibilities of the Government, local authorities, departments and agencies who should play active and major roles in

the implementation of these basic infrastructure elements.

- **Lack of housing, urban planning information and codes:** Until now the state does not have formal urban planning codes, that can give people the land use guidelines. It is very difficult for individuals to access planning information. The statistic system is very weak that does not have adequate data for developers, who want to carry out development projects. In the new housing policy of the Government this problem is not taken into consideration.

### Financial Policy

The financial measures are mentioned very generally. It refers mainly the mobilisation of financial resources. The following problems should be taken:

- **Lack of sustainable sources of fund:** The Government housing program and housing projects often are not accomplished because of lack of sustainable fund. The existing Government housing finance is not availed to low, middle income families, even by Government servants, who have secure jobs and formal credit. This problem is aggravated by the lack of long-term funds, lack of clear, definite financial programs for housing, lack of measures and security for encouraging the private sector participating in housing provision.
- **Access to credit for the people and developers:** This problem is critical now. In the new housing policy the Government does not have the clear ways to solve this.

### Institutional Framework

This is very important but in the new housing policy it is mentioned very lightly.

Improvement institutional framework and enhancement of local Government capabilities: In the new housing policy this problem is not mentioned. The system of Government housing provision is too complicate. It appeared that Government effort is "piecemeal, uncoordinated, lacking in direction". Overlapping functions, uncoordinated tasks, administrative difficulties, and insufficient resources has troubled these housing agencies and developers.

### Other problems:

- **Lack of access to affordable housing materials**  
At the present the Government does not play attention to housing material production and is floating building material market. The building material market has greatly improved for those who have some money available. The cost of building materials and equipment is increasing very much. The housing construction cost is 1.400.000 VN dong /m<sup>2</sup> (app.100 \$), houses using conventional materials costs 900.000 VN dong /m<sup>2</sup>.  
The Government should have a program to research local building materials. Small-scale producers should be encouraged and particular

attention and assistance on training and advisory should be provided.

- **Lack of participation, partnership**  
The new housing policy encourages different actors in housing development. But this participation is only in financial mobilisation. The current housing program of the Government do not involve people's participation in problem identification and planning, or those that merely relies on their co-operation during implementation have failed. There is only a financial mobilisation, consultation rather than participation.

## Recommendation

(Proposals for new housing policy)

The Vietnamese constitution states that everybody has the right to housing, education, health etc. But housing is one of the basic needs, which has never been properly addressed so far by the Government. Increasing population lowers incomes, unemployment, and continued migration to and squatting in urban areas, urban poverty creates housing problems. In the other hand, the high cost of construction, and the inadequate housing provision of Government, the implicit housing policy make more difficulties for people to acquire decent and affordable house. In order to solve these problems and to meet Global Shelter Strategy of "Adequate Shelter for all by the Year 2000" there is an urgent need to develop national shelter strategies based on an enabling approach. At the present the housing policy of the Government changes seem positive and negative at the same time. The Government still is not aware of all the problems. Budget limitation, lack of subsidies, condition of squatter settlement, bureaucracy, inefficiency and corruption of Government officials, lack and shortage of materials, lack of appropriate building, planning codes and regulation are some points that should be mentioned among the problems. Only with identification of all problems the housing strategies could be formulated in order to reach the set up objectives. The following actions should be taken and added to the new housing policy.

## Housing Development Strategies

### Reform Urban Land Policy

The land delivery system should be carefully studied in the preparation of housing policy. Security of land tenure should also highly considered in the delivery system. It is a kind of guarantee for house builders, which has always been a fear of being evicted by local authorities. Since 1996 the Government has been legislating informal lands but this process is too slow (sometime it takes 2-3 years) because of complicated registration system and the high, not affordable payment. It is why the state should have property right reform that permit and facilitates the private ownership and free sales and changes and should have institutions of measures to improve existing land titling and registration systems, facilitation of land appraisals and have capable administrative mechanism to

ensure security of land tenure and property right. It will create much the self- help building and support private sector in housing development.

The state should have a formal land and housing information system. The first and important step for evaluating policies and preparing the new policies is the land and housing market assessment. The Government should organise overall process of land and housing assessment in urban areas. Its result will be the base for future decision making, for providing information to developers. The improvement of collection and analysis of land and housing data will be encouraged to access housing sector performance and to improve the process of formulation and implementation of housing policy.

### Financial policy

- Institute policies to enable private sector involved in housing finance and production. Create and promote market-based incentives to encourage the private sector to meet the needs for affordable rental and owner- occupied housing
- Encourage private investment on the sector to enhance housing production based on the market economy policy.
- Design and implementation of transparent targeting mechanisms for housing subsidies, especially for infrastructure support
- Improve the housing financial agencies/banks to aid housing developers and buyers
- Promoting equal access to credit for all people, especially for low-income people. If the first strategies could solve the problems of land and housing titling and registration it will help the landowners, especially in squatting settlement access to credit and it can also improve the quality of loans. The state should have clear credit policy for the people and developers.

### Improve Institutional Framework

- Rationalisation of institutional operations according to mandated functions. Re-organisation of institutional agencies to erase the overlapping, the uncooperation between them. Ensuring transparent, comprehensive and accessible system in transferring land rights and legal security of tenure. The housing provision system should be properly assessed and re-organised, co-ordinated and merged (if it is efficient) for facilitation of housing provision process. In the other hand, there is a need to enhance the capabilities of local Government to plan, finances, and administer housing program.
- At the present 4 institutions responsible in land and housing titling and development procedure are:
  - Department of Land Management: Land management, land titling
  - Department of Housing Management: housing management, housing title
  - Architect in Chief Office: urban management, planning certificates, building permits.

- Department of Construction: construction, approval of construction designs.

Present procedure is very complicated and breeds a cynical attitude in the people about the supposed benefits of using the formal process. The state should clearly study the functions, the operations of the procedure. The Department of land management and the Department of housing management should be merged together. The Architect in chief office and the Department of construction are merged together.

- The important here is the needs of capacity building that includes the human resource development, organisational development and institutional and legal framework development.

### Other Aspects

#### • Improve building material production

- The Government should support an adequate supply of local produced, environmentally sound, affordable a durable basic building materials.
- The Government should promote information exchange and the flow of affordable and accessible building technologies and facilitate the transfer of technology.
- The Government should support research of affordable local building material, improve the capacity of the institutions of building material research.

#### • Promote participation and partnership of all actors in housing development

The participation is the enablement of key actors in the public, private and community sectors to play an effective role at all levels in human settlement and shelter development decision-making (Habitat Agenda II). Participation has to be “scientifically” undertaken in order for it to be effective and meaningful.

- The Government and development agencies should have shaped their goals to provide housing with people participation in planning and decision making. The provision of housing requires actions not only by Government, but also by all sectors including the private sector, non-Governmental organisations, communities, local authorities, and people with willingness and ability to participate. The Government should have the measures to make the participation fully inclusive: training of capacity building, access to information, good communication etc. With sufficient support from Government the various stakeholders in the housing sector must act as partners in development. Hence there is a need of careful delimitation of responsibilities between those involved in housing development.
- Proclamation of the role of community, NGOs in housing sector.

## Actors and their Roles in Housing Development

The Habitat Agenda II of *Adequate shelter for all and Sustainable human settlement in development in an urbanising world* urges all Governments to develop the strategies enabling all key actors in public, private, community sectors to play an effective role at all levels in human settlement and shelter development. The provision of adequate housing for every one requires action not only by Government, but also by all sectors of society, including private sector, NGOs, communities and local authorities, as well as by partner organisations and entities of the international community. The newly proposal housing policy mentions this problem very generally. For successful implementation of housing policy and strategies, the importance is clearly identifying the role of every actor in housing development.

### Central Government

- The central Government should have the primary duty to formulate a housing policy with clear objectives and to provide the necessary instruments for its implementation.
- Control the instruments of economic policy, including taxation, subsidies and benefits that support the housing development.
- Making, monitoring and co-ordinating different actors involved in housing production
- In order to stimulate the housing sector the Government should give priority to the setting-up of an organisational, technical and financial framework, which is still weak and complicated now.
- Set up the guideline housing subsidy policy.
- Setting building, planning standards flexible for every income groups.

### Local Government (Municipality)

Since some last years the Government has followed the decentralised policy, especially for the big cities. The main roles of local Government should be as below:

- Setting housing program for local people, providing measures to its implementation
- Making participatory physical planning
- Invest in physical and social infrastructures
- Improve the institutional framework and its capacity to facilitate the transferring land rights and legal security of tenure, building permit procedures.

### Private sector

The private sector includes the real market, private enterprises, private banks, saving and loan associations and the population with its own resources. In the new market economy the private sector should be not only as the self-help building (like before), but should act as the housing providers on the base of land and housing market.

### Population

The population should not play the passive role in housing sector. The population should participate actively in planning, designing and decision making. The effective participation requires willingness and ability to participate in the whole process of housing development.

### NGOs

The role of this actor should be take into consideration. The Government should encourage NGOs in their role of assisting and facilitating the production of self-build housing. It is necessary to educate and train the community in self-building using local materials, particularly for the poor and low-income communities. The role of NGOs is very important in upgrading slum, squatting areas. Community groups, often with strong NGO support, could improve their capacity to plan, organise and manage their neighbourhoods. The NGOs can also mobilise external funds for assisting the homeless, the poor families.



This paper is not a research. Based on the knowledge and experiences from the lectures and discussions on this course I would like to have some recommendation to the newly proposed housing policy of Vietnam. This course is really very useful for me and for my work. I would like to express my gratitude to Graciela Landaeta, my tutor for the guidance and help in making these papers. My thanks go to Johnny Åstrand, Annette Wong Jere, Laura Like, all the lectures and LCHS staff for the help and the knowledge they gave us during the course.

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