



JAPAN
BANK FOR
INTERNATIONAL
COOPERATION

JBIC Research Paper No. 3

Urban Development and Housing Sector in Viet Nam

December 1999

**Research Institute for Development and Finance
Japan Bank for International Cooperation**

JBIC Research Paper No. 3
Japan Bank for International Cooperation (JBIC)
Published in December 1999

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Upon the establishment of JBIC, the Research Institute for Development and Finance (JBICI) was created as its research arm. Its research activities are geared toward improving the overall quality of JBIC's operations through systematic analysis of various issues and policies related to JBIC's activities. JBICI was established by merging the two former research institutes: the Research Institute for International Investment and Development (RIIID) of JEXIM and the Research Institute of Development Assistance (RIDA) of OECF.

Foreword

In 1992, the Overseas Economic Cooperation Fund, Japan (OECF), whose functions have been transferred to the Japan Bank for International Cooperation (JBIC), resumed providing concessional loans to Viet Nam. The ODA loan commitments to Viet Nam aggregated 506.4 billion yen, or approximately US\$ 4.6 billion, consisting of 56 loans as of March 30, 1999. JBIC has been increasing its lending operations for urban infrastructure development in Viet Nam. Information regarding urban development and the housing sector, therefore, is quite important for JBIC's operational references. This study aims at examining the current status and issues of urban development and housing in Hanoi and Ho Chi Minh City.

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The authors and I appreciate the cooperation given by Vietnamese authorities concerned, housing developers and financiers, and donor agencies. Thanks also goes to the Japan External Trade Organization which provided us with a conference room for the workshop held in Hanoi in July 1999.

We hope that this report contributes to building of a common knowledge base on this subject.

December 1999

Koichi Kosumi
Executive Director
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Glossary of Acronyms

ACB	Asia Commercial Bank
ADB	Asian Development Bank
AusAID	Australian Agency for International Development
BCC	Business Cooperation Contract
BIDV	Bank for Investment and Development of Vietnam
BOLUC	Building Ownership and Land Use Right Certificate
CAO	Chief Architect Office
CCLA	Committee of Compensation for Land Appropriation
DHL/DLH	Department of House and Land/Department of Land and House
DLA	Department of Land Administration (already merged with DLH)
DOC	Department of Construction
DPI	Department of Planning and Investment
EU	European Union
FDI	Foreign Direct Investment
F/S	Feasibility Study
GDLA	General Department of Land Administration
Habubank	Hanoi Building Joint-Stock Commercial Bank
HAPI	Hanoi Authority of Planning and Investment
HCMC	Ho Chi Minh City
HIFU	HCMC Investment Fund for Urban Development
HPC	Hanoi People's Committee
HUD	Housing and Urban Development Corporation
IRR	Internal Rate of Return
IUTD	Institute for Urban Technology and Development
JBIC	Japan Bank for International Cooperation
JICA	Japan International Cooperation Agency
KOICA	Korea International Cooperation Agency
LUR	Land Use Rights
MARD	Ministry of Agriculture and Rural Development
MOC	Ministry of Construction
MOF	Ministry of Finance
MOJ	Ministry of Justice
M/P	Master Plan
MPI	Ministry of Planning and Investment
NRI	Nomura Research Institute, Ltd
ODA	Official Development Assistance
OECF	Overseas Economic Cooperation Fund
PAP	Project Affected People

PC	People's Committee
PCP	People's Committee of Province
PPC	Provincial People's Committee
RESCO	Saigon Real Estate Corporation
SEP	Saigon Export Process Zone
SIDA	Swedish International Development Cooperation Agency
SOE	State-Owned Enterprise
TUPWS	Transportation and Urban Public Works Service
UNDP	United Nations Development Programme
UNFPA	United Nations Fund for Population Activities
USD	US Dollar
VBARD	Viet Nam Bank for Agriculture and Rural Development
VND	Vietnamese Dong
WB	World Bank

EXECUTIVE SUMMARY

Chapter I Introduction

Viet Nam has been experiencing rapid urbanization owing to economic development after the Doi Moi policy, and urban population is predicted to increase to 46 million in 2025 from 15 million in 1995. Urban development and housing sector, especially in Hanoi and HCMC, is urgently challenged by swelling migration from rural areas, expanding informal settlement, emerging relocation needs by inner-city redevelopment, accelerating reform of SOEs that provided their employees with houses.

JBIC is increasing its lending operations for urban infrastructure development in Viet Nam. Information regarding urban development and the housing sector, therefore, is quite important for JBIC's operational references. This study aims at examining the current status and issues of urban development and housing in both cities.

Chapter II Urban Development Policy

Administrative Structure

Listed in **Table 1** are the Vietnamese authorities concerned with land and housing issue and their functions. MOC and GDLA are main ministries in charge of the issues at national administration. People's Committees of Hanoi and HCMC don't belong to, but hold the competence equivalent to, the provinces.

Table 1: Authorities Concerned with Land and Housing Issues

Ministry/Department		Select Relevant Functions
Ministries	MPI	■ Approval of capital investment
	MOC	■ Designation of urban area ■ Management of BOLUC ■ Management of construction quality ■ Preparation of urban development strategy
	GDLA	■ Land management ■ Management of LUR certificate
	MARD	■ Management of agricultural land
Hanoi and HCMC (and provinces)	HAPI/DPI	■ Approval of capital investment
	DHL/DLH	■ Issuance of BOLUC and LUR certificate ■ Preparation of housing development plan ■ Preparation of resettlement plan, if necessary
	CAO	■ Approval of development project ■ Preparation of urban master plan
	DOC	■ Inspection of construction quality
	TUPWS	■ Development of urban infrastructure

Source: Interviews with the authorities

Urban Development Policy

Viet Nam is urbanizing rapidly, as being experienced in most southeast Asian countries, and as Japan did. Urban population in 1995 was 15 million and accounted for

20% of the total population. It is predicted to increase to 46 million by 2025, accounting for 45% of the total population.

In March 1999, MOC held “National Conference on Master Planning for Urban Development of Viet Nam to the Year 2020,” and discussed “Urban Development Strategy¹,” which would serve as the nation’s first guideline on the emerging urbanization issues. MOC also has expanded the number of designations of urban area² to 623 to deal with urbanization trend. The strategy targets to draw urban development master plans for all the designated urban areas by 2005, while Hanoi and HCMC completed each “Master Plan 2020³” already in 1998.

Urban Planning and Development Permit

Methods of urban planning, land use management and development permission are to a large extent by practices of the former Soviet Union. Master plan maps out an urban planning orientation, but does not bind directly on land use. Instead, public and/or private developers must draw a detailed plan at narrower scale for the specific site (**Table 2**), and must accommodate it to the master plan and submit it to the relevant authorities for approval. Detailed plan functions as the primary instrument for land use management, and is a prerequisite for the subsequent procedures for obtaining the investment license, planning certificate, land allocation and construction permit etc.

These methods necessitate the preparation and approval of the detailed plan for each project, and are time and cost consuming or rather impractical in Viet Nam, where numerous developments occur individually because of extremely subdivided ownership of real estates. In fact, the authorities at present are unable to control or inspect individual houses, and consequently connive at illegal constructions.

In such countries as Japan, Thailand and U.S., who experienced rapid urbanization in the past decades, zoning has a mandatory power over land use and zoning map serves as a check-list to approve or disapprove the development project in a simplified manner. An introduction of zoning-based methods should be explored to cope with accelerating urban development needs.

Table 2: Stratum of Spatial Development Plans in Hanoi and HCMC

Plan	Competent Agency	Note
Regional Zoning Plan	MOC	Decision 322/BXD-DT
Urban Development Master Plan	MOC People’s Committees	Decree 91/CP (MOC is responsible for the M/Ps in Hanoi and HCMC)
District Master Plan	District Offices	Established only in HCMC
Detailed Plan	Developers/Investors	Decree 91/CP

Source: Decree 91/CP and Interviews with CAOs and DPI

¹ The strategy is under preparation and will be disclosed after being authorized by the prime minister.

² MOC designates the urban area which is usually wider than a city boundary, and ranks it among five classes in accordance with the population. Hanoi and HCMC are categorized as the first class.

³ Both M/Ps predict that populations will be at least doubled by 2020 in each city and the urbanized zones will spread far beyond the city boundaries.

Chapter III Real Estate Institution

Legal Framework on Land

Land in Viet Nam is a property of the people. Although private ownership is not allowed, Vietnamese is entitled to acquire land use right⁴. “1993 Law on Land” established the comprehensive legal framework, and its amendment, “1998 Law on Land,” assured five rights of land users to exchange, transfer, lease, bequeath and mortgage their land use rights.

Real Estate Registration

A variety of land certificates had been validated by administrations in the past, even since the colonial time. Under “1993 Law on Land” and relevant regulations, the authorities at present try to exchange those into new certificates. One is LUR certificate designated by GDLA to register land only. The other is BOLUC to register house with land lot as a whole, designated by MOC with GDLA for houses located inside urban area⁵. However, neither is deployed very much in Hanoi and HCMC⁶.

Since BOLUC requires land and house to be registered as a whole, people cannot register and mortgage the land to be developed for housing. On the other hand, Decree No.17/1999/ND-CP⁷ prohibits to transact land use right without either BOLUC or LUR certificate. Real estate registration should provide the basis for formal mortgage loan. Lack of renewed certificates in both cities is an obstacle not only to the housing finance of individuals and developers, but also to the development of the private sector, particularly small- and medium-sized enterprises. Regulatory reform on real estate registration in urban area and capacity building of the authorities concerned are in an urgent necessity to rationalize and expedite the registration process.

Real Estate Taxation

Recent laws and decrees provide for land and house tax, land use levy, land transfer tax, land registration fee, land administration fee etc., but majority of transactions are not registered and notified to the authorities by any means to avoid such taxes and levies. Real estate tax is usually the largest revenue source of municipality in a lot of countries, but in Viet Nam it accounts for only one to two percent of annual revenue of the provinces, Hanoi and HCMC. For the establishment of their tax base, the real estate taxation needs to be enhanced. In contradiction, the exemption of some real estate taxes and levies for a while would expedite the real estate registration.

⁴ Foreign individuals and firms can purchase houses and buildings but not land use right.

⁵ “1993 Law on Land” stipulated that LUR certificate of GDLA applied all the lands nationwide. However, MOC, along with GDLA, enacted the Decree No. 60 of 1994 which entitled BOLUC to apply residential lands and houses inside urban areas.

⁶ Hanoi started in 1998 to receive applications for BOLUC in a select zone, but it sees almost no progresses in registrations or issuance of certificates yet. In 1999, HCMC decided to issue BOLUC of 700 thousand houses within two years, but it has also faced the difficulties similar to those of Hanoi.

⁷ When this Decree is strictly enforced, people must further depend upon informal finances.

Chapter IV Housing Development

Housing Policy

After the Doi Moi policy, housing subsidy by the public sector was abolished, and instead, housing development by individuals and companies was encouraged. MOC is preparing “National Strategy on Housing up to the Year 2010.” Hanoi and HCMC finalized each “Housing Development Program to the Year 2010” already in 1998, and are going to submit it to MOC and the prime minister for approval after the national strategy is completed.

Housing Developer

In both cities, approximately seventy to eighty percent of housing development is carried out privately by individuals. The remainder is mostly provided by public developers, while private developers account for few percent. The public developers listed in **Table 3** construct houses for sale in most cases, since houses for rent are quite unpopular⁸ even for the poor. They are business arms of MOC or People’s Committees, and are engaged in, but not dedicated to, the development of low cost housingless expensive houses.

Table 3: Major Public Developers in Hanoi and HCMC

Founder	Developer	Outline
MOC	Housing and Urban Development Corporation (HUD)	<ul style="list-style-type: none"> ■ Dominant of big projects over 10 ha in Hanoi ■ Developer of famous Lim Danh project in Hanoi ■ Not so active in HCMC
Hanoi People’s Committee	Hanoi Housing Development Company	<ul style="list-style-type: none"> ■ Under DLH ■ Engaged in small projects ■ Likely to be merged in a umbrella organization
	Hanoi Housing Construction Company	<ul style="list-style-type: none"> ■ Under DOC ■ Engaged in small projects ■ Likely to be merged in a umbrella organization
HCMC People’s Committee	Saigon Real Estate Corporation (RESCO)	<ul style="list-style-type: none"> ■ Dominant in public developers in HCMC ■ Umbrella organization holding sixteen subsidiaries merged

Source: Interviews with HUD, HAPI and RESCO

Chapter V Housing Finance

Municipal Housing Fund

Respective “Housing Fund⁹” was established in the early 1990’s in HCMC and in 1998 in Hanoi. These funds mobilized capitals primarily from the sales revenue of the former state-owned houses, and are used for housing finance. Another facility named HIFU was set up in HCMC in 1997. HIFU mobilizes capitals from bank loans, equity and trust fund entrusted by the People’s Committee, and it invests in urban development

⁸ Also, apartments are unpopular in Hanoi and, to a lesser extent, in HCMC.

⁹ Housing Funds and HIFU are not incorporated, but are municipal special accounts.

including housing projects of the public developers.

Housing Finance Facility

Housing loan activities by lenders and borrowers are explained in **Table 4**. Loans for the public developers are chiefly supplied by, 1) BIDV and VBARD, among four state-owned commercial banks, and 2) Housing Funds and HIFU. A few private joint-stock banks in HCMC are somewhat engaged in financing comparatively wealthy people, but rarely can manage to offer a lower interest requested by the public developers. Collateral for mortgagee is usually the existing property of mortgagor, but not the land to be developed. Therefore, the developers are unable to expand their operations quickly, by mortgaging the large future project site. Mortgage loans for individuals are uncommon, especially in Hanoi, thus they meet financing needs with their own savings and borrowings from friends and relations.

Viet Nam has neither a refinancing institution nor a secondary mortgage market, so there is high possibility that banks providing mortgage loans are accumulating liquidity risks. Such banks also act as substitutes for estate surveyor, real estate broker and juridical scrivener etc. Likewise, real estate market and relevant businesses are still underdeveloped, and the roles and risks are not fully diversified and unbound according to expertise.

In addition to the rationalization and expedition of the real estate registration, both the development of housing finance market and the promotion of housing developers, particularly private ones, must be accomplished to provide the Vietnamese with better houses at reasonable costs.

Table 4: Principal Housing Finance Facilities in Hanoi and HCMC

		Borrower			
		Housing Developers	Housing Buyers	Infrastructure Developers	Other Businesses
State-owned Commercial Bank	BIDV	++	++	++	+++
	VBARD	++	++	++	+++
Private Joint-stock Bank	Habubank		+		+
	Housing Bank (HCMC)	++	++		+++
	Asia Commercial Bank (HCMC)	++ (for private developers)	++		+++
Municipal Fund	Hanoi Housing Fund	+++			
	HCMC Housing Fund	+++			
	HIFU	++		+++	

Note: +++: active; ++: involved; +: not very active; blank; negligible or not involved.

Source: Interviews with BIDV, BARD, all Joins-stock Banks listed, HAPI and DPI

Reference Table: Technical Assistance on Land and Housing Issue in Viet Nam

Donor	Counterpart	Fields	Outline	Year
ADB	MOJ	Property registration	Capacity building for registration of properties including real estate.	1998 ~ contd.
KOICA	HPC	New town development	Preparation of master plan and regulatory improvement for Hanoi New Town.	1999 ~ 2000
JICA	MOJ	Law development	Dispatch of a juridical expert for law development including land laws.	1997 ~ contd.
	MOC	Housing policy	Dispatch of experts of housing policy and development.	1998 ~ contd.
SIDA	GDLA	Real estate registration, cadastral mapping, land use planning, geographic information system (GIS) etc.	Regulatory and institutional developments on and capacity building for comprehensive land management. One of the leading T.A.s in the issue.	1997 ~ contd.
UNDP	HPC etc.	Urban development	Capacity building of three municipalities including Hanoi on urban development issues under the worldwide Urban Management Programme.	1995 ~ 1998
	HCMC	Housing and land administration	Capacity building for DHL of HCMC.	1999 ~ 2000
WB	MPI	Resettlement	Legal development for involuntary resettlement.	1997
	GDLA	Real estate registration, land use management etc.	Regulatory and institutional developments on and capacity building for real estate registration and land use management for urban area and agricultural area, under PHRD fund granted by Japan.	1998 ~ 2000

Note: Not listed up are, among others, a forestry land management project of ADB and a banking sector reform study of WB recommending mortgage system improvement.

Source: Interviews with all donors listed and literature review

CHAPTER I INTRODUCTION

1.1. BACKGROUND AND PURPOSE OF THE STUDY

Viet Nam has been experiencing rapid urbanization owing to economic development after Doi Moi, and urban population is predicted to increase to 46 million in 2025 from 15 million in 1995. Urban development and housing sector, especially in cities of Hanoi and Ho Chi Minh, is urgently challenged by swelling migration from rural area, expanding informal settlement, emerging relocation needs by inner-city redevelopment, accelerating reform of state-owned enterprises that have provided their employees with houses.

JBIC is increasing its lending operations for urban infrastructure development in Viet Nam. Therefore, information regarding urban development, especially land and housing sector, is quite important for the JBIC's operational references.

The purpose of the study is to examine the sector's current status and issues of cities of Hanoi and Ho Chi Minh, based upon the following specifications;

- urban development policy,
- real estate institution,
- housing development, and
- housing finance.

1.2. METHOD OF THE STUDY

We reviewed various publications as well as interviewed over thirty institutions in both private and public sectors in March and June, 1999. We visited MOC, GDLA and MPI in order to learn the housing and urban development policy at the national level. We also visited MOF to learn the real estate taxation. At the provincial level, we visited CAO, HAPI and DPI, DHL and DOC of Hanoi and HCMC.

We conducted interviews with a couple of SOEs engaged in housing production such as HUD, Construction Corporation No.1 and RESCO. We discussed with several banks such as Vietinbank(BIDV), Habubank, Housing Bank and Asia Commercial Bank regarding their operation in urban development and housing sector.

We also discussed the assistance issues with donors including the World Bank, UNDP, ADB, EU, SIDA, KOICA and JICA.

After completing the interim report, we had a small workshop participated by over thirty people in Hanoi in July, 1999 where we had valuable comments for the

improvement of the report. We also had a presentation to the HCMC's departments in charge of urban development and housing policies. We greatly owe to the precious comments presented at the meeting.

1.3. ORGANIZATION OF THE STUDY

This study report consists of four chapters covering such topics as urban development policy, real estate institution, housing development and housing finance. In addition, appendix covers the issues of land acquisition and compensation and housing condition. Although each chapter is closely related, each chapter is considered independent.

In chapter 2, we review the urban development policy in Viet Nam. The areas covered include administrative structure, urban plans with the emphasis on the urban development master plan, land use plan and construction approval and types of urban development. In chapter 3, we examined the legal framework regarding land including the issues of the LUR Certificate and real estate taxation. In chapter 4, we study national and provincial housing policy in Viet Nam and housing market in Hanoi and HCMC. We also conducted case studies of housing developers. In chapter 5, we look at housing finance facilities available in Viet Nam.

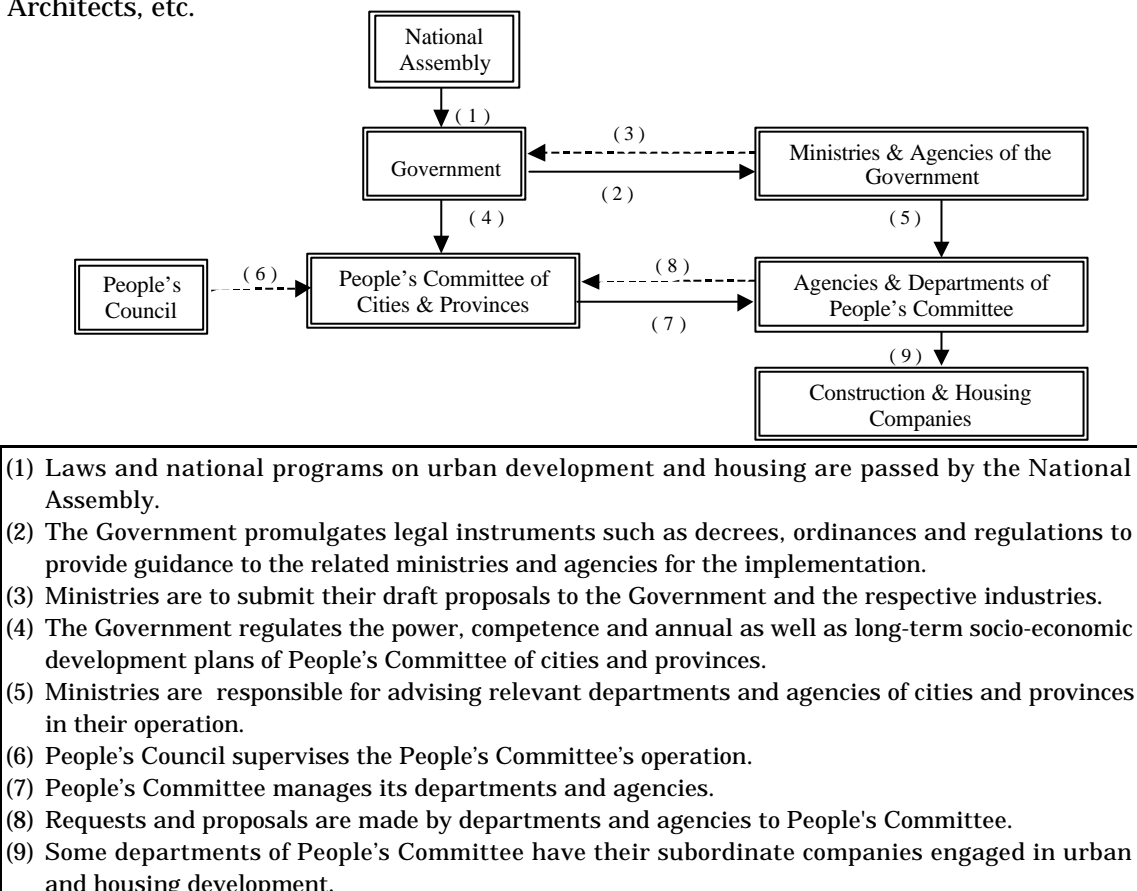
CHAPTER II URBAN DEVELOPMENT POLICY

This chapter covers five topics: administrative structure of the government and PC regarding urban development and housing, their functions, overview of urban development, land use plan and construction approval and types of urban development.

2.1. ADMINISTRATIVE STRUCTURE

Urban and housing development is one of the major strategic policies for the Government of Viet Nam. Government agencies at various levels are involved. **Figure 2.1.** describes the power and competence of main agencies involved.

It is typical that the power, responsibility and competence are shared among several governmental organizations. No single body can really make decision without consulting with the others. In addition, decision on any urban development and housing programs may be influenced by various non-governmental organizations such as Association of War Veterans, Association of Farmers, Viet Nam Association of Architects, etc.



Source: IUTD

Figure 2.1 Administrative Management Chart in Urban & Housing Development

2.2. FUNCTIONS OF RELATED AGENCIES

2.2.1 National Level

(1) The National Assembly

The National Assembly is the legislative branch of the national level and is the highest national power office. In the field of urban and housing development, the National Assembly promulgates related law system such as constitution and the Law on Land. The National Assembly will also approve important orientation of the national development programs.

The National Assembly has several supporting committees in controlling operation of the Government.

(2) The Government

The Government is an executive office of the National Assembly. The Government is the national management office of the whole country through its professional ministries and agencies.

The Government has 17 ministries, five line-ministries and 24 organizations under its direct management.

(3) Ministries and Related Agencies of the Government

1) Ministry of Construction (MOC)

MOC is responsible for the state management of construction, construction materials, housing, public works and architecture and development planning for rural and urban areas. In particular, MOC exercises the followings :

- Drafting and proposing, for the Government consideration, the long-term plans and implementation measures according to socio-economic development requirements of the country in the following fields: construction, housing, public works, construction materials; master plans for larger urban areas, important industrial zones and key economic development areas ; and directing, guiding and controlling realization of such long-term plans and implementation measures after the approvals of the Government.
- Carrying out sole responsibility for evaluating and approving master plans and construction designs.
- Carrying out the state administrative functions of housing and state-owned housing.
- Carrying out the state administrative functions of urban public works (including roads, water supply, drainage, lighting, etc.).

- Carrying out the state administrative functions of licensing construction and construction materials production businesses.
- Supervising land use based on the Law on Land.

MOC has 12 state management departments, seven administrative subordinate organizations and several companies. Its departments related to urban and housing development are listed in **Table 2.1**.

Table 2.1. Related Departments of the MOC

<ul style="list-style-type: none"> - Department of Housing Administrative Management - Department of Architecture and Planning Management - Department of Construction Policy - Inspection Office of Construction Works - Institute for Urban-Rural Planning - Institute for Construction Economy - Hanoi and Ho Chi Minh Architecture Colleges
--

Source: IUTD

2) General Department of Land Administration (GDLA)

GDLA carries out the state administrative functions regarding land and land survey of the whole country. In particular, GDLA exercises the followings:

- Drafting and proposing, for the Government consideration, land use strategy, land use planning, policies and regulations on land management and use and land survey; and directing, guiding, controlling implementation of such proposals after the approvals of the Government.
- Evaluating land use plans prepared by Ministries and Agencies of the Government or People's Committees before submitting them to the Government; and reporting to the Government the land allocation, land lease and land appropriation within the control of the Government.
- Promulgating decisions, circulars, instructions for supplying the contents of guidance; and inspecting land use and managing the branches, regions, organization 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 and land appropriation.

GDLA has seven state management departments and seven administrative subordinate organizations, including the Department of Planning and Finance and the Department of Registry -Statistics.

3) National Steering Committee for Housing and Land Policies

National Steering Committee for Housing and Land Policies (“Steering Committee”) is the consultant and assistant office of the Government on land and housing policies. The Steering Committee has responsibility for the results of the works assigned by the Government such as:

- Steering and co-operating with the relevant Ministries and branches to realize fully and timely the two Government’s Decrees on “housing ownership and land use in urban areas (Decree 60/CP)” and “housing trade (Decree 61/CP)”.
- Every six months, the Steering Committee has to report to the Prime Minister about the results of the implementation of the two decrees.

The functions and main duties of the Steering Committee include:

- Assisting the Government in doing research on and promulgating guidelines and policies of housing and land; and supplying the contents of guidance in centralizing the management of housing ownership and land use in urban areas.
- Assessing the results and achievements; and putting forward and adding suitable policies.
- Investigating the implementation of the national policies and regulations of housing and land in regions, ministries and branches.

When the committee was established in July 1994, its members consist of the deputy prime minister, the minister and deputy minister of the MOC, the deputy minister of the MOF, the vice chairman of GDLA, etc.

4) Ministry of Planning and Investment (MPI)

MPI carries out state administrative functions of long-term planning of socio-economic development of the country, economic policies and domestic and foreign investment. In particular, the MPI exercises the followings :

- Planning investment of the country.
- Assisting the Government in doing research and preparing guidelines and policies of investment.
- Taking part in evaluation of the projects in the field of urban and housing development and submitting the result to the Prime Minister for approval according to the MPI's competence.
- Guiding regions in management, evaluation and implementation of investment projects according to the competence of the regions.

MPI has 22 state management departments, 6 subordinate administrative organizations including; Department for Infrastructure, Project Evaluation Office,

National Office for Procurement Evaluation, Foreign Investment Department, Foreign Economy Department, Institute for Economic Management Research and Institute for Development Strategy.

2.2.2. Provincial Level

Each province has its People's Committee. Municipalities belong to the province, and have respective People's Committee at municipal level. Hanoi City and HCMC have the status equivalent to the provinces.

People's Committee is a national administrative office in region. Because of this, People's Committee also works in many fields as the Government does, but only in the regional domain. People's Committee has relevant departments and agencies (**Table 2.2**) in order to carry out its function.

Table 2.2. Departments in Charge of Urban Development and Housing Policy

Department	Functions
<p>Chief Architect Office (CAO)</p> <p>CAO is established only in Hanoi and HCMC.</p>	<p>Chief Architect Office(CAO) is the administrative office of urban planning and architect of the city. Its role includes:</p> <ol style="list-style-type: none"> 1) preparing and evaluating master plans and detailed plans of urban development projects, 2) issuing planning certificate and construction permit for development projects, 3) proposing long and short-term policies in urban development of the city. <p>The Council for Architecture & Planning established by the city and comprising members of various departments, universities, etc. assists the CAO in reviewing urban development and housing projects.</p> <p>Every development project must be approved by CAO regarding its location, area, land use and infrastructure.</p>
<p>Hanoi Authority of Planning and Investment (HAPI)</p> <p>HCMC Department of Planning and Investment (DPI)</p>	<p>HAPI and DPI are the main assistance agency of the respective People's Committee in charge of socio-economic development of the city and the definition of the development orientation.</p> <p>They are agency in charge of planning and investment of the city, and evaluating investment projects. HAPI and DPI approve the investment aspects of projects, while CAO approves the design and location aspects.</p>

Department	Functions
<p>Department of House-Land(DHL or DLH)</p>	<p>Department of House-Land is the administrative office on housing and land administration issues. The department assists the People's Committee on:</p> <ol style="list-style-type: none"> 1) managing land, drawing the land use plan and submitting it to authority agencies for approval, 2) managing completed housing projects and participating in the implementation of housing projects. It is also a state administrative authority on housing business. <hr/> <p>Hanoi used to have independent Department of Land Administration(DLA) whose function includes;</p> <ol style="list-style-type: none"> 1) administering land, 2) conducting land procedures, 3) allocating and leasing land, 4) preparing annual land use plan in accordance with approved urban development plans. <p>Hanoi DLA was merged with the Department of House-Land in early 1999.</p> <p>In HCMC, cadastral office was established in 1990 for agricultural and urban land. Cadastral office and the Department of House-Land were merged after troubles emerged in the implementation process.</p>
<p>Department of Construction(DOC)</p>	<p>Department of Construction has the duties of:</p> <ol style="list-style-type: none"> 1) managing construction engineering, 2) controlling construction quality, 3) evaluating construction cost estimate and construction engineering design for the project using state budget. <p>Hanoi and HCMC have the CAO, therefore the role of the Department of Construction is limited. In other provinces, the department plays the role of the CAO.</p>
<p>Transportation and Urban Public Works Service (TUPWS)</p>	<p>TUPWS is the national administrative office of the city in using and developing technical infrastructure of the city. It manages and conducts the construction of infrastructure projects excluding telecommunication projects).</p>

Source: IUTD

2.3. OVERVIEW OF URBAN DEVELOPMENT

2.3.1. Government Perspective on Urban Development

The Vietnamese government has elaborated a strategy for urban development regarding water supply and drainage, solid waste treatment system and multi-storey buildings since 1995.

Urban population has grown stably. The urbanization rate has risen above 20%. The network of national urban areas has been expanded to 623: four centralized cities, 82 de-centralized cities and 537 townlets. In addition, there are around 60 industrial zones.

Between 1992 and 1998, 86 cities and 358 townlets had their urban building plans (i.e. urban development master plan) ratified. The 179 townlets left are expected to have their urban building plans ratified by the end of 1999.

At present time, the urban population of Viet Nam is 16 mill., making up around 20% of the national population. Yet, it is likely to be 46 mill. by 2020, making up 45% of the population and making a near-treble increase.

The urban area of Viet Nam is around 63,000 ha, about 45 m²/head. By 2020 it is highly probable to be around 460,000 ha, about 100 m²/head and making more than sevenfold increase¹.

2.3.2. Urban Plans

Urban planning works are proposed stepwise through three steps as follows (**Table 2.3.**):

- 1) Regional Zoning Plan (scale 1/25,000) is established to create the basis for urban and industrial development, residential areas, infrastructure development and environmental protection.
- 2) Urban Development Master Plan (scale 1/10,000) is established in order to define the orientations, to improve and develop the whole urban area and infrastructure system in harmonic balance between economic, political, cultural and national security requirements.
- 3) Detailed Plan (scale 1/5,000; 1/2,000) is established to materialize and define accurately the provisions of the Urban Development Master Plan.

The Detailed Plan must be in accordance with the Urban Development Master Plan and the Urban Development Master Plan must follow the Regional Zoning Plan.

¹ Prof. Dr. Nguyen Manh Kiem, "For A Long And Steady Urban Development", Vietnam Business Vo.1.9-No 12, June 16-30, 1999

Table 2.3. Stratum of Urban Plans in Hanoi and HCMC

Plan	Competent Agency	Note
Regional Zoning Plan	MOC	-Decision 322/BXD-DT
Urban Development Master Plan	MOC/People's Committee	-Decree 91/CP -MOC is responsible for the plans in Hanoi and HCMC.
District Master Plan	Districts in HCMC	-Established in HCMC only
Detailed Plan	Developers/Investors, usually	-Decree 91/CP

Source: Decree 91/CP and Interviews with CAO and DPI

The Government pays for the preparation of the Regional Zoning Plans and the Urban Development Master Plans until now as a common practice. In addition, when development projects are studied by the SOEs, the Detailed Plans associated with such projects are financed from the Government budget, too. Otherwise the developers of the projects have to finance all preparatory works by themselves.

There are several regulations by the Government, Ministry of Construction and People's Committee stipulating required contents of each urban plan. It is obvious that the purpose of such regulations is to ensure the quality of urban plans made by design firms, and to save the Government budget.

Often the developers can not follow the urban plans set by the governments simply because the plans make their projects impossible. Therefore some amendments of the regulations are under consideration.

(1) Regional Zoning Plan

Regional Zoning Plan is established for multi-function regions or special zones (including industrial, urban, agricultural and tourism zones and environment protection) and economic-administration area of the provinces, districts and economic developing areas.

Main considerations for establishing Regional Zoning Plan include:

- Assessing general situation and the driving forces of development for the region,
- Forecasting economic growth capability, population, land, social demand, relationship between inside and outside of the zone, urbanization and the stability of natural environment,
- Defining zone development objectives,
- Orienting spatial structure(dividing functional areas), infrastructure system and environment protection methods,
- Proposing priority for the development of areas and projects,
- Proposing institutional tools for regional development.

Decision 322/BXD-DT dated 28-12-1993 by the MOC stipulated the Regional Zoning Plans. The Regional Zoning Plan of Red River Delta (**Figure 2.2.**) consists of provinces and cities including Hanoi. Another Regional Zoning Plan covers the triangular area of Dong Nai Province-Ba Ria Vung Tau-HCMC (**Figure 2.3.**).

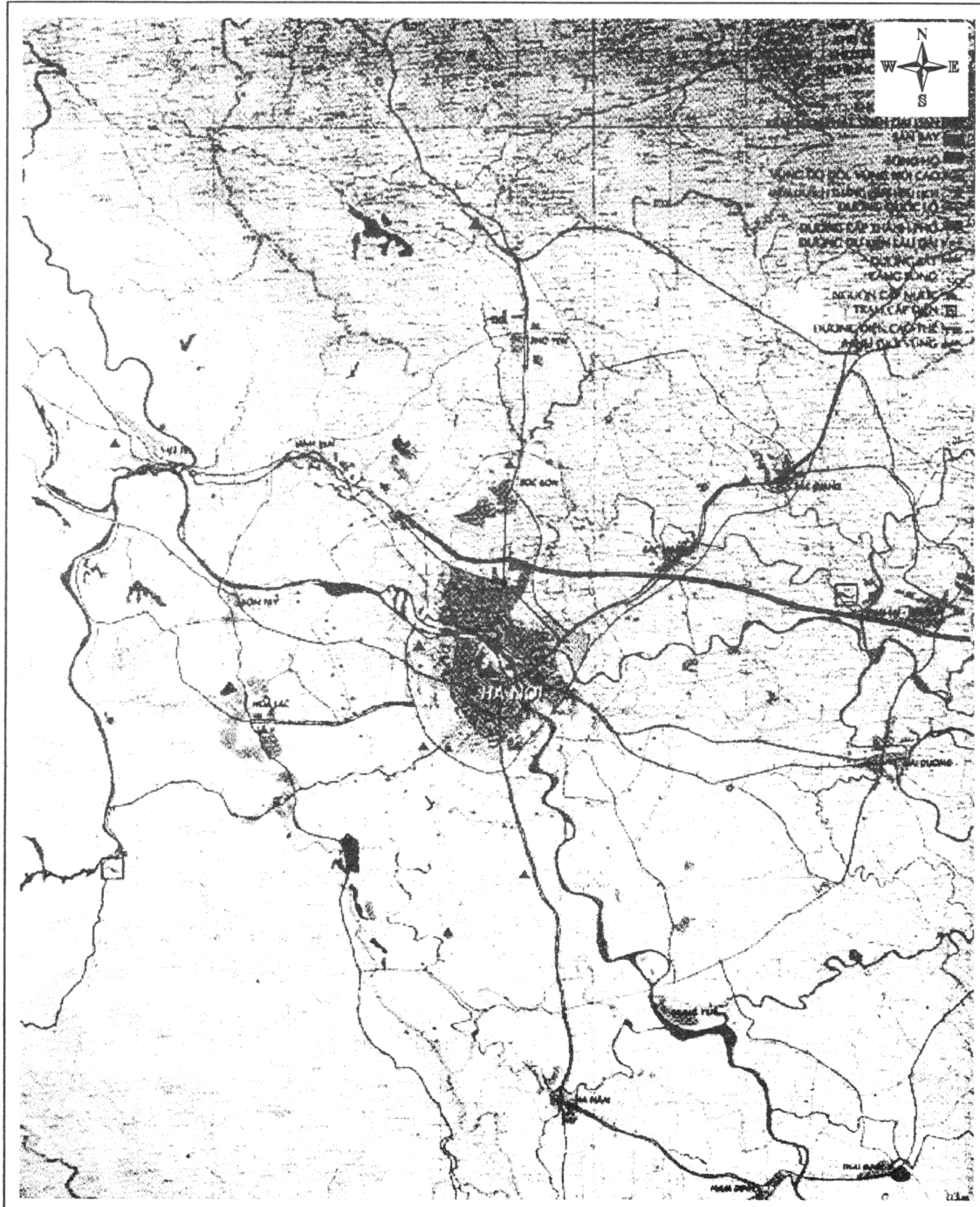


Figure 2.2. Regional Zoning Plan including Hanoi

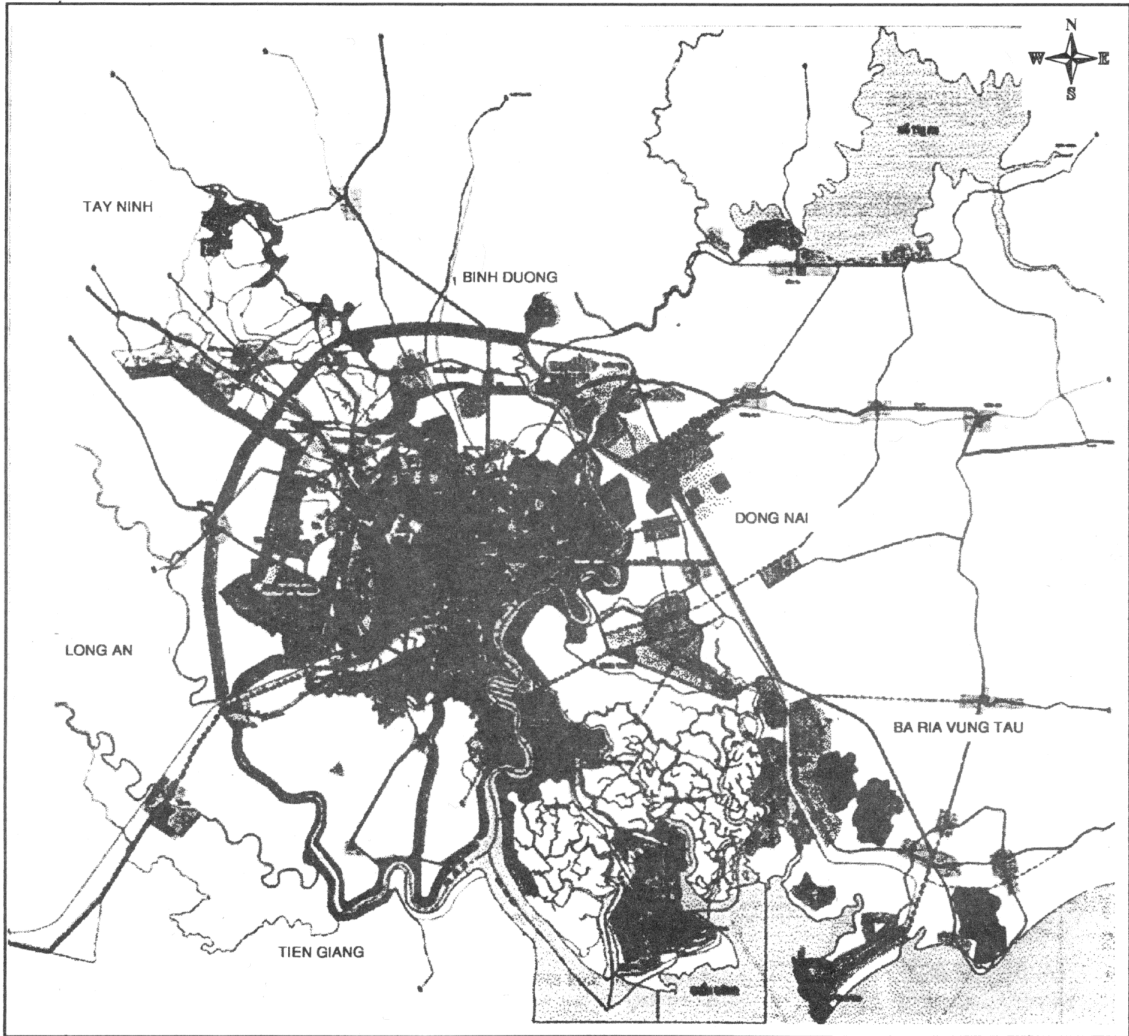


Figure 2.3. Regional Zoning Plan including HCMC

(2) Urban Development Master Plan

The two main objectives of the Urban Development Master Plan, simply called master plan, prepared for an entire city or a system of cities, are to control urban spatial development and infrastructure construction.

The master plan is prepared for a period of 15-20 years, with updates every five years. It is prepared at a scale of 1/2,000-1/25,000 depending on the city. The preparation of the master plans for Class I and II (**Table 2.4.**) urban areas is the responsibility of the MOC.

Approval of the master plans of these classes of city is the responsibility of the Prime Minister in the name of the Government, following the consultations with the People's Committee of the concerned province or centrally-administered city.

Master plans for Class III and IV cities are prepared and approved by the MOC. Both cities of Hanoi and Ho Chi Minh are classified as Class I.

Main considerations for establishing Urban Development Master Plan include;

- Assessing existing and natural advantages for the urban development,
- Defining characteristic, techno-economic bases, population, land and economic – technical criteria on urban improvement and development,
- Urban development orientation (space, environment protection and infrastructure facilities),
- The plan for the first period of 5-10 years,
- Creating legal basis for urban development management,
- Creating necessary bases to make detail plans and investment projects.

Table 2.4. Classification and Hierarchy of Urban Management

	Administrative Category	Specialities
Class I	The central authority	Population: no less than one million; At least 90% of the labor force taking part in non-agricultural activities; Technical infrastructure and public facilities are completely constructed; and Population density is 15,000 people/km ² or more.
Class II		Population: from 350,000 to 1,000,000 people; At least 90% of the labor force taking part in non-agricultural activities; Technical infrastructure and public facilities are well established; and Population density is 12,000 people/km ² or more.

	Administrative Category	Specialities
Class III	Provincial Authority	Population: from 100,000 to 350,000 people; At least 80% of the labor force taking part in non-agricultural activities; Technical infrastructure and public networks have been partly constructed; and Population density is 10,000 people/km ² or more(may be lower in mountainous areas).
Class IV		Population: from 30,000 to 100,000 people; At least 70% of the labor force taking part in non-agricultural activities; Technical infrastructure and public facilities are being or have been partly developed; and Population density is 8,000 people/km ² or more(may be lower in mountainous areas).
Class V	District Authority	Population: from 4,000 to 30,000 people; At least 60% of the labor force taking part in non-agricultural activities; Technical infrastructure being progressively developed; and Population density is 6,000 people/km ² or more(may be lower in mountainous areas).

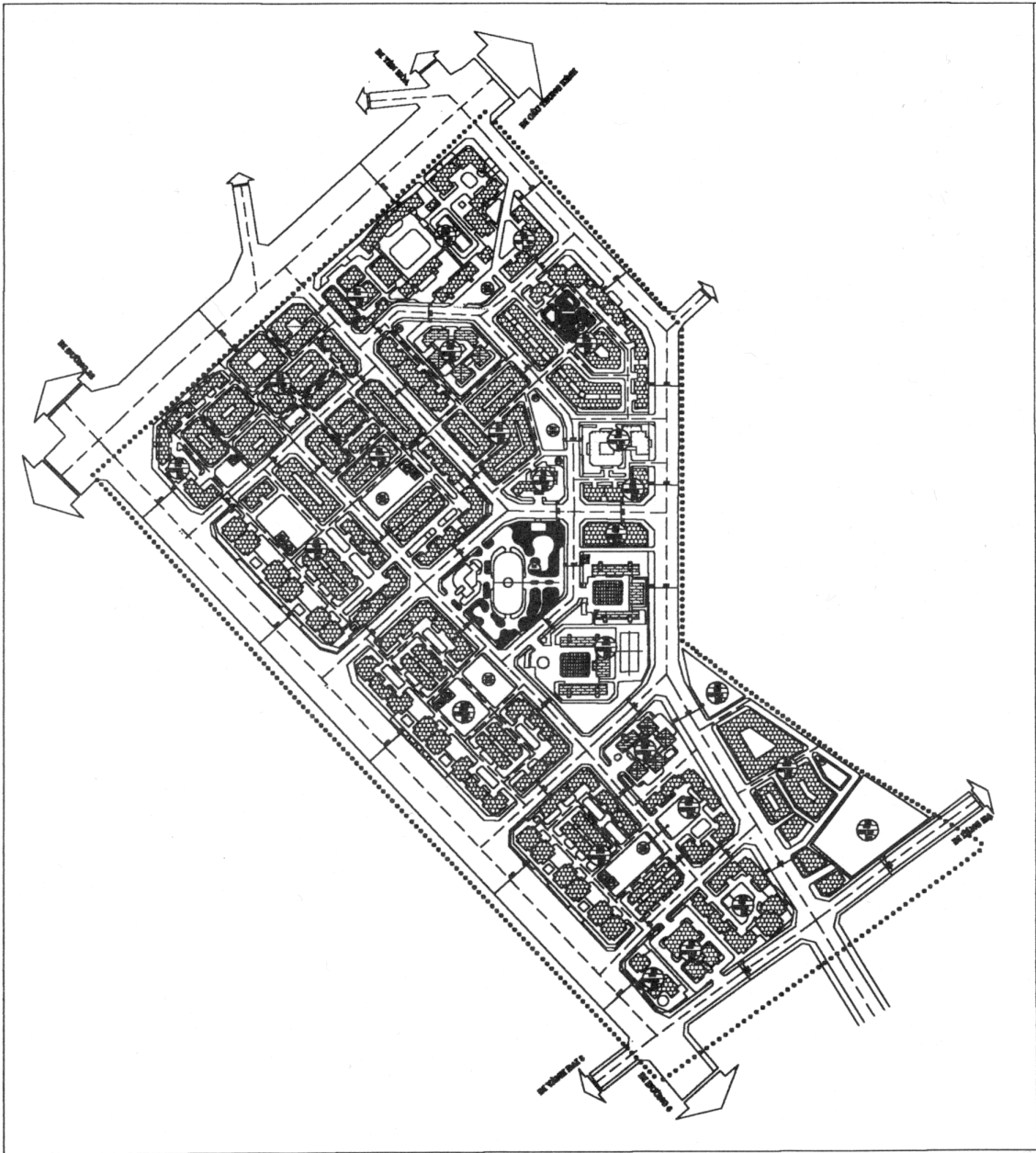
Source: Decision on Classification and Hierarchy of Urban Management No.132/HDBT, May 5, 1990

(3) Detailed Plan

One of the major planning documents described in the Decree 91/CP is the detailed plan. Detailed plans are prepared at a scale of 1/500-1/2,000 for specific areas within a city (**Figure 2.4**). They are drawn up within the framework of the master plan. Detailed plans are the primary vehicle for land use management and land allocation associated with public and private sector housing, infrastructure and commercial development projects. Preparation of detailed plan is normally the first step in the project development process and is a prerequisite for the subsequent steps for obtaining the planning certificate, land allocation and construction approval.

Main considerations for establishing the Detailed Plan include:

- Concretizing and defining the regulations and provisions stipulated in Urban Development Master Plan,
- Assessing exiting construction situation and the ability of using existing area as well as proposed development area,
- Collecting and balancing demands for improvement and investment in the planning area,
- Dividing land area and regulating land use management system for each purpose,
- Studying and proposing architectural orientations, urban landscape protection and the methods for improving and developing infrastructure system,
- Defining construction free lines,
- Proposing construction management regulation for the planning area.



**Figure 2.4. Sample Detailed Plan
(Trung Hoa-Mhan Chinh New Urban Development Project)**

2.3.3. Policies Changes Planned

As reported by the Ministry of Construction in the recent "National Conference on Master Planning for Urban Development of Viet Nam to the year 2020", several changes of legal instruments related to urban development and housing sector will be made, including new regulations and the amendments of the old ones. Changes in policies can be foreseen as follow(**Table 2.5. , Table 2.6.**).

Table 2.5. New Laws and Decrees Planned

- Law on Construction.
- Law on Urban & Rural Areas Planning.
- Law on Housing.
- Law on Industrial Estates.
- Law on Development of the Capital City.
- Decree on the Development and Management of the New Urban Areas.
- Decree on the Redevelopment of Existing Urban Areas.
- Decree on the Management of Urban Infrastructure.
- Decree on the Management and Development of Architecture.
- Decree on Raising Fund for Infrastructure Development by Allocating Land.
- Decree on Procedures for Transferring, Leasing, Inheriting, Mortgaging, Making Capital contribution in kind by Land Use Right (already issued as Decree No.17).

Source: IUTD

Table 2.6. Amendments and Modifications in Regulations Planned

- Decision No 132/HDBT of May 5, 1990 by the Chairman of the Council of Ministers (now the Prime Minister of the Government) on urban areas classification and delegation of power on urban management.
- Decree No. 91/CP of August 17, 1994 on urban planning management.
- Decree No. 42/CP of July 16, 1996 on management of construction & investment.
- Decree No. 43/CP of July 16, 1996 on procurement procedures.
- Decree No. 88/CP of August 17, 1996 on management and use of urban area land.
- Decree No. 61/CP of July 5, 1994 on buying, selling and trading of houses.
- Decree No. 36/CP of April 24, 1997 on industrial estates, export processing zones and high-tech parks.
- Decree No. 48/CP of May 5, 1997 on penalty for violation in construction management, urban housing and infrastructure management.
- Decree No. 60/CP of July 7, 1994 on house ownership and land use in urban areas.
- Decree No. 64/CP and Decree No. 02/CP on allocating land for long term use by families and individuals.

Source: IUTD

2.3.4. Hanoi Urban Development Master Plan

(1) Background

There was no integrated development plan in Hanoi before 1992. Instead, several sector programs were formulated individually by HPC based on the latest concepts at that moment such as the NH-5 project, Thang Long-Noi Bai Highway, water supply projects, Trung Yen residential area development, etc.

The Urban Development Master Plan of Hanoi was approved in 1992, however, due to the rapid economic development of the city as well as the current urbanization process, the plan needs to be readjusted. Therefore, HPC and MOC had steered the preparation of the Amended Master Plan of Hanoi City to the year 2020. After three years of preparation, the Amended Master Plan (**Figure 2.5.**) was approved by the Prime Minister in the Decision No. 108/1998/QĐ - TTg dated June 20, 1998

(2) 2000 M/P

The first Hanoi integrated urban development master plan issued in 1992, was titled the "Land Use Master Plan in the Hanoi Capital Region for the Target Year 2000" (2000 M/P), covering the entire jurisdiction of the municipal area of Hanoi.

The 2000 M/P was formulated based on the numerical targets in the aspects of regional economy, society and industry. The 2000 M/P indicated the land use and the development direction in the project frame mainly for Hanoi City South as follows:

- 1) The existing urban area continues playing the role of the regional economic center.
- 2) Urbanization will progress towards the northwest, southwest and south along the major national highways.
- 3) Population growth will be significant in suburbs such as Thanh Tri, Tu Lien and Tay Ho. Population in existing urban areas will retain a relatively low growth rate.
- 4) Surroundings of Ho Tay (West Lake) and Linh Dam Lake are to be developed at an early stage.
- 5) Parts of existing paddy fields and fish ponds in northwest and south areas of Hanoi South will continue to function.

(3) 2020/MP

Spatial development orientation includes Hanoi center city and surrounding urban areas in Ha Tay, Vinh Phuc, Bac Ninh and Hung Yen provinces with the influential radius of 30-50 km approximately. The long-term and main development direction of Hanoi city is the east, to set up the Mieu Mon-Xuan Mai-Hoa Lac-Son Tay urban clusters(Ha Tay province). Northern development zones are Soc-Son(Hanoi

City)-Xuan Hoa-Dai Lai-Phuc Yen(Vinh Phuc province) urban clusters and a series of other towns for the purpose of exploiting advantages form geographical position, natural condition, transportation and infrastructure facilities. Finally, Hanoi city will be expanded to north-west, south-west and north directions, especially the north of the Red River where Hanoi New Town will be constructed in Thang Long North-Van Tri, Dong Anh-Co Loa, Gia Lam-Sai Dong-Yen Vien areas.

- 1) Residential area includes limited developing area bounded from second ring road(Vinh Tuy-Vong-Gau Giay-Nhat Tan) to the center, where the population will be about 0.8 mill. Developing areas will be located outside the center area, where population will be about 0.7 mill. in the south and 1 mill. in the north of the Red river.
- 2) Many residential and urban area projects are carried out. Foreign investment projects include: Bac Thang Long urban development project(North Bridge), Nam Thang Long new urban development project(Ciputra Group), Thang Long International Village project, etc. Domestic investment projects include: Bac Linh Dam residential project(infrastructure system is completed), Trung Hoa-Nhan Chinh new urban area project and Dai Kim-Ding Cong urban area construction project, etc.



Figure 2.5. Hanoi Urban Development Master Plan

2.3.5. HCMC Urban Development Master Plan

(1) Background

Ho Chi Minh City's Master Plan 2020 is a legal and sole master plan, which was approved by the Prime Minister in July, 1998. It was established by revising HCMC's Master Plan 2010.

The Master plan of HCMC to the year 2010 was approved by the Prime Minister in Decision No.20/TTg dated 16 January 1993. Since then the city's socio-economic situation has been changing fast. The growth rate achieved in 1995 was 1.84 times higher than that in 1990 and the average growth rate was 12.6%. The city's GDP per capita was four times higher than that of the whole country.

Carrying out the instruction of the Prime Minister in the Notice No.30/TB dated 28 March, 1996 of the Government Office on " Readjusted overall planing for inner city and development of new urban sectors of HCMC", HCMC People's Committee and MOC in combination with other relevant ministries and agencies instructed to prepare the Amended Master Plan of HCMC. The master plan was submitted to ministries and central relevant authorities in Hanoi, architectural consultant committee of the Prime Minister and to other domestic and foreign experts.

(2) 2010 M/P

The 2010 M/P, which was approved by the government in 1993, reflected the urban development situations in the 1980s, when the present liberalization policies had not been implemented. It gave a priority only to the north-east area, Thu Duc, for industrial and urban development.

(3) 2020 M/P

The 2020 M/P (**Figure2.6.**) was formulated in order to respond to emerging trends of rapidly increasing population and foreign investments in HCMC and its surrounding areas. It has a wider perspective of 30-50 km radius from the center of the city covering parts of its surrounding provinces.

The new M/P emphasizes the urban and industrial development in the south part (Nha Be and Hiep Phuoc) and the south-east part (Can Gio) of the city in addition to Thu Duc area.

Besides, the 2020 M/P has the following characteristics:

- 1) HCMC is to be changed to have a poly-centric urban structure from the present mono-centric structure.
- 2) The population of the existing urbanized areas (12 districts) are to be reduced from the present population of 3.6 mill. to 3 mill.

- 3) Urban and industrial development in suburban areas should be accelerated to absorb the increasing population and employment in the future. In order to attain the future urban structure with these characteristics, it is necessary for the government to make huge efforts at infrastructure provision to encourage the urban and industrial development in the present suburban areas. Especially, it is essential to provide transport infrastructure for securing strong connection between the existing urban centers with prospective suburban centers. Without such transportation investment, it is difficult to attract population and employment in suburban areas.

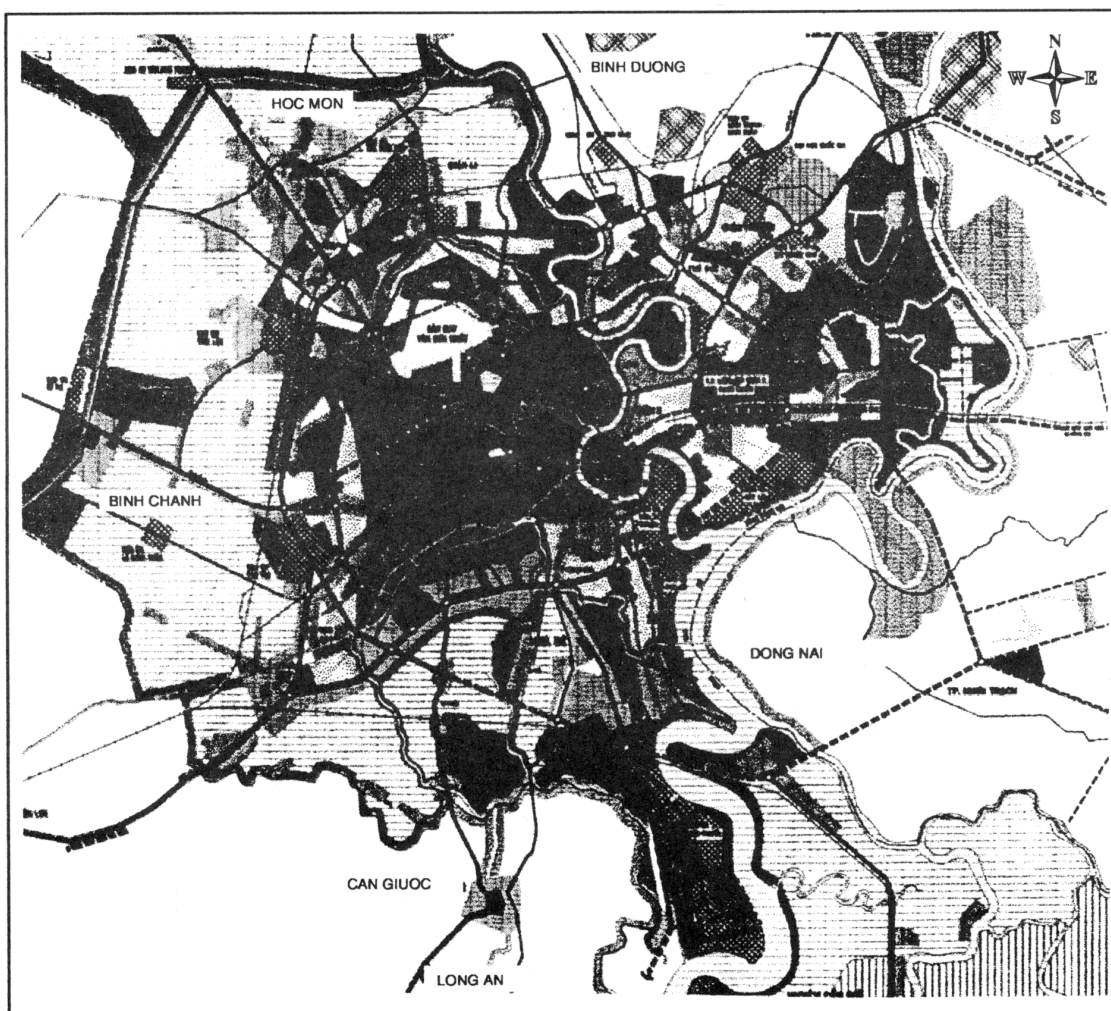


Figure 2.6. HCMC Urban Development Master Plan

2.4. LAND USE PLAN AND CONSTRUCTION APPROVAL

Viet Nam does not have mandatory zoning plan that designates specific land use to certain areas by police power like the one in Japan or in the U.S. Instead, there are regional zoning plan and urban development master plan for each urban area, and detailed plan is prepared for specific areas to be developed in accordance with the urban development master plan. The urban development master plan designated certain area for certain land use just like zoning map. However, each assigned use(zone) covers rather broad activities, and does not prohibit other uses. Detailed plan is the basis of the construction approval. Therefore, a project is approved based on the plan not on the zoning.

"The Regulation on Management of Investment and Construction" promulgated in 1996 stipulates very complicated procedure for the investment and construction. Based on the regulation, the investors need the evaluation of investment project, investment license, land allocation, evaluation and approval of detail design and total estimated cost, and construction license/permit before starting the construction work. Different authority is in charge of each evaluation and licensing process depending on the group of the project in question.

2.4.1. Urban Planning

Formerly, the management of urban planning and development was carried out under a temporary regulation issued by the MOC, in case of projects funded by the State budget.

The Decree No.91/CP established a general framework for managing the urban development of Viet Nam's cities. The main sections of this decree include:

- 1) planning approval of urban development projects,
- 2) construction approval,
- 3) protection of the environment,
- 4) management of urban infrastructure.

The Urban Development Master Plan is the urban construction general project in the Article 8 of the Decree No 91/CP. The article provides:

"The urban construction general planning project defines the orientation of the urban spatial development, the infrastructure construction, creating the suitable living conditions in considering the harmonic development between the urban expansion with the agriculture-forestry production, the national defence and security guarantee and other economic activities, together with the reservation of historical remains, the protection of natural landscape in reckoning to the subsequences of natural calamities as well as to the technological incidents which may happen."

The Detailed Plan is described in the Article 9 of the Decree No 91/CP. The features of Urban Development Master Plan and Detailed Plan are described in **Table 2.7**.

Table 2.7. Urban Development Master Plan and Detailed Plan

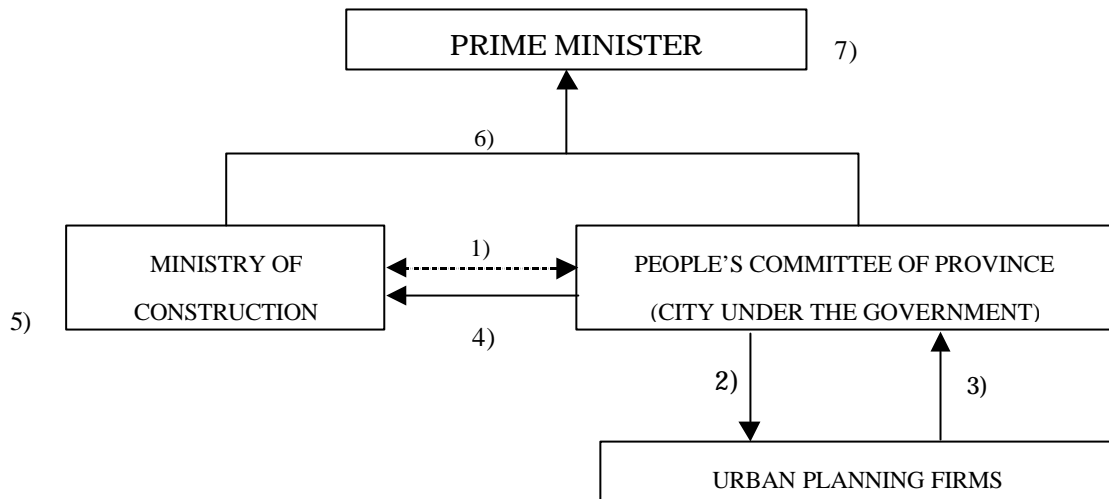
	Urban Development Master Plan	Detailed Plan
Format	Geographical map on the 1/2,000 - 1/25,000 scale depending on the urban class	Geographical and cadastral map on the 1/500- 1/2,000 scale
Aim and Term	Orient the urban development(15-20 years) and the construction planning at first stage(5-10 years)	Concretize the Urban Development Master Plan(up to 10 years) The detailed plan is the basis to set up the investment projects, to choose the right location for construction and to grant the planning certificates, to decide the allocation of the land and to grant the construction permit.
Coverage	Prepared for an entire city or a system of cities	Prepared for specific areas within a city
Preparation	The preparation of the master plans for Class I and II cities is the responsibility of the MOC.	Developer/Investor or district
Approval	The Prime Minister in the name of the Government following the consultations with the provincial People's Committee.	CAO

Source: Decree No.91/CP

All urban works have to be designed and built in accordance with the Urban Development Master Plan and the Detailed Plan and approved by the competent state authorities.

2.4.2. Approval Process for the Urban Development Master Plan

Figure 2.7. explains the approval process of master plans.



Approving agency: Prime Minister

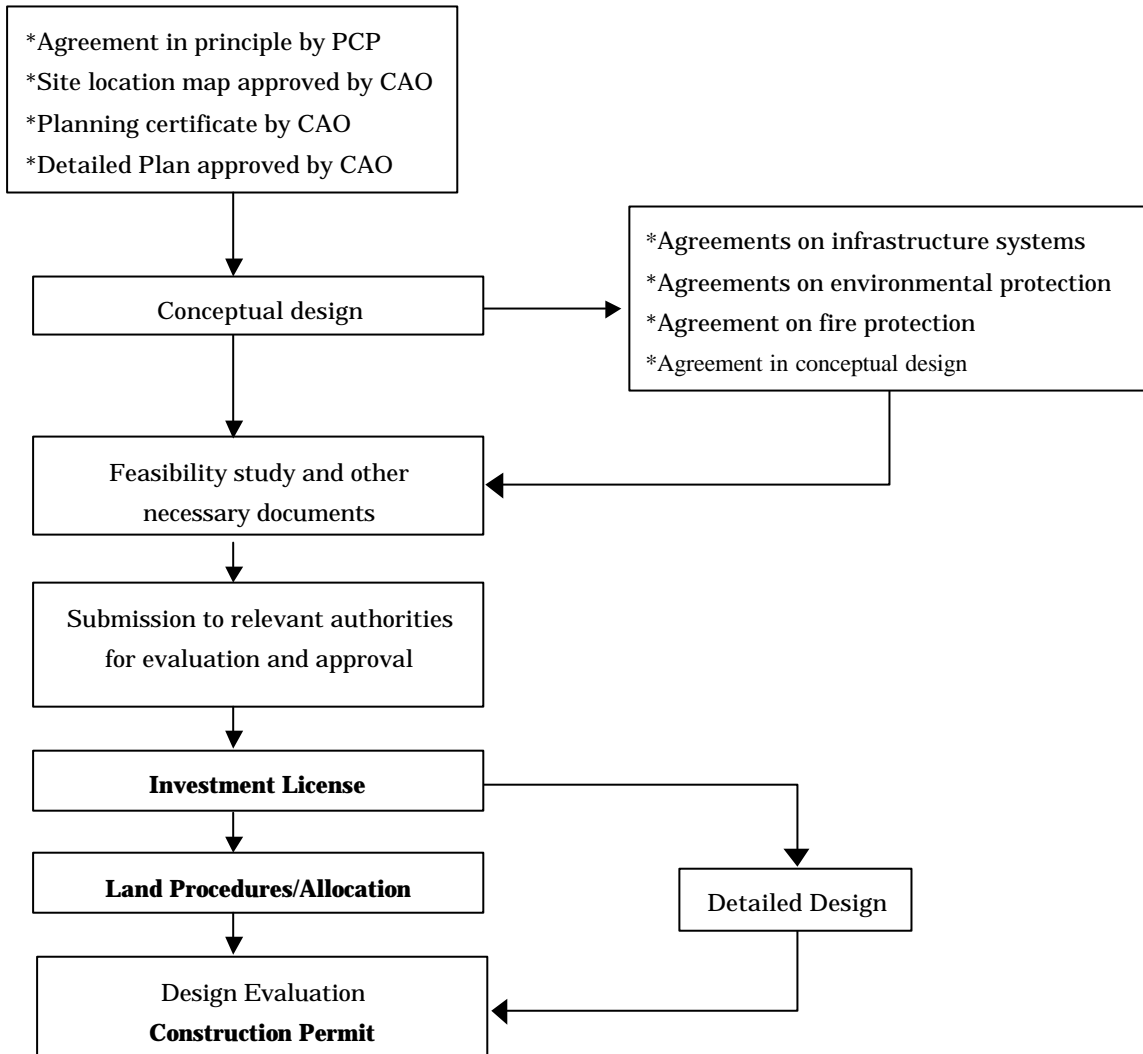
- 1) People's Committee of Province (city under the Government) ("PCP") consults with the Ministry of Construction on establishing master plan for urban areas class I & II, and other urban areas to be approved by the Prime Minister.
- 2) PCP designates professional firms to establish master plan.
- 3) Professional firm completes master plan and submits it to the PCP, which organizes evaluation committee for making suggestions on the master plan.
- 4) PCP submits the master plan to the MOC for evaluation.
- 5) MOC evaluates the master plan before submitting it to the Prime Minister.
- 6) PCP and MOC submit the master plan to the Prime Minister for approval.
- 7) Prime Minister approves the master plan and issues the approval decision.

Source: IUTD

Figure 2.7. Master Plan Approval Process for Urban Area Class I and II

2.4.3. Construction Approval

Figure 2.8. is the brief summary of the construction approval procedure.



Source: IUTD and NRI

Figure 2.8. Principal Steps for Construction Approval

(1) Planning Certificate

The feasible projects or designs of urban works made by the investor must be submitted to the managing office of urban planning (i.e. CAO in Hanoi and HCMC) for an introduction of construction location.

When the location is defined, CAO can grant the planning certificate according to the investors request. The bases to grant the planning certificate are:

- 1) The Urban Development Master Plan and Detailed Plans approved by the competent state authority;
- 2) The standards and norms on the urban construction, the environmental hygiene and the safety regarding preventing and curing fire, granted or allowed by the state.

(2) Land Allocation and Construction Permit

After the planning of construction investment is approved, the owner of the investment has to follow all procedures to receive the land use right certificate and the construction permit at the competent state authority.

The grant of the construction permit should be based on the lawful papers on the land use right and work ownership, the minimum conditions of work hygiene, the requirements on the urban architectural planning, the aesthetic view of the work, the urban landscape, all convenient or inconvenient factors concretely defined in the standards and norms of urban planning and stipulations on urban construction.

2.4.4. Regulation on Management of Investment and Construction(1996)

The Regulation on Management of Investment and Construction was promulgated in conjunction with Decree No.42/CP of the Government dated July 16, 1996 on amending and supplementing the Decree No.177/CP.

The decree is to provide the sequence with which investment and construction must comply. It classifies investment projects into three categories: A, B and C and determines the responsibilities of state management of investment and construction among the MPI, MOC, MOF, the State Bank of Viet Nam, other ministries and People's Committee of provinces and cities under the central authority.

The decree specifies that the following certificates and permits from the state management are necessary before starting the investment and construction projects. Depending on the category of the project, the competent authority for approval differs.

- 1) Investment License (Article 7)
- 2) The Evaluation of Investment Project (Article 16)
- 3) Land Allocation(Article 23)

- 4) Evaluation and Approval of Detail Design and Total Estimated Cost (Article 27)
- 5) Construction License/Permit (Article 28)

(1) Investment License

Different authorities issue investment license depending on the type of the projects (**Table 2.8.**). Groups of investment project are described in **Table 2.9.**

Table 2.8. Authority to Decide Investment, Permit Investment and Grant Investment Licenses(Major Authorities Only)

	Project	Authority
Project with state-owned capital	Group A	Prime Minister
	Group B	Ministers and equivalent, Provincial People's Committee and equivalent (Hanoi & HCMC). Uniform consent by the MPI and concerned ministries are necessary.
	Group C	Ministers and equivalent, Provincial People's Committee and equivalent (Hanoi & HCMC).
	ODA with less than 1.5 mill. USD	MPI
Project without state-owned capital	Group A	MPI can grant the investment license after the approval for investment by the Prime Minister.
	Group B	Chairman of the Provincial People's Committee can permit and grant the license after the consultation with the concerned ministers.
	Group C	DPI can grant the license after the approval of the chairman of the provincial People's Committee.
	FDI	Refer to the Law on Foreign Investment in Viet Nam.

Source: Regulation on Management of Investment and Construction

Table 2.9. Classification of Investment Projects

Investment projects (excluding project with foreign direct investment capital) are classified into three groups: A, B and C under the following regulations:
<p>I. Project in group “A”:</p> <ol style="list-style-type: none"> 1. Projects in the field of security protection, national defence with national secret, important socio-economic significance (regardless the amount of investment capital). 2. Projects to produce toxic chemicals, explosives, exploitation and processing of rare and precious minerals: gold, silver, gem, rare earth (regardless of the amount of investment capital). 3. Domestic B.O.T. projects to build industrial zone infrastructure, urban infrastructure with foreign investment capital of 100 billion VND and over. 4. ODA projects with foreign investment capital of 1.5 million USD and over. 5. Non-productive projects in health care, culture, education, radio broadcasting, television broadcasting, civil construction, tourism, scientific research... with investment capital of 75 billion VND and over (excluding offices, office buildings of state organizations). 6. Other projects with large investment capital: <ol style="list-style-type: none"> a. Over 400 billion VND for projects in power industry, oil and gas, chemical, fertilizer, machine manufacturing, cement, metallurgy, mineral exploitation, seaport, airport, highway. b. Over 200 billion VND for projects in water resources, communication transport (different from Item “a”), water drainage and supply, urban infrastructure facilities, industrial zones, electric engineering, electronics, informatics, engineering, materials production, post and telecommunication.
<p>II. Projects in group “B”:</p> <ol style="list-style-type: none"> 1. Projects using ODA funds (not in group “C” projects) and B.O.T. projects with the investment capital under the amount specified in item I. 2. Projects with total investment capital above the amount specified in item III and under the amount specified in item I. 3. Projects in remaining industries not mentioned in item I and with total investment capital over the amount specified in item III.
<p>III. Projects in group “C”:</p> <ol style="list-style-type: none"> 1. Projects with total investment capital under the amount specified below: <ol style="list-style-type: none"> a. Less than 30 billion VND for projects in power, chemical, fertilizer, oil and gas, engineering, communication, water resources, urban water supply and drainage, construction materials, post and telecommunication. b. Less than 30 billion VND for projects in electric engineering, electronics, informatics, light industry, ceramics, glass, paper, leather, textile, garment, agro-forestry and marine product processing, pharmaceutical products, medicine. 2. Projects not belonging to items 1.a and 1.b with total investment capital under 7billion VND.

Source: Regulation on Management of Investment and Construction

(2) The Evaluation of Investment Project

The investor bears the responsibility to formulate pre-feasibility study and feasibility study, and submit them to the agency that can decide the investment (**Table 2.10.**). The agencies issuing investment license evaluate and approve the pre-feasibility study.

Table 2.10. Agencies Evaluating Feasibility Study

	Evaluation Agencies
Group A	MPI
Group B	Agencies to decide investment, with the agreement from the MPI
Group C	Agencies to decide investment

Source: Regulation on Management of Investment and Construction

(3) Land Allocation

The investor who require land must prepare the application for land allocation or land lease in line with the regulations by the laws.

The allocation and receipt of land is carried out at the site after the investor has made the payment of land use levy or land rental fee, land administration charge, and compensation under the regulations by the laws. (See **Appendix 1.** for the details of compensation.) The grant of the land use right certificate is done under the provisions of the Law on Land.

(4) Evaluation and Approval of Detail Design and Total Estimated Cost

All construction investment projects using any capital sources, belonging to any economic sector must have their designs evaluated by the professional office before construction starts. Competent agency is designated to each type of project (**Table 2.11.**).

Table 2.11. Agencies Evaluating Design and Total Estimated Cost

	Project	Evaluation Agencies
Project using the state capital	Group A	Head of the ministry in charge of the branch after the design is evaluated by the professional office Total estimated cost is evaluated by the MOC.
	Group B & C	Agencies to decide investment after the design is evaluated by the professional office. The unit price and the estimated costs are evaluated by construction management office.
Project not using the state capital		The investor has to employ the consultant with legal status to evaluate the detail design which is eligible to apply for the construction permit.

Source: Regulation on Management of Investment and Construction

(5) Construction License/Permit

All projects for new construction, rehabilitation, repair, change of function or usage in urban areas and on off-urban areas must apply for the construction permit except the following exemption cases.

- Projects in group A having the investment decision by the Prime Minister with the detail design approved by the competent authority. In such case, the investor must submit a set of design documents to the concerned provincial People's Committee for inspection, monitoring and filing before the construction starts.
- Minor repair not affecting the structures of neighboring houses and the façade of the street as regulated in Article 18 of the Decree No.91.

Table 2.12. shows the authorities competent to grant construction permit for each project category.

Table 2.12. Authority to Grant the Construction Permit

Project Category	Authority
Ordinary Projects	Chairman of the Provincial People's Committee at the request of CAO. The chairman can authorize the CAO to grant the construction permit.
Private Houses and Small Projects	Chairman of the district People's Committee under the professional direction of CAO. For such projects, the CAO sets out the plan of granting construction permits, classification and zoning of areas with projects.
Export Processing Zones	The management board in compliance with the professional guidance of the CAO.

Source: Regulation on Management of Investment and Construction

Developers/investors need a lot of documents to apply for the construction permit (**Table 2.13.**). One of the problems is that most housing owners do not have eligible land use right certificate or other land related documents. Hence, they simply cannot apply for construction permit. This is one of the reasons why illegal construction is so prevalent in Hanoi.

Table 2.13. Documents Required for the Application for Construction Permit

Types of Development	Documents Required
Residential	<ul style="list-style-type: none">- Application form for construction permit.- Land use right certificate or decision of land allocation or other eligible land use right document, together with site map (scale 1/200 - 1/500).- 3 sets of design document.
Non-residential	<ul style="list-style-type: none">- Application form for construction permit.- Land use right certificate or decision of land allocation or other eligible land use right document, together with site map (scale 1/200 - 1/500).- 3 sets of design document.- Letter of approval of development design by relevant the Government authority.- In case of projects which do not use the Government budget, evaluation report of the development design by qualified consultants is required.
FDI	<ul style="list-style-type: none">- Application form for construction permit.- Land use right certificate or decision of land allocation or other eligible land use right document, together with site map (scale 1/200 - 1/500).- 3 sets of design document.- Investment License.- Evaluation report of the development design by qualified consultants.

Source: IUTD

2.5.TYPES OF URBAN DEVELOPMENT

2.5.1. Three Types of Development Pattern

IUTD classified urban development projects in Viet Nam into three patterns: "development of infrastructure in the residential areas", "redevelopment of a developed area currently not suitable to master plan" and "development of a new urban area on undeveloped urban area(Table 2.14.)".

Table 2.14. Urban Development Patterns in Viet Nam

	Description	Investor and Finance	Implementation
1	<p>The development of social-technical infrastructure system in the residential areas, in which investor clears only necessary land in order to build such infrastructure facilities without the change of adjacent lands and structures on them. This method usually is used to develop technical infrastructure systems in inner residential areas, especially the transportation systems. Normally, compensation is very difficult and costly in the inner residential area, because that area has been developed with high population density for a long time.</p>	<p>Investor Investors of the projects are usually state-owned enterprises.</p> <p>Development Cost The cost includes: compensation cost and construction cost for infrastructure.</p> <p>Finance Usually state provides finance from its budget, because the project is of public benefit.</p>	<p>Pursuant to the master plan of the cities, general plan of area and annual construction and investment plan, People's Committee assigns investor to implement necessary works according to the relevant state's regulations on the investment and construction.</p>
2	<p>The redevelopment of a developed urban area currently not suitable to the master plan and needed to be rebuilt accordingly. This method is often used to rebuild undeveloped urban area with low population density in urbanizing suburbs. The investor has to clear the whole area and rebuild all infrastructure and architectural facilities based on new design and plan. Organizations and people affected will be compensated by house, land or money. Resettlement for those organizations and people could be on site or in other areas.</p>	<p>Investor State-owned companies of city or a Join –Venture of the state-owned companies and foreign investors. Private companies can also carry out these projects in the near future.</p> <p>Development Cost The cost includes compensation, development cost for infrastructure, facilities supporting compensation works, land use levy and architectural facilities.</p> <p>Finance Finance source includes: subsidies from the state budget of the city through land use levy, capital of investors and capital of people and organizations who will use infrastructure facilities in project area.</p>	<p>Based on the city's master plan and region plan, the investor carries out every necessary work according to the current regulations of investment and construction with the permission of the People's Committee and project location presentation by CAO. Basically, the procedure of this method is the same as above. However, after the construction, the investors only transfer infrastructure facilities to the authority and other facilities will be managed on business basis to recoup the capital invested.</p>

	Description	Investor and Finance	Implementation
3	<p>The development of a new urban area on undeveloped urban area. The investor has to clear the whole area (cultivated land or other land). This method is often used to rebuild undeveloped urban area with low population density. Resettlement is not necessary usually. Based on the approved master plan, the project will develop social and technical infrastructure facilities.</p>	<p>Investor Those projects are often business-oriented projects and the investors of projects will be state-owned companies of city or a Joint – Venture involving state-owned companies. In the near future, private companies can also carry out these projects.</p> <p>Development Cost Invested expenditure of the project will include; expenditure for building social and technical infrastructure facilities, expenditure for building facilities for compensation works and land use levy for projects for business facilities.</p> <p>Finance Finance source for project includes: assistance from city's state budget through land use levy, capital of investors and capital of people and organizations who will use infrastructure facilities in project area after completion.</p>	<p>The same as above</p>

Source: IUTD

2.5.2. Implementation Procedures

Figure 2.9. and 2.10. describe the implementation procedures for different project patterns.

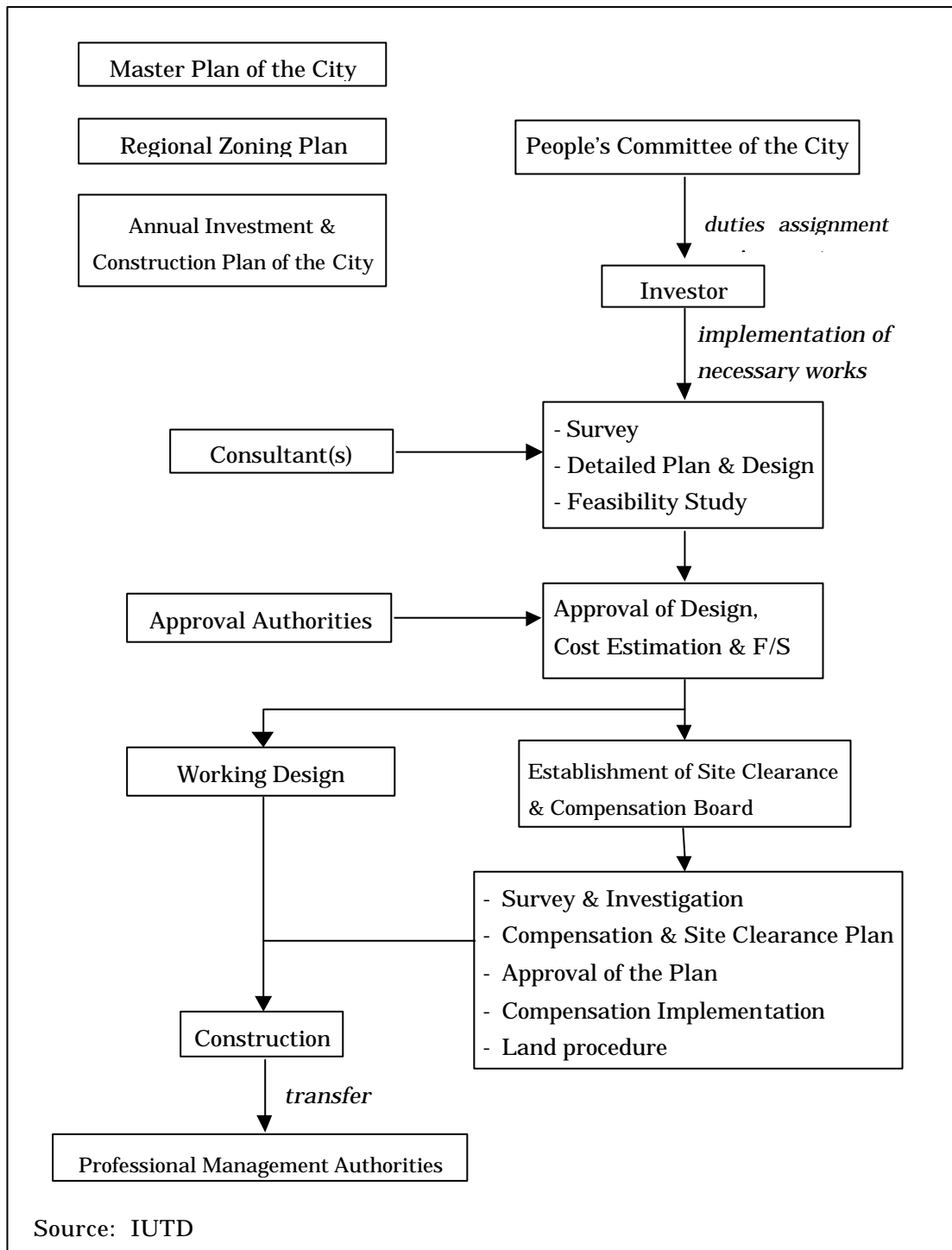


Figure 2.9. Implementation Procedure for the Pattern 1

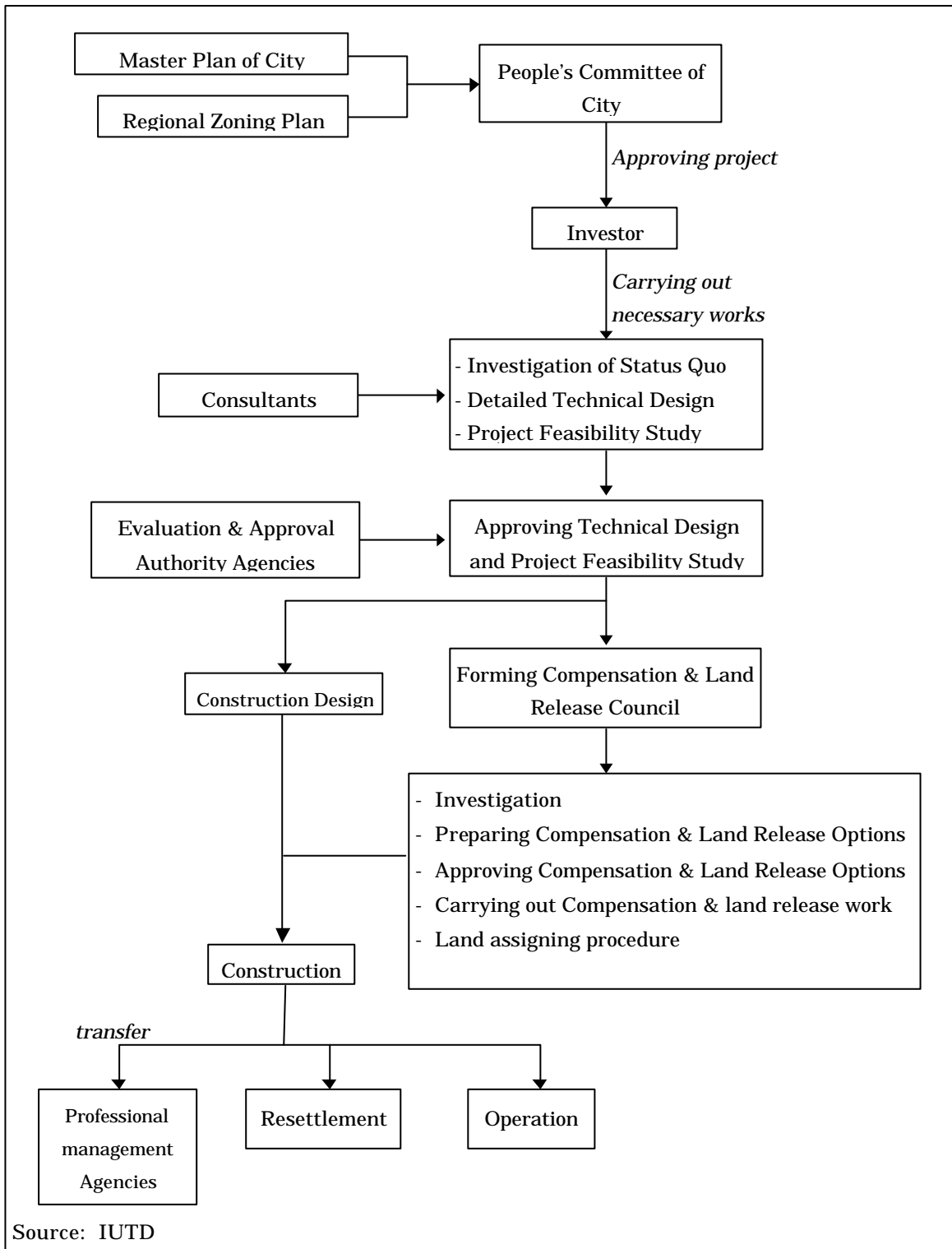


Figure 2.10. Implementation Procedure for the Patterns 2 & 3

2.5.3. Other Development Schemes

Several interesting development schemes are introduced often on pilot basis.

(1) Betterment

Hanoi is experimenting a new policy regarding the infrastructure projects. In case the city develops the road with 40m width, it used to clear and compensate a land corridor of just 40m width. Now the city will take and compensate a land corridor of 100m width for such road with 30m reserve along each side of the road.

Road development increases the value of the adjacent reserve land. Then the city sells the reserve land to the people and recoups its investment on the road.

Regarding the slum clearance project in HCMC, the developers are often allowed to reserve some land parcels for sale to the rich and middle-income people to recoup the investment for the clearance.

(2) Land Use Levy Exemptions

There is no land use levy imposed on high rise apartment blocks (5 stories or more). Besides, all lots within a development which are accessible for public use such as green belt, roads, retention ponds, etc. will also be free from land use levy.

(3) Payment of Land Use Levy in Kind

The Developer, instead of paying certain amount of land use levy, may propose to fund some infrastructure facilities or public works and then obtain the right to develop land in other areas free of land use levy.

This concept was introduced very successfully in Vung Tau and HCMC. The first project based on this concept is just under preparation in Gau Giay District of Hanoi.

2.6. RECOMMENDATIONS

Process for acquiring construction approval is very complicated and time consuming in Viet Nam. This process delays the implementation of urban development projects and causes illegal housing constructions without permission.

Therefore, it is recommended to introduce the Construction Approval System based on Mandatory Zoning. In such countries as Japan and the U.S., zoning has a mandatory power, and zoning map serves as a check-list to approve or refuse construction projects. Zoning map provides conditions for development of a certain parcel, such as land use purpose, floor-to-area ratio and setback.

In Viet Nam, while the Urban Development Master Plan is not mandatory, every project must be based on the Detailed Plan that must be approved by competent agencies. This system necessitates the establishment and approval of the Detailed Plan for every and all projects, which is not practical in Hanoi and HCMC where urban development projects must be implemented very quickly to cope with rapid population growth and urbanization.

CHAPTER III REAL ESTATE INSTITUTION

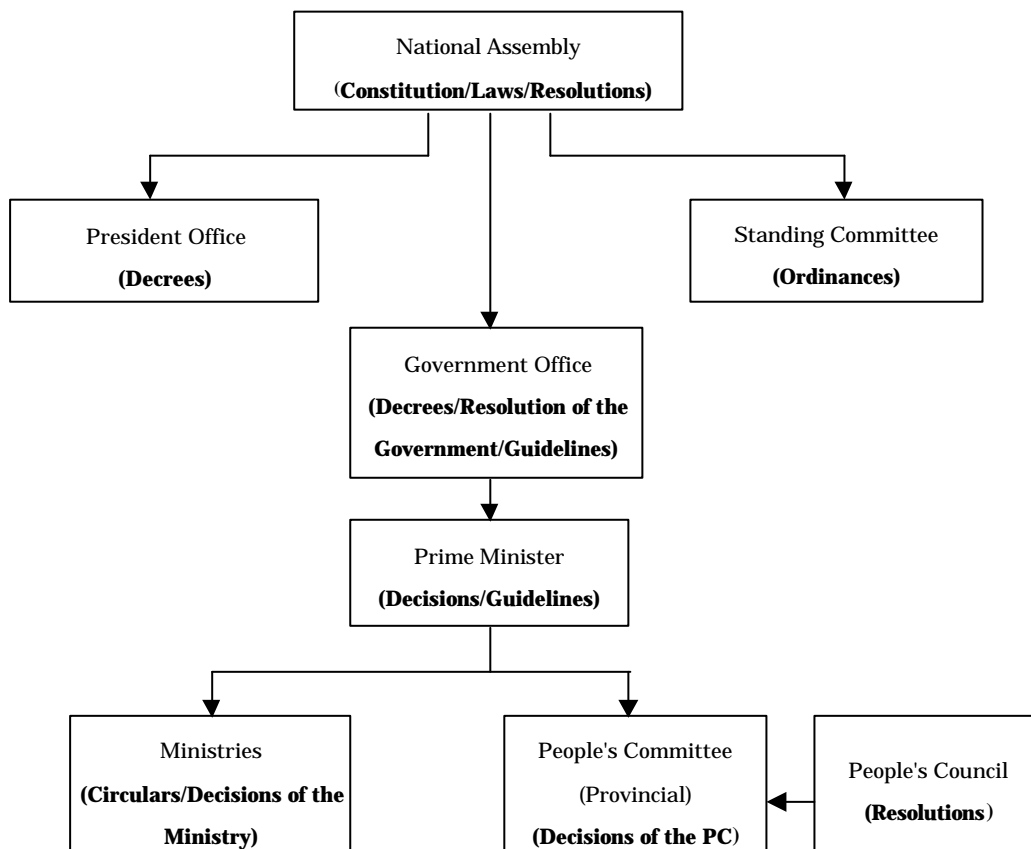
This chapter presents land-related legal framework, the issue of land use rights certificate, real estate taxation and real estate brokerage institution.

3.1.LAND-RELATED LEGAL FRAMEWORK

3.1.1. The Framework

(1) Legal Framework of Viet Nam

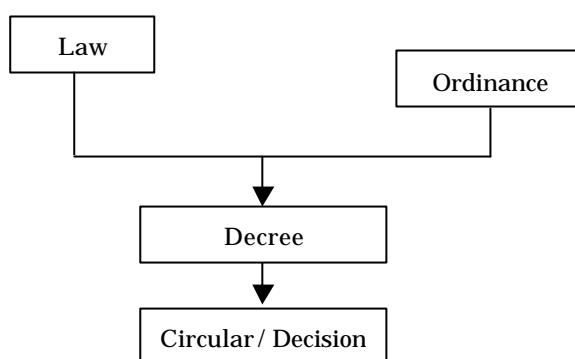
Figure 3.1. explains hierarchy of legal documents(in parenthesis) and the issuing organizations. National Assembly is the legislative organ enacting constitution and laws. Standing Committee and the President Office are the organs of the National Assembly. They also issue legal documents, as the sessions of the national assembly are held just several times a year.



Source: IUTD

Figure 3.1. Legal Documents and the Establishing/Issuing Organizations

Usually, a law is enacted, and decrees are issued to determine the details for the implementation of the law. Circulars and decisions are to determine further details of the decree. An ordinance is issued by the Standing Committee and not enacted by the National Assembly. It is issued in place of a law only when relevant law is not yet legislated by the National Assembly (**Figure 3.2.**).

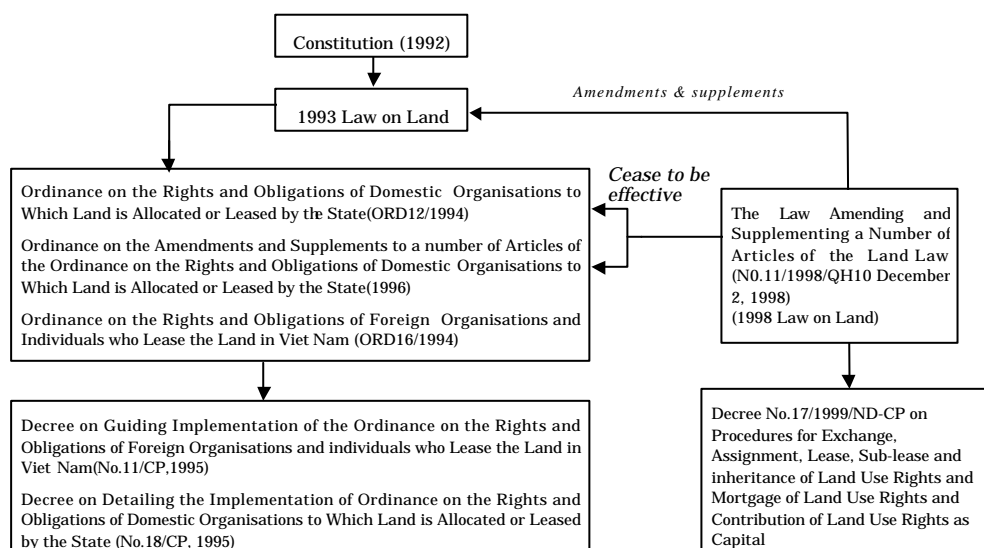


Source: IUTD

Figure 3.2. Hierarchy of Legal Documents

(2) Land-related Legal Framework

Basic legal framework regarding land is described in **Figure 3.3.** Effective Law on Land is the one established in 1993, the second law on land in Viet Nam. The other law often called "1998 Law on Land" is the law amending and supplementing a number of articles of the 1993 Law on Land.



Source: NRI

Figure 3.3. Basic Legal Framework Regarding Land

Former constitution of 1980 stipulated the state ownership of the land. The first Law on Land was established in 1987. The law did not allow the transfer of land use rights and had no provision on industrial land and on the land use of foreign organizations.

1992 Constitution

Current constitution was established in 1992, and regarding the land and housing, it has provisions (**Table 3.2.**) such as:

- 1) The land comes under ownership by the entire people (Article 17).
- 2) The state manages all the land in accordance with the plan and the law (Article 18).
- 3) The state shall entrust land to organizations and private individuals for stable and lasting use (Article 18).
- 4) Organizations and individuals may transfer the right to use the land (Article 18).
- 5) The citizen enjoys the right of housing ownership (Article 58).

1993 Law on Land

Law on Land established in 1993 based on the 1992 constitution has provisions (**Table 3.3.**) as follows:

- 1) Land is the property of people, and is subject to exclusive administration by the state (Article 1).
- 2) The State allocates land to households and individuals for long-term use for the purpose of building residential houses (Article 20).
- 3) In respect of regions which are planned for residential purposes, the People's Committee of provinces, cities directly under the central authority shall decide the allocation of land in accordance with the provisions of the Government (Article 57).
- 4) Any households or individuals, who are allocated land by the State, shall be entitled to exchange, transfer, lease, inherit or mortgage the land use right (Article 3).

Two ordinances (**Table 3.4.**) regarding domestic and foreign organizations were issued, as the 1993 Law on Land did not have enough provisions on them. Decree 18/CP and Decree 11/CP were issued to complement the respective ordinance. Furthermore in 1998, the "Law Amending and Supplementing a Number of Articles of the Land Law", frequently referred as 1998 Law on Land, was established. The law supersedes the ordinances on the domestic organizations. Initially a rather radical bill was introduced to the National Assembly, yet the outcome was considered to be a minor repair of the 1993 law.

1998 Law on Land

The law clarifies that there are two forms of land allocations: "land assignment without collecting land use levy" and "land assignment with land use levy". The qualifications for each form is summarized in **Table 3.1**.

Both housing construction by individuals and commercial housing development by organizations fall in the form of land assignment with land use levy. In the latter case, the F/S must be approved by the state agencies and land use must be based on the planning. By the word of the law, the sum of the levy is equal to the assigned land use rights value. Therefore, it could be virtually considered as the sale of land by the state to the users.

Decree No.17/1999/ND-CP on Procedures for Exchange, Assignment, Lease, Sub-lease and inheritance of Land Use Rights and Mortgage of Land Use Rights and Contribution of Land Use Rights as Capital

This decree was issued in March, 1999 and has a very comprehensive provisions regarding the land use. One significant provision is that all people must have land use rights certificate in order to exercise the land use rights. If this decree is strictly implemented, people cannot trade land without the certificate.

Table 3.1. Two Forms of Land Assignments

Forms	Qualifications
<p>The state shall assign land without collecting land use levy in the following cases where: (Article 5)</p>	<ol style="list-style-type: none"> 1. Households and individuals, that are directly engaged in agricultural, forestrial, aquacultural or salt production and earn their living mainly with revenues from such production activities, are certified by the People's Committees of communes, wards or townships and use the land for agricultural, forestrial, aquacultural or salt production within the land limits assigned by the State. Households using agricultural land in excess of the prescribed limits before the effective date of this Law shall be entitled to continue using the excess land acreage for a duration equal to a half of the land assignment duration and shall have to pay additional tax on such land area as prescribed by law; Upon the expiry of such duration, it shall have to rent such land. For land acreage used in excess of the prescribed limit after the effective date of this Law, the land user shall have to rent such land; 2. Organizations that use land for planting and protection of protective forests and special-use forests; 3. State agencies, political organizations, socio-political organizations and people's armed force units that use land to build their working offices or for national defense or security purposes; 4. State agencies, political organizations, socio-political organizations, people's armed force units that use land to build projects in non-business economic, cultural, social, scientific, technical or diplomatic fields and sectors. 5. Organizations that use land for such public-utility projects as roads, bridges, sewers, pavement, water supply and drainage systems, rivers, lakes, dikes, dams, schools, hospitals, markets, parks, flower gardens, entertainment centers for children, squares, stadiums, airports, sea/river ports and other public-utility projects as prescribed by the Government.
<p>The state shall assign land with the collection of land use levy in the following cases where: (Article 6)</p>	<ol style="list-style-type: none"> a) Households and/or individuals wish to use land for residential house construction; b) Economic organizations invest in the construction of residential houses for sale or lease; c) Economic organizations invest in the building of infrastructure projects, then transfer or lease the right to use land associated with such infrastructure projects; d) Land is assigned with the collection of land use levy in a number of cases in order to generate capital for infrastructure construction according to projects decided by the Government. <p>2. The assignment of land with the collection of land use levy stipulated in Point d, Clause I of this Article must ensure the following conditions:</p> <ol style="list-style-type: none"> a) The land users have feasibility projects which have already been approved by the competent State agency(ies); b) The land is used according to the planning; c) The land users have sufficient capital and technical conditions <p>The monev. Collected from the land assignment or from the construction of projects, which are equivalent to the assigned land use right value, must be fully accounted into the State budget as prescribed by law.</p>

Source: Viet Nam Law & Legal Forum, Dec. 1998 Vol.5 No.52. Translations are direct citation.

Table 3.2. Major Contents of the Constitution

Constitution(1992)	<p>(Land under the Ownership of the Entire People) ARTICLE 17: The land, forests, rivers and lakes, water supplies, wealth lying underground or coming from the sea, the continental shelf and the air, the funds and property invested by the State in enterprises and works in all branches and fields - the economy, culture, society, science, technology, external relations, national defense, security - and all other property determined by law as belonging to the State, come under ownership by the entire people.</p> <p>(State Management of Land and Entrusting of Land) ARTICLE 18: The State manages all the land in accordance with the plan and the law, and guarantees that its use shall conform to the set objectives and yield effective results. The State shall entrust land to organizations and private individuals for stable and lasting use. These organizations and individuals are responsible for the protection, enrichment, rational exploitation and economical use of the land ; they may transfer the right to use the land entrusted to them by the State, as determined by law.</p> <p>(Housing Ownership) ARTICLE 58: The citizen enjoys the right of ownership with regard to his lawful income, savings, housing, chattel, means of production, funds and other possessions in enterprises or other economic organizations; with regard to land entrusted by the State for use, the matter is regulated by the provisions of Articles 17 and 18. The Sate protects the citizen's right of lawful ownership and right of inheritance.</p>
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Source: <http://www.batin.com.vn/vninfo/constitution/> All translations are direct citation from the web page.

Table 3.3. Major Contents of 1993 Law on Land

<p>Law on Land (1993)</p>	<p>(Ownership) Land is the property of people, and is subject to exclusive administration by the State(Article 1).</p> <p>(Allocation of Land) The State allocates land to economic organizations, units of the people's armed forces, state offices, political and social organizations (hereinafter generally called organizations), family households, and individuals for a stable and long-term use(Article 1). The duration of land allocation for stable and long-term use for planting annual trees and for aquacultural growth is being twenty (20) years, and fifty (50) years for perennial trees. At the expire of the duration, if the land user wishes to continue using the land, and has been strictly observing all laws relating to land during his period of occupancy, in that case he is allocated the land to continue using (Article 20). The State allocates land to households and individuals for long-term use for the purpose of building residential houses, and shall only recover the land from them in case stated in Article 26 and Article 27 of this law(Article 20).</p> <p>(Lease of Land) The state also leases land to organizations, family households, and individuals(Article 1).</p> <p>(Taking of Land by State Body) Any state body which is authorized to determine the allocation of land is being also authorized to recover that land from its users. Where the land is recovered for other uses, the purpose must be in accordance with the scheming and planning approved by the competent state bodies. Prior to recovery of land, the land user is being notified of the reasons for which land us being recovered; the time; the plan for transfer; and the mode of compensation (Article 28).</p> <p>(Urban Land) When urban land is used, it must be built the infrastructure. The administration and use of urban land must be in accordance with the approved urban planning and land use scheming, and other provisions of the law (Article 56). The State shall form land use planning for building of dwelling houses in the urban, and give policies which create favorable conditions for the habitation of urban residents. In respect of regions which are planned for residential purposes, the People's Committee of provinces, cities directly under the central authority shall decide the allocation of land in accordance with the provisions of the Government(Article 57).</p> <p>(Rights of Land User) Any households or individuals, who are allocated land by the State, shall be entitled to exchange, transfer, lease, inherit or mortgage the land use right(Article 3).</p>
<p>Law on Land (1993)</p>	<p>(Category of Land) 1. Agricultural land; 2. Sylvicultural land; 3. Rural residential land; 4. Urban land; 5. Specialized land; 6. Unused land(Article 11).</p>

Source: Construction Publishing House, Hanoi, 1996 "Legal Documents on Investment Construction and Urban Management of Viet Nam" All translations are direct citation from the book.

Table 3.4. Contents of Two Ordinances

<p>Ordinance on the Rights and Obligations of the Domestic Organizations with State-Assigned or Leased Land (1994)</p>	<p>1- Domestic organizations to which land is allocated or leased by the state include(Article 1):</p> <ul style="list-style-type: none"> a) State agencies, socio-political organizations, units of the people's armed forces using land for office construction, for national defense, security purposes; b) State agencies, other agencies using land for construction of projects belonging to economic, cultural, social, scientific, technical, diplomatic fields and sectors; c) Enterprises companies using land for public purposes to construct transport roads, bridges, sluices, pavement, water supply and drainage system, rivers, lakes, dike, dams, schools, scientific research institutions, hospitals, markets, parks, gardens, recreation places for children, squares, stadium, airports, ports, and other public projects in accordance with stipulations of the Government. d) State-owned enterprises, enterprises belonging to socio-political organizations, enterprises of national defense and security sectors, joint stock companies, limited liability companies, collective economic organizations using land for agricultural production, forestry, aquatic cultivation and salt making. <p>2- Domestic organizations to which land is leased by the State include State-owned enterprises, enterprises of socio-political organizations, enterprises of the national defense and security sectors, joint stock companies limited liability companies, collective economic organizations using land for production and business purposes other than agriculture, forestry, aquatic cultivation and salt making.</p>
<p>Ordinance on the Rights and Obligations of Foreign Organizations and Individuals Who Lease Land in Viet Nam (1994)</p>	<p>(Eligibility for Lease) The foreign organization and individuals eligible to lease land from the Vietnamese Government under this Ordinance are(Article 1):</p> <ul style="list-style-type: none"> 1- Diplomatic representations, consulates, and other foreign missions with diplomatic function; 2- Representative offices of United Nations agencies in Viet Nam, inter-governmental offices and organizations, and representative offices of inter-governmental organizations; 3- Foreign organizations and individuals investing in Viet Nam in accordance with the Law on Foreign Investment in Viet Nam. <p>(The Rights of Foreign Organizations and Individuals Who Lease Land in Viet Nam) The foreign organizations who leases land from the Vietnamese Government as stipulated at Points 1 and 2 Article 1 of this Ordinance are entitled;</p> <ul style="list-style-type: none"> 1- To use land in accordance with the time and purpose for which the land has been leased;

	<p>2-To build projects on the land leased in conformity with the license granted by the authorized office of the Vietnamese State;</p> <p>3-To own the projects they build on the land leased within the time specified. Ownership of the projects after expiry of the land lease is stipulated in the lease contract;</p> <p>4-To have their legitimate right of and use protected by the Vietnamese State.</p> <p>5-To complain about and denounce any violations of their legitimate right to use land.</p> <p>Apart from the above-mentioned rights, they are also entitled to other rights provided for by the international treaties signed between the Vietnamese Government and the Government of the sending country or by a lease contract that conforms to Vietnamese Law(Article 6).</p> <p>The foreign organizations and individuals investing in Viet Nam in accordance with the Law on Foreign Investment in Viet Nam who lease land from the Vietnamese Government are entitled:</p> <p>1-To enjoy the results of their investment on the land;</p> <p>2-To use the value of the right to land use plus the property which they have invested in building on the land as collateral at the Bank of Viet Nam within the time of the land lease as stipulated by Vietnamese law;</p> <p>3-In case they are licensed to invest on building infrastructure facilities and to sub-lease them at export processing zones and industrial parks, they are entitled to sub-lease the land with such infrastructure facilities already built as stipulated by the Vietnamese Government;</p> <p>4-To benefit from the public utilities for land protection and improvements;</p> <p>5-They have their legitimate right of land use protected by the Vietnamese State;</p> <p>6-To complain about and denounce any violations of their legitimate right of land use;</p> <p>7-To be given priority in continuing to lease land after the expiry of the lease contract if they so request(Article 7).</p>
	<p>(Extension of Lease)</p> <p>Upon the expiry of the land lease, the lease-holder who wishes to continue using the land, must apply for the extension of the leases to the Vietnamese Government.</p> <p>The Government shall stipulate the procedure for extension of the land leases for the lease-holders on a case-by-case basis.</p> <p>When a foreign-invested business is permitted by Viet Nam's authorized level to extend its operation, the land leases shall be extended correspondingly.</p>

Source: http://home.vnn.vn/english/legal_docs/. All translations are direct citation from the web.

3.1.2. Rights of Land Users

The article 1 of the 1998 Law on Land entitles land users five rights regarding land use: "Exchange", "Transfer", "Lease", "Bequeath (inherit)" and/or "Mortgage" (Table 3.5.).

Table 3.5. Excerpt from the Article 1 of the 1998 Law on Land

<p>Article 3 (of the 1993 Law on Land) is amended and supplemented as follows:</p> <ol style="list-style-type: none">1. The State protects the legitimate rights and interests of the land users.2. Organizations, households and individuals that are assigned or leased land by the State or are transferred the land use right from others shall have the rights and obligations of land users as provided for by this Law and other provisions of law.3. Households and/or individuals that are assigned land by the State shall be entitled to exchange, transfer, lease, bequeath and/or mortgage the land use right.4. The rights and obligations of land users shall be effected only during the land assignment or lease term and for the right use purpose of which the land is assigned or leased according to this Law's provisions and other provisions of law.
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Article 3 of the Decree No.17/1999/ND-CP has such provision as "In order to exercise land use rights a land user must hold a land use rights certificate issued by the competent State authority. A land use rights certificate is issued by the former General Land Management Department or the GDLA." Therefore, a person needs the land use rights certificate to actually exercise his/her right. They cannot sell their land if they do not have the certificate.

3.1.3. Transaction of Housing and Residential Land Use Rights

The Vietnamese citizens can own housing structure but cannot own land underneath it, because land is the property of the people. Instead, they have the land use rights allocated/assigned by the state.

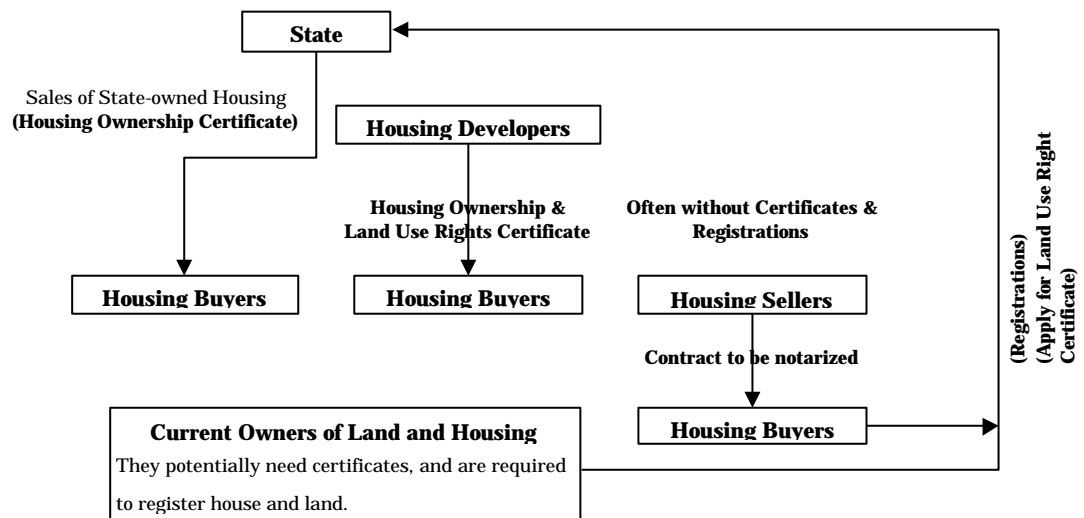
The situation of land ownership in urban area is very confused for;

- 1) Many urban land users do not have official housing ownership certificate and land use rights certificate yet.
- 2) There are still confusions and little public awareness regarding the required registration of housing and land.
- 3) There are some technical difficulties regarding the issue of land use rights certificate. Land parcels are not yet clearly determined, and proof of the stable use of certain parcel is often difficult.

- 4) Institutional procedure and capability regarding the issue of certificate and registration are not yet established.
- 5) Land users have incentive to refrain from registration to avoid taxation. They also feel little necessity to apply for the certificates.

Figure 3.4. explains why the application for the issue of certificate as well as the registrations become more important recently.

- 1) Housing buyers get housing ownership certificate when they buy ex-state-owned housing.
- 2) Housing buyers get land use rights certificate and housing ownership certificate. Developers often do all the procedures on behalf of the buyers.
- 3) Housing sellers often do not have certificates and have not registered house and land. The seller and buyer need the notarization of the contract. The buyer applies for the certificate and does the registration, when s/he would like the official certificate of the ownership.



Source: NRI

Figure 3.4. Emerging Needs for Registrations and the Application for the Certificates

3.1.4. Allocation and Lease of Land

Basic outline for the allocation/assignment of land is stipulated in the "1993 Law on Land" and "Decree No.60/CP of the Government, dated July 5, 1994, on Housing Ownership Right and Residential Land Use Right in Urban Areas".

(1) Certificates

There are two kinds of certificates; Land Use Rights Certificate and Land Use Rights and Housing Ownership Certificate (**Table 3.6.**). The former is often called Red Certificate and the latter Pink Certificate (The colors are the color of the face sheet of respective certificate).

Table 3.6. Land Use Rights Certificates

	Red Certificate	Pink Certificate
Coverage	Land Use Rights (Land only)	Land Use Rights and Housing Ownership (BOLUC: Building Ownership and Land Use Certificate)
Types of Land	Any lands except that for pink certificate	Land for housing in urban areas only
Issuer	GDLA	People's Committee with the guidance of the MOC
Enabling Law	1993 Law on Land	Decree No.60 of 1994

Source: Interview with GDLA

(2) Procedure

Initially, "Ordinance on Housing" provided the formal procedure of the housing transactions in 1991. Later, other regulations including "Decree No.60/CP on Housing Ownership Right and Residential Land Use Right in Urban Areas" were issued to supplement the ordinance.

1) Ordinance on Housing (1991)

Housing Registration, the Grant of Housing Ownership Certificate (Article 11)

1. All the houses must be registered and the housing ownership certificates shall be granted to the owners.
2. The housing ownership certificates of the district, of the provincial-capital city and of the provincial-capital town shall be granted by the People's Committees

of the provinces, cities directly under the central authority and the similar level administrative units.

The housing ownership certificates of the provincial non-capital town or townlet and district commune shall be granted by the People's Committees of the town or district, respectively.

Contract of the Housing Purchase or Sale (Article 31)

The housing purchase or sale at any ownership forms have to be carried out by the contract of the housing purchase or sale.

The contract of the housing purchase or sale is signed by the buyer and the seller.

The housing land is not the subject of contract of the housing purchase or sale. The person who is being transferred the housing ownership, entitles to the land use rights in accordance with the laws.

Procedure of Housing Purchase or Sale (Article 33)

The buying or selling contract must be certified by the state public-notary or the competent level People's Committee and be made through the procedures for transferring of the property registration at the authorized land-housing management agency.

2) Decree on Housing Ownership Right and Residential Land Use Right in Urban Areas(1994)

Qualifications for the Grant of the Housing Ownership and the Residential Land Use Right

Article 8 of the Ordinance stipulates that "the housing and residential land must be registered in the People's Committees of wards or townlets." And the article 9 specifically says that "the house owner shall be obliged to register the housing and residential land."

The article 10 clarifies a couple of cases regarding the grant of the certificate (**Table 3.7.**).

- If the house owner has lawful papers granted by the competent office, s/he shall be granted the certificate.
- If s/he does not have lawful papers and the housing is built on the land not being planned to be residential land, s/he shall not be granted the certificate.

- In other cases, such as having lawful papers of the old regime and having no lawful papers, the grant of the certificate is contingent on the compliance with the planning, permission of housing construction and absence of disputes, etc.

In all cases of dispute, the grant of certificate of the housing ownership right and the residential land use right shall be considered only after the dispute being completely judged in accordance with the laws.

The Lawful Documents

The lawful documents required for the grant of certificates vary depending on the cases (**Table 3.8.**). According to the JICA legal expert, based on the decision of Hanoi People's Committee, there are 14 kinds of lawful documents acceptable for the issue of Housing Ownership and Land Use Rights Certificate. The southern provinces have a different history with the influence of the U.S., and therefore different lawful documents are required. The procedures for the issuance of the Land Use Rights Certificate in Hanoi and HCMC are explained in "**3.2. ISSUES OF THE LAND USE RIGHTS CERTIFICATE.**"

Land users can get the certificate by applying for the Department of House-Land of the People's Committee, when they have some of the 14 documents and satisfy the following four conditions.

- 1) The land owner is actually existent;
- 2) The right holder is in occupation of the given land and housing property;
- 3) The land and housing property does not belong the state management;
- 4) There are no disputes.

On the other hand, if the document is missing or the four conditions above are not satisfied, the housing and land committee of the commune, district or province investigates and publicizes the result. When no dispute arises, the Department of House-Land makes a cadastral map and the owner is granted the certificate.

Table 3.7. Formalities in the Grant of the Certificate of the Housing Ownership Right and the Residential Land Use Right in Inner City, Inner Provincial Town and Townlet

Cases	Allocation	Possession of Lawful Paper	Qualifications	Charge on the certificate, etc.
1	House owner shall be granted the certificate on the housing ownership right and the residential land use right.	Having Lawful Paper granted by the competent office (Article 10-1)	N.A.	N.A.
2	House owners shall be considered for being granted the certificate on the housing ownership right and the residential land user right.	Having Lawful Paper granted by the old regime (Article 10-2)	House and land in question is not concerning disputes and not yet being allocated to other users as a result of implementing the policies of the newer regimes	N.A.
3		Having lawful papers	1. Built the house without permission 2. Existing housing and residential land suitable with planning 3. Without any disputes (Article 10-3-b)	
4		Not having lawful paper	1. Housing and residential land in accordance with the planning 2. Without any disputes (Article 10-3-a1)	
5	1. Built the house with permission 2. Land suitable with the residential land planning 3. Without any disputes (Article 10-3-c)			
6	House owner shall not be granted the certificate on the housing ownership right and the residential land use right	Not having lawful paper	Housing is built on the land not being planned to be residential land (Article 10-3-a2)	The house owner must comply with the states order moving the house and recovering the land.

Source: NRI based on "Legal Documents on Investment Construction and Urban Management in Viet Nam"

Table 3.8. Qualifications Required for the Grant of the Certificates

Cases	Qualifications
1	a) Land allocation decision and permission for building the house or the certificate on the housing ownership and the land use right granted by the competent state offices for the case stated in clause 1, Article 10 of this Decree (competent state offices include: the State of the Republic Democratic of Viet Nam, the Republic Provisional Revolutionary Government of the South of Viet Nam, or the State of the Socialist Republic of Viet Nam).
2	b) The ownership papers of house and land or other lawful papers stated in clause 2, Article 10 of this Decree(Paper granted by the competent agencies of the old regime).
3	c) The case stated in point b, clause 3, Article 10 of this Decree must have the construction permission granted by the competent office. If the applicant is not the lawful owner of the papers stated in this clause, that shall be required other lawful papers such as the house purchasing papers, papers concerned the inheritance, allocation, and gift, shall be required. The applicant shall be granted the certificate after fulfilling all obligations of the house owner and paying the registration fee in , accordance with the laws.
4	d) The case stated in point a1, clause 3, Article 10 of this Decree, must be certified by the People's Committee of the concerned ward or townlet that the applicant is the person creating the house and must have the certificate of the competent planning management office.

*The case refers to the cases in the table above.

Source: NRI based on "Legal Documents on Investment Construction and Urban Management in Viet Nam"

3.1.5. Actual Transactions

According to the "Urban Sector Strategy Report"(ADB/UDNP, November 1995), "The current situation regarding land and real estate in Viet Nam's urban area is chaotic, with estimates that as much as 80 percent of all transactions and small-scale building is taking place outside of the formal Government structure. There is much anecdotal information that suggests that most land transfers are occurring without Government sanction, recordation or payment of the transfer tax. Land use rights certificates cannot be issued because sufficient cadastral mapping and surveys do not exist to identify the boundaries of most land parcels."

(1) The Grant of Certificates

It is estimated that for the whole of Viet Nam there are 70-100 mill. parcels of land. GDLA also estimates that there are 15.5 mill. households. Of these, 12 mill. are in rural areas and 3.5 mill. are in urban areas.

There has been more land titling activity in rural areas, where 65% of households and 60% of land has been registered. In urban areas, only 1% of parcels have received a BOLUC (Building Ownership & Land Use Rights Certificate) certificate. Despite this land registration activity, there is no single land registration authority for land transactions and only 30% of land transactions are registered.

The final report for the "Viet Nam Modernisation of Cadastral Mapping and Land Recording Project TF 32776 AusAID" comments that "little progress has been made in primary registration¹ in urban areas, achieving only a 1% output after 3 years of activity. If only 62,000 BOLUCs have issued as at July 1998, then approximately 3.4 million urban households still require BOLUC certificates."

One of the causes of delay in the issue of BOLUCs is the many checks that must be carried out before a BOLUC can be issued.

All owners of land and housing property in HCMC must declare to the People's Committee by the provision of the Decision 3376/1999. The declaration started in the District 1 and already about 400 houses were found not registered. The registration activity of the city authority is concentrated in the urban area. The city hopes to complete the registration procedure in two years but is not certain about the prospect.

The pilot issuance of the Land Use Rights Certificates has begun in Kim Liem area of Dong Da District, Hanoi. Most households applied for the certificate, but the authority could handle only the applications with legal documents so far.

1993 Law on Land is the first document that established the procedure for the issuance of Land Use Rights Certificate. The procedure was not in place before then. Until the establishment of the law, only houses were registered and not lands. So far, the registrations were never updated.

(2) Registration of Transactions

Vietnamese often use expressions like "housing is not different from commodity goods" or "there are several ways to buy housing in Viet Nam." This implies a lot of land and housing transactions are not officially registered.

First, people often buy housing without any registrations to avoid fees and taxes (**Table 3.9**). Problem arises when the seller keeps occupying the housing even after the buyer's payment. The laws and regulations require the seller to pay tax on transfer of LUR. If the buyer wants the notarization and the registration of the house, s/he must pay registration fee (one of land use levies). In case the seller failed to pay the registration fee when s/he purchased housing, the seller has to pay the registration fee and the transfer tax at the same time when s/he sells housing.

¹ Primary Registration is the investigation of the validity of the land use right of the land user and official recognition of the right by the issue of a certificate. Secondary Registration is the registration of land transactions.

Second, the seller and buyer often go to the district authority for the nortarization of the housing transfer. (Some people say they went to the civil police while others say they went to the public notary office. The World Bank study experts explains that the district authority often does the notary work, as the number of public notary offices is limited).

One of Hanoian housing buyers interviewed said the seller needed to pay the transfer tax before the transaction was notarized. Recently surveyors from the local government came to her district for the cadastral mapping. They measured each land parcel, and asked every resident to sign the document confirming the boundary of his/her parcel, the name of the residents and the neighbours, etc. She was given the application form for the Land Use Rights Certificate, yet has not applied.

It seems many Vietnamese do not know the official procedural requirement for housing transaction. In addition, the official procedure itself is not yet clearly defined.

Table 3.9. Different Forms of Land Transactions

Transaction Form	Contents
No change of ownership and no notary	There are no documents proving the ownership nor the transactions. Seller wants to avoid Tax on Transfer of Land Use Rights, while the buyer wants to avoid the registration fee.
Notarization of the transaction only	Ordinance on Housing(1991) requires the notarization. The notary office requires the payment of the transfer tax before the notarization. By notarization, it is proved that some public office certifies the fact of the transaction. However, this does not mean the buyer is entitled the ownership, because the notary just acknowledges the fact of the transaction and there might be someone else claiming the ownership of the same land.
Complete transaction	In urban areas of large cities, many sellers do not have the certificate yet. Therefore, often the buyer must apply for the certificate after s/he buys the land use rights of a specific parcel.

Source: NRI based on Interviews with Housing Buyers

Regarding the fees for the registration, the Swedish report comments:

"According to the special law on this matter, the tax rate for transfers of residential land (in rural or urban areas) is as high as 20 per cent of the official land price. It goes without saying that a tax rate at that level is a strong disincentive for transfer transactions, and that it encourages people to do business outside of the legal system." (Viet Nam - Sweden Co-operation Programme on Land Administration

Reform, Land Legislation Project, VIE 98/1-2, "Revision of the Land Law and other issues", March April 1998, page 13)

According to the World Bank, Part B- Implementation of Land Policies(TF 29167) The fees may be summarized as **Table 3.10**.

Table 3.10. Taxation of Applications for Land Use Certificate

Type of occupation	Taxes, fees and charges
Category 1 - land user has a pre-1945 French title or similar old document	50,000 VND - cadastral fee 20,000 VND - registration fee
Category 2 - The land user has used the land as a permanent dwelling since 18/12/1980 (date of Constitution) without dispute but has no legal title	70,000 VND - as above 2% - stamp duty
Category 3 - Occupied between 18/12/1980 and 15/10/1993 (commencement of Land Law) but no documentary title	70,000 VND - as above 2% - stamp duty 20% - value of the land
Category 4 - Occupied and used as a permanent dwelling after 15/10/1993, complies with planning but no documentary title	70,000 VND - as above 100% - value, as a penalty for occupying and changing the use of State land

Source: World Bank, Part B- Implementation of Land Policies(TF 29167)

(3) Ho Khau Registrations

Apart from the property registration, there is a residence registration system called Ho Khau, often translated as permanent residence. A book containing the information of household members and the household's residence is issued to each household. In Hanoi and HCMC, Ho Khau is registered at district level, and people are supposed to live in the district of the Ho Khau registration. Therefore, even without the registration of Housing Ownership and Land Use Rights Certificates, the authority knows who is living where.

The laws and regulations provide that Land Use Rights could be allocated to either individual or household. However JICA expert observes that land is often allocated to each household based on Ho Khau especially in rural areas.

The Status of Ho Khau Registrations

In case of HCMC, since 1989 policies of economic reform and job creation have made it possible for many people to relocate to the city. Only 20% of these have registered for long-term/permanent residence (ho khau thuong tru), while number of spontaneous migrants who only register on a temporary or part-year basis is on the rise. More than 80% of those who have resettled in the city are not legal residents (i.e.,

they have no registration certificate), but they have a job and a place to live and have registered as long-term visitors (tam tru dai han)².

Especially in case of HCMC, many people, who came during war time, live along the canal area without any registration including Ho Khau. They have no registration at all inside or outside HCMC.

HCMC People's Committee does not try to evict the residents without Ho Khau who often live in the housing constructed without permission along the canal. They instead educate them to move to the newly developed residential areas. These people often get compensated for relocation.

Ho Khau Registration and Real Estate Transactions

With the abolition of the subsidy system in the mid-1980's, permanent residence permit (Ho Khau) become a much less important requirement for a day to day living in the city. Theoretically a permanent residence permits is not required for access to basic services such as health and education. Those migrants without permanent residence could not obtain certificates of land use rights. However, many housing transactions are undertaken on an informal basis and therefore they can obtain access to non-rented housing³

According to the Decrees 60/CP and 61/CP, people without long-term residence permit are still permitted to buy houses in HCMC, and there are plans to convert overcrowded areas of the city into high-rise building.

² Mr. Tran Anh Tuan, Department of Labor, War Invalids and Social Affairs, Ho Chi Minh City "Spontaneous Migration and Resettlement in Ho Chi Minh City: Problems and Solutions"

³ "The Dynamics of Internal Migration in Viet Nam" UNDP Discussion Paper 1, December, 1998

3.2.ISSUE OF THE LAND USE RIGHTS CERTIFICATE

The procedure for the issue of Land Use Rights Certificate is different in Hanoi and HCMC. Each city requires different documents and handling for the issue⁴.

3.2.1. Hanoi

(1) Conditions for Issuance of the Certificate

The following cases are accepted and the certificate is issued immediately

- 1) People are using house and land with legal and reasonable documents (applied in accordance with the provisions of Document No.647-CV/DC dated May 31, 1995 by the GDLA) : (they need only one kind of documents as mentioned below)
 - a. Land documents issued by the Republic of Viet Nam and the Socialist Republic of Viet Nam include:
 - Land Ownership and Land Use Rights Certificate issued by the Chairman of the city administrative committee during the land reform period.
 - Decisions of land allocation by the city's People's Committee (in accordance with Resolution No.125/CP dated June 28, 1971, Decree No. 47/CP dated March 15, 1972, Decision No. 201/CP dated July 1, 1980 and Law on Land 1993, 1998) or decisions of land allocation of the People's Committee of districts or city real estate and construction agencies authorized by the city People's Committee before the 1993 Law on Land.
 - Provisional or official Land Use Right Certificate issued by the city People's Committee or the district People's Committee authorized by the city People's Committee.
 - Record of the use of land, registered in the land management book in accordance with the state's regulations.
 - Housing ownership papers in accordance with the provisions of Circular No. 47-BXD/XDCBDT dated August 5, 1989 and Circular No. 02-BXD/DT dated April 29, 1992 by MOC.
 - Land allocation document issued by agriculture cooperative to their member families before June 28, 1971.
 - Land sale and purchase papers executed before Decision No. 201/CP dated July 1, 1980 and confirmed by the ward authority about the legal origin of the land.

⁴ The information here is not most updated. For example, DLA is merged with DHL in both cities and the provisions of 1998 Law on Land is not fully reflected.

- Inheritance and gift papers of housing and land, without disputes and confirmed by the ward authority on the legal origin of the land.
 - Effective judgement of the court on housing dispute settlement
- b Housing and land use owners have following documents on land issued by the former state (before the republic of Viet Nam 1945) include:
- Land and field certificate.
 - Extract map and other papers certified by land management agencies in the former state.
 - Land sale and purchase papers with legal origin confirmed by the authority competent at that time.
 - Application for land rent for the State confirmed by the authority competent at that time.
 - Certificate of land administration department issued by the former state.

Housing owners or land users, having above legal documents, have to pay certificate fees and land taxes when they get Housing Ownership and Land Use Rights Certificate.

- 2) Regarding the families and individuals granted land by their chief officer in order to build house before July 6, 1994 with area not exceeding the standard of the city, if users paid all fees in accordance with the provisions at the time of granting land, that land is considered to have reasonable documents. When they are granted Housing Ownership and Land Use Rights Certificate, they have to pay the registration fee (except for the cases when the land use levy was paid), fee for issuing certificate and land taxes. If granted land area exceeds the standard of the city, the matter must be considered and treated in a different manner.
- 3) In case the house is bought from housing investors who are assigned land by the city People's Committee for developing and selling house, the buyers have to pay only fee for the issuance of Housing Ownership and Land Use Rights Certificate and Land and House Tax.
- 4) Houses legally accepted are the houses which have construction license or are built before October 30, 1987 (at the time of the establishment of ward in case where communes were transformed to wards), without disputes and with the conformity with the urban plan and certified by Ward People's Committee.

If the house owners have enough documents above but the owner's name in documents is different, he or she must have other documents such as; house

purchase contract, related documents of heritage and gift receipt. If the land has legal origin, when applying for Housing Ownership and Land Use Rights certificate, the owner has to pay registration fee, tax on transfer of land use rights(in case of buying house after July 1, 1994), fee for the issuance of Housing Ownership and Land Rights Certificate and Land and House Tax.

In the following cases, the issue of the certificate is considered;

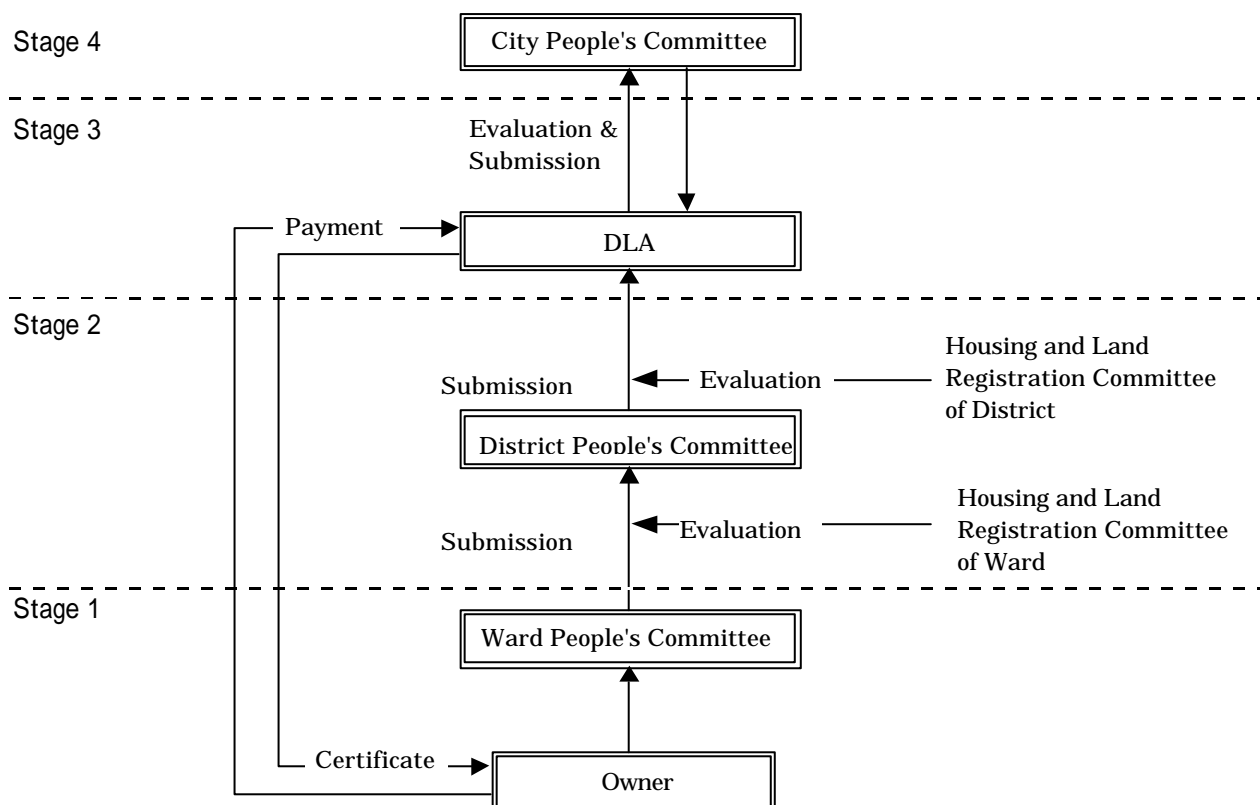
- 1) Houses built without construction license or with incorrect license after October 30, 1987. If land-related documents are legal, certificate can be issued after the payment of penalty.
- 2) Houses built with construction license on illegal land but in accordance with urban plan and with no disputes and used stably will be issued Land Use Rights Certificate, but depending on the duration of the use the house owner has to pay the followings :
 - A. Stable use starting before December 18, 1980, the owner has to pay registration fee, fee for the issuance of Housing Ownership and Land Use Rights Certificate and House and Land Tax.
 - B. Stable use starting from December 18, 1980 till October 15, 1993, the owner has to pay registration fee, fee for the issuance of Housing Ownership and Land Use Rights Certificate, 20% of land price and House and Land Tax.
 - C. Stable use after October 15, 1993, the owner has to pay registration fee, fee for the issuance of Housing Ownership and Land Use Rights Certificate, 100% of land price and House and Land Tax.

(2) Procedure

The procedure for the issuance of Land Use Rights Certificate in Hanoi is described in **Figure 3.5**.

Documentation file submitted by the owner for Housing Ownership and Land Use Rights Certificate include;

- 1) Completed form of house and land (statistical data of house and land).
- 2) Application form.
- 3) Land extract map signed by the owner and neighbor households and confirmed by Ward People's Committee.
- 4) Copy of legal papers related to land and house.
- 5) Copy of other papers related to the fulfillment of financial responsibilities(if any).



Source: IUTD

Figure 3.5. Procedure for the Issue of Land Use Rights Certificate in Hanoi

In case, the file is not completed as required above, the file will be submitted to Ward People's Committee and the procedure is as described in the chart above.

The procedure can be divided into four stages.

Stage I : Ward level

The Housing and Land Registration Committee under the ward will evaluate the file. Based on the Committee's conclusion, the chairman of the Ward People's Committee will submit it to request the District People's Committee's approval. The file to be submitted includes:

- 1) Official letter of the chairman
- 2) List of cases not meeting adequate conditions for the approval and the suggestion from the ward.
- 3) Approval resolution of the Registration Committee and ideas of multi-dept. group of experts from Department of Land Administration (DLA), Department of House-Land, Taxation Authority, Chief Architect Office (CAO) and Land Management Division under the district.

Stage 2 : District level

Within 30 days, the Registration Committee under the district will evaluate the file submitted by the ward. After that evaluation, the chairman of the District People's Committee will submit the file to the DLA for evaluation before submitting to City People's Committee for the approval.

The file will consist of:

- 1) Evaluation minute of Registration Committee
- 2) Official document from the chairman
- 3) The file submitted by the ward.

Stage 3 : DLA

Within 30 days, DLA will evaluate the file and submit it to Hanoi People's Committee for the issuance of the certificate.

Stage 4 : City level

Based on the approval by Hanoi People's Committee, Hanoi Tax Authority, in coordination with State Treasury and DLA, collects registration fee and other payments as provided in the regulations. Then, the certificate will be handed to the applicant.

In case, the file is completed as required in the Article 4 of the Decision, the file will be submitted directly by the applicant to the DLA.

3.2.2. HCMC

(1) Lawful Documents

Acceptable documents for the issuance of Housing Ownership and Land Use Rights Certificate include:

- 1) Documents issued or certified before April 30, 1975
 - Land written promise certifying the house area on the land.
 - Building certificate or architecture certificate issued by the old regime government, i.e. chairman of Saigon city or other provinces (now belonging to HCMC.)
 - Purchase and sale documents or the documents on house transfer certified by the old regime government.
 - Inheritance document and house sharing document registered on land certificate and liquidated.

2) Documents issued or certified from April, 1975 to July 5, 1994

- Decision or permit issued by People's Committee of the City, Civil Construction Committee of the city, Department of Construction, DHL, and People's Committee of districts to allow the ownership of House and Land Use Rights.
- Documents of "house authorization " and "house ownership authorization " issued by the Department of Housing or People's Committee of district including the allowance of ownership of authorized people and the registered transfer of ownership.

3) Documents issued and certified since July 5, 1994.

- Housing Ownership and Land Use Rights Certificate issued by the City People's Committee.
- Decision or certificate issued by the District People's Committee allowing Housing Ownership and Land Use Rights with respect to the families in the districts outside town and urban planning areas.
- Construction permit and former Housing Ownership Document (use of farming land area), or regular land use document in accordance with the Guideline No. 647-CV/DC dated May 31, 1995 by General Department of Land Administration (use of vacant land area).

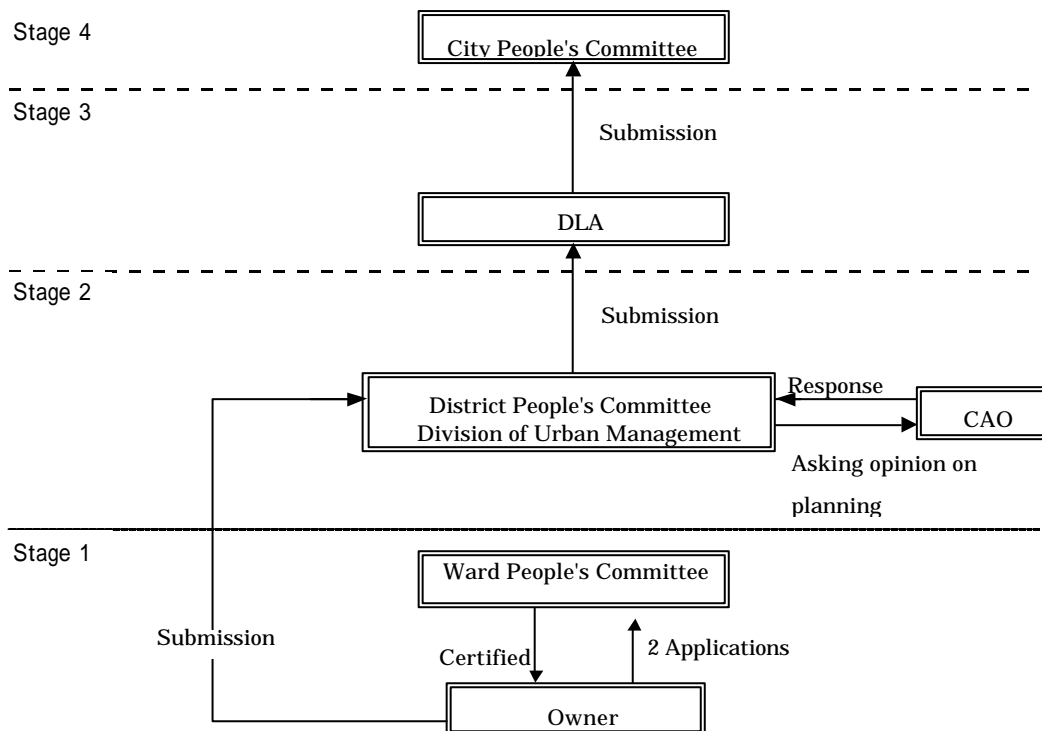
4) Documents made, issued and certified before and after April 30, 1975

- Testament or legacy sharing paper of housing made at state notary office, or in authorized administrative bodies.
- Effective judgement or decision of the court.
- Housing transfer contract made in the state notary office or the district People's Committee with registration fee paid and registered in the DHL or the district urban management office.

-

(2) Procedure

The procedure is described in **Figure 3.6**.



Source: IUTD

Figure 3.6. Procedure for the Issue of Land use rights Certificate in HCMC

Stage 1 :

The House and Land owner submits two applications and related documents (if any) to the Ward People's Committee. Within three days, Ward People's Committee will certify that the applicant is the builder or developer of the house and land. If the ward is not sure, it can certify the record of land use by the applicant and the absence of the disputes. Then, the ward returns the application to the applicant.

Stage 2 :

The applicant submits the application file to urban management division (the Division) under the District People's Committee. The file includes:

- 1) two applications
- 2) one original and one copy of land and housing related documents (if any)
- 3) two existing maps and location maps prepared by licensed person or organizations.
- 4) Extract map prepared by a division under DLA
 - After the submission, the Division will do research to ascertain if the house is owned or managed by the State. If it is, the Division refuses the application.
 - If the application is not refused as above, the Division will notice in Saigon Giai Phong three times and post up the notice in the ward office for 30 days.

If there are any disputes arisen, the Division will postpone the process until the disputes is resolved by the Court.

- At the same time of notice, the Division evaluates the location and existing land use map and compares with land use plan of the city, and specifies parts of house and land which are not in conformity with the plan. In case of violation of conformity, the application will not be accepted .
- In the area where land use is not established yet, the Division will send copy of maps to the CAO for opinion on planning. If there are no response in 20 days, it is considered that there are no controversy with the urban plan.
- The Division, after finishing all works above, can submit the application to the District People's Committee for certification in the maximum of 35 days from the submission, then, the file is sent to the DLA.

Stage 3:

DLA will adjust land map in accordance with the plan and coordinate with Tax Authority to calculate tax and other payments that the applicant has to pay in accordance with regulations. All these works will be completed in 12 days.

Stage 4 :

DLA. prepares Housing Ownership and Land Use Rights Certificate and submits it to HCMC People's Committee for the decision and signature.

3.3.REAL ESTATE TAXATION

3.3.1. Real Estate Taxes

According to the Tax Authority of the MOF, Vietnamese taxes, fees and charges on real estate could be summarized as **Table 3.11**. When a land user leases the land, s/he does not pay taxes. Land use levy is different from land lease fee and House and Land Tax.

Table 3.11. Real Estate Taxes in Viet Nam

Tax	Base of the Tax and Charge	Payers & Contents
Tax on Agricultural Land (Law on Agricultural Land Use Tax)	Ownership of Agricultural Land	Land owner pays the tax. Tax on the ownership of farming land
House and Land Tax(Temporarily no tax is imposed on houses) (Ordinance on House and Land Tax)	Ownership of Residential Land	Land owner pays the tax. Tax on the ownership of residential land
Tax on Transfer of Land Use Rights (Law on Tax on Transfer of Land use rights)	Transfer of Land	Seller of the land pays the tax(one time). Tax on the seller in the event of the transfer of land use rights
Land Use Levy (Decree No.89/CP date 17 August, 1994 of the Government on Collecting the Land Using Money and Cadastral Fee)	Entrustment of Land by the State	Land users have to pay land use levy when the state entrusts/allocates/assigns land.
	Change of the Land Use Purpose	Land user who is entrusted the land by the state for the purpose of agricultural, forestry production, breeding/planting sea products, producing slat, shall pay land use levy when using the land for other purpose than the one allowed by the state.
Land Administration Fee (Decree No.89/CP)	Fees for the jobs of land administration by the state agency	Issuing the certificate of land use rights
		Certifying the changes concerning the land, including the certification of the changes in the land use rights, the change in the forms and areas of the land and the change in the purpose of land use.
		Excepting the land administration dossier, including the maps or the necessary documents in the land administration dossier, at the request of the land user.
Land Registration Fee (Decree N0.193/CP dated 29 December, 1994 of the Government Concerning the Registration Fee)	Registration of Land	The registration fee is charged on houses, land, ships and boats of various kinds, motorcars of all types, motorcycles of all types, hunting and sport guns.

Source: NRI based on the interview with Tax Authority, MOF

3.3.2 Calculation

According to the Article 12 of the 1993 Law on Land, "The state shall determine prices applicable to each land category for the purpose of tax calculation levied on the transfer of land use rights, of payment on land allocation and land use, of valuation of property when allocating land, and compensation for losses on land when recovering land. The Government shall stipulate a price frame for each land category, for each different area, and for each period of time."

For the purpose of the taxation, compensation, etc., there are prices of each land determined by the People's Committee based on the frame provided by MOF and the prices must be used for the computation.

(1) Tax Bases, Rates and Reductions

Tax Bases are the area of the land parcel and the price of land. Tax rates are determined precisely case by case in the laws and regulations. Also the laws and regulations specify the cases of tax exemption and reductions.

(2) The Determination of the Price of Land

MOF determines the price table of land providing minimum and maximum prices of land for respective 1)land use category, 2)location, and 3)types of street(in case of urban area). Provincial People's Committee can determine the final price applying scalable k-factor which must reflect the potential profitability of the land(**Table 3.12.**).

There are tables for 1)Agricultural land and forestry land(2 tables), 2)Rural residential area, 3)Residential areas adjacent to the cities, towns, townlets, traffic junctions and major land routes, commercial centres, tourist sites and industrial zones, and 4)Urban area.

K factor is a coefficient to the price of the land. "Decision No 302/TTg Dated 13, May, 1996 of the Prime Minister on Adjustment of Table Prices (k) of Table Prices for Land Promulgating in Connection with Decree No 87/CP Dated 17, August 1994" allows the k factor between 0.5 to 1.8. That means the price could be from a half to 1.8 times of the price in the table.

Table 3.12. Prices for Land of Urban Area(promulgating in connection with Decree No.87/CP dated 17 August, 1994 of Government)

(1000 VND/m²)

Urban Category	Type of Street	Standard Price on the Basis of Land Location							
		Location 1		Location 2		Location 3		Location 4	
		Min Prices	Max Prices	Min Prices	Max Prices	Min Prices	Max Prices	Min Prices	Max Prices
I	1	4600	11500	2760	6900	1380	3450	460	1150
	2	2700	6750	1620	4050	810	2025	270	675
	3	1800	4500	1080	2700	540	1350	180	450
	4	900	2250	540	1350	270	675	90	225
II	1	2600	6500	1560	3900	780	1950	260	650
	2	1950	4875	1170	2925	580	1450	190	475
	3	1800	4500	780	1950	390	975	130	325
	4	710	1775	420	1050	210	525	70	175
III	1	1600	4000	960	2400	400	1000	130	325
	2	1200	3000	720	1800	300	750	100	250
	3	800	2000	480	1200	200	500	70	175
	4	400	1000	240	600	100	250	30	75
IV	1	800	2000	480	1200	200	500	70	175
	2	600	1500	360	900	150	375	50	125
	3	400	1000	240	600	100	250	30	75
	4	200	500	120	300	50	125	16	40
V	1	600	1500	330	825	150	375	50	125
	2	400	1000	220	550	100	250	30	75
	3	200	500	110	275	50	125	16	40

Source: Decree No.87/CP dated 17 August, 1994 of Government

(3) Land Use Levy and Fees

Land Use Levy

The land use levy to be paid to the state budget shall be determined as follows, according to the "Circular No.2-TC/TCT Dated 4 January, 1995 of the Ministry of Finance Guiding the Implementation of Decree No.89/CP."

$$\text{Land use levy to be paid to the State budget} = \text{Land Area Allocated (or Allowed to change the purpose of its use)}(\text{m}^2) \times \text{Price per one square meter} - \text{Exemption or reduction of land use levy}$$

Land Administration Fee

Land administration fee is determined in the "Circular No.2-TC/TCT Dated 4 January, 1995 (Table 3.13.)."

**Table 3.13. The Rate of Fee Collected for Each Kind of Work in
Land Administration**

N o	Land Administration Jobs	Unit	Fee (in VND)
1	Issuing certificate of land use rights: a) To households, individuals: +In mountainous and highland areas +In midland and plain communes +In urban areas B)To organizations	VND/ Certificate	5,000 10,000 20,000 100,000
2	Certifying changes about land: a) For households and individuals + In mountainous and highland areas +In midland and plain communes and urban areas b) For organizations	VND/ Time	5,000 10,000 20,000
3	Excepting land administration dossiers	VND/document or piece of land	5,000

Source: Circular No.2-TC/TCT Dated 4 January, 1995

Registration Fee

The Article 4 of the "Decision No 193/CP Dated 29 December, 1994 of The Government Concerning Registration Fees" stipulates:

"Registration fees represents a percentage of the value of the property based on the current prices at the time of registration and are paid according to the following rate:

1. Houses, land, ships and boat of all types: 2%
2. Motorcars, motorcycles, hunting and sports guns:4%

The maximum registration fee shall not exceed 500 mill. VND for a single property."

3.4. REAL ESTATE BROKERAGE INSTITUTION

Vietnamese usually buy or rent their houses directly from the owners through introduction by friends or relatives. Recently, many housing and land information centers are developed and advertisement in newspaper become popular so that the buyer can get information from such sources. However, most of houses are transacted directly between sellers and buyers, because people do not believe in housing centers. Housing banks and sometimes state-owned housing developers inform prospective house buyers of the housing offered or registered in the centers.

In HCMC, people often see the newspaper advertisement but do not use the agent for transaction. They feel the transaction via agents takes too much time and prefer direct transaction.

The independent or bank's real estate centers will help the sellers to find buyers and help buyers to find suitable houses. The centers will also help them to complete the registration procedures quickly or does the paper work on behalf of the seller and buyer. But in reality, a large number of housing transactions are without registration.

The brokerage fee for housing transaction is dependent on services, price of house and fee table.

3.5. RECOMMENDATIONS

The issue of the Land Use Rights Certificate is the precondition for the establishment of the legal ownership of land in Vietnamese context. Also, the certificate is essential for the registration and for establishing the base for real estate taxation.

There are a lot of problems in regulations and institutional capacity regarding the issue and registration of the Land Use Rights Certificate. However, the initial issuance is most required in Hanoi and HCMC as most urban residents do not have the certificate.

Specific recommendations include; expediting the issuance of the Land Use Rights Certificate and unifying the certificates. Owner of a certain parcel of land is not often clearly identified in Hanoi and HCMC. Therefore, the issuance of the certificate is very difficult. Both cities must make efforts to expedite the issuance though they have already seriously committed to it.

There are two kinds of certificates in Viet Nam; Land Use Rights Certificate (Red Certificate) and Housing Ownership and Land Use Rights Certificate (Pink Certificate). In the urban areas, people and corporations must have the latter certificate when they have or build housing on the parcel.

It is said that developers cannot acquire the Pink Certificate before they actually build housing structures on the land, which make it very difficult to mortgage the land in order to obtain loan for the construction of the structures.

It is desirable to unify the certificates and to handle the issuance in more streamlined administrative procedure.

Chapter IV HOUSING DEVELOPMENT

This chapter presents the overview of housing policy, housing demand and supply in Hanoi and HCMC, housing market, structure of housing supply and activities of the government and state-owned enterprises as well as private housing developers in housing sector.

4.1.OVERVIEW OF HOUSING POLICIES

4.1.1. Housing Policies in the Past

There are clear distinction between housing policies before and after Doi Moi in 1986. Doi Moi policies in housing sector have fostered the construction of housing by the people in place of the subsidized housing in the past.

Policy framework for housing and land was established with the issue of the Ordinance on Housing in 1991 and 1993 Law on Land(The first Law on Land was established in 1987). The allocation of land for public sector housing developers started just in 1988. Therefore, the history of housing market is just 10 years in Viet Nam. The concept of housing market is especially new in the North, and the market is not completely based on the principle of the free market yet.

(1) The Pre-Doi Moi state subsidy period, 1954 - 1985

The state adopted many housing policies in this period and a National Housing Program for state employees in cities was implemented. Many state bureaus and enterprises also took the initiative to use their own resources to provide housing for their employees. Investment in housing was therefore a part of the annual or five-year state plans.

The distribution of housing to state employees involved complicated and lengthy procedures. A study conducted in 1985 showed that on the average it took 27 months to decide on an application.

1954-1964

Housing policies in the first ten years after the re-establishment of peace from 1954 to 1964 were in general unchanged and housing provision, although poor, was not as urgent as in the next period. In Hanoi for example there was six square meters of housing per capita in 1954 and 40 years later this amount dropped to four square meters per capita.

After the Indochina war of resistance some of the urban residents of the North migrated to the South or returned to their rural homes. Furthermore the French colonial cities were not destroyed by the war of liberation and were taken over intact by

the state. Thus housing policy was not an important state initiative in this period. In fact it was only a policy on distribution of housing to state employees, not taking into consideration of the housing requirements of other urban residents.

1965-1975

In period from 1965 to 1975 the state budget was used in the North to build neighborhood units with 2 to 5 story apartment buildings on the Soviet Union model. Due to the lack of experiences in urban planning and management, the state paid more attention to the construction of houses rather than the organization of urban space and infrastructure according to a master plan. Thus housing construction in this period exceeded the capacity of the technical infrastructure such as water, drainage, electricity, and environmental sanitation.

The extremely, high subsidy resulted in rent as low as 1% of the employees salary. This amount could not cover the maintenance and upgrading of houses which quickly degraded creating damage and waste(**Table 4.1.**).

The amount of urban housing constructed in the period from 1960 to 1975 varied between the North and the South. This was due to the differences in the political systems and the opposite impact of urbanization.

Housing survey data for 1994, collected with the Population Census, shows that as of 1989, 42% of HCMC's population lived in houses built from 1961 to 1975. By comparison, in the North, in the first years of industrialization, the corresponding rates were 23.6% in Hanoi.

1975-1985

In the following ten years from 1975 to 1985 a National Housing program, mainly for cities, was jointly implemented by the Ministry of Construction and Research Institutes in order to improve housing conditions. The program continued on the principle of an egalitarian distribution system, with heavy subsidies from the state budget. The housing was typically a poorly equipped 4 to 5 story apartment block with little comfort and monotonous appearance.

In the 1980's, after the experience of the previous 20 years, several improved housing models were introduced, which were more convenient and with higher quality buildings with better appearance. Furthermore an experiment in the trading, expansion and construction of houses under the formula "state and people cooperate to build houses" was tried in some areas.

In the ten years prior to Doi Moi, from 1975 to 1986, a high rate of housing construction was achieved. The total number of houses produced increased 37.1% in Hanoi and 31.8 % in the southern city of Da Nang.

Meanwhile in HCMC there was a difficult standstill situation. Due to obstacles in management and unclear legal ownership, the city did not take measures to encourage

the maintenance, upgrading or construction of houses. In the ten years prior to Doi Moi the housing stock in HCMC only increased by 14.5% (HCMC SD, 1995).

The policy of state subsidization and distribution of housing fostered a passive behavior among urban residents who did not care of maintaining their house, because this was considered to be the state responsibility.

The outcome of these policies was that up to the early 1990's only 30% of the state's employees; mainly those in Northern cities, received housing from the state. The remaining 70% had to make their own housing arrangements or lived in very poor housing conditions. (Ministry of Construction, 1996). The goal of the socialist housing model was not achieved.

(2) The Doi Moi Period, 1986 – 1996

Since the implementation of Doi Moi policies in 1986, there have been many changes in housing sector. The state abandoned its subsidized housing policy and instead created conditions to encourage people to build their own houses.

In 1990 one third of new housing was built using the people's own capital. A house construction boom, mainly by households could be seen everywhere. Houses mushroomed as people tried to improve their housing conditions on their own.

The transfer of state-owned houses from state management to a commercial basis has been implemented through a regulation for selling state-owned houses to people who are leasing them. Housing Ordinance was adopted on April, 6 1991 and is implemented along with subsidiary laws by governments at all levels.

The state has also created favorable conditions for investment in housing production by management organizations and units in the cities. These efforts have paid off as the housing stock increased 1.5 fold in the period from 1960 to 1975.

In HCMC, of all the housing added since liberation in 1975, 86% of the houses and 93% of the floor space was added in the eight years from 1986 to 1993. From 1991 to 1993 about 16,000 housing units were added annually with a total floor area of 500,000 m². From 1987 to 1989 about 4,000 flats were added annually rising to 8,800 in 1990. Thus, there has been a doubling of housing production every two to three years.

Generally speaking, from 1986 to 1993, in HCMC, the newly built houses are made by the state institutions and by urban households with the proportion of 40% versus 60% (HCMC DHL, 1995).

In Hanoi the tempo of production has been slower than demand and still reflects the old state subsidy system. It was however clear that there was a growing diversity of housing producers. According to the data from the Hanoi Department of House-Land from 1991 to 1994, Hanoi produced 700,000 m² of floor space which was lower than the target of one million m² in the 1991-1995 five year plan. This construction included 70%, or about 500,000 m² of private construction, which increased to 84% in 1994. (Hanoi DHL, 1995).

Table 4.1. Historical Review of the Housing Policy in Viet Nam

	1954-1965	1965-1975	1975-1985	1985-1995	1995-
Decades	<p> </p> <p> No housing business was allowed prior to 1975 in the North including Hanoi. No housing Business in Hanoi until late 1980's Allocation of Land for State Const. Firms </p> <div style="display: flex; justify-content: space-around; align-items: center;"> <div style="border: 1px solid black; padding: 2px; text-align: center;">1986 Doi Moi</div> <div style="border: 1px solid black; padding: 2px; text-align: center;">1991Ord nance on Housing</div> <div style="border: 1px solid black; padding: 2px; text-align: center;">1993 Law on Land</div> <div style="border: 1px solid black; padding: 2px; text-align: center;">1998 Law on Land</div> <div style="border: 1px solid black; padding: 2px; text-align: center;">1999 Decree No.17</div> </div>				
	Investment in housing was a part of the annual or five-year state plans.			State abandoned its subsidized housing policy.	
Policy	Housing supply is not as urgent as in the next decade.	The state paid more attention to the construction of houses rather than the organization of urban space and infrastructure according to the master plan.	National Housing Program mainly for cities was jointly implemented by MOC and Research Institutes to improve housing conditions	Abandoning subsidized housing and encouraging people to participate in housing construction by themselves.	Revising and improving initial legal and policy frameworks for housing and land.
Principles			Egalitarian distribution system with heavy subsidy from state budget.	Promotion of the market economy.	
Policy Outcome		Extremely high subsidy resulted in rents as low as 1% of employees salary which bars effective maintenance.	Up to early 1990's, only 30% of the state employees, mainly in northern cities receive state housing.	Majority of housing constructed by people themselves often without permission.	Several large housing project by SOEs. Majority of housing constructed by people themselves.
Types of Housing		Neighborhood units with 2 to 5 story apartment building based on Soviet Union model.	Poorly equipped 4 to 5 story monotonous apartment block with little comfort.		

Source: NRI

4.1.2. National Strategy on Housing up to the Year 2010

The National Strategy on Housing up to the Year 2010 is under study by the MOC. Although the draft strategy at this moment just shows some general direction and principles, the strategy has indicated following main concepts after the general assessment of existing housing conditions in urban and rural areas.

(1) Primary Concepts

The latest draft of the strategy has presented the primary concepts on housing development as follows :

- 1) The objective is to assist people, even with low income, to have access to suitable housing, and to help them to stabilize their living, eliminating the hunger and reducing the poor.
- 2) Housing market is one of important market in the economy and should be managed efficiently.
- 3) Producing housing should be carried out in conjunction with the sustainable development of the country, without causing pollution on living environment and destruction of natural resources such as forests, water resources, etc.
- 4) Housing improvement should go hand in hand with family planning.

(2) The Objectives

In the immediate term, the objectives on housing development are:

- 1) To create suitable residence for every citizen. Suitable residence means “a suitable private area, suitable living standard with safety and affordable price.”
- 2) To address properly to sociological factors when selecting architectural design for housing.
- 3) To assist even people with low income to have access to suitable housing. This is originated from the actual social classification in the initial stage of market economy in Viet Nam.
- 4) To assist poor families to have housing. These include those who dedicated themselves to the state during the war, war victims, the incapacitate, lonely old people, orphan children, and people who cannot produce housing for themselves.

(3) The Solutions

The main solutions in the housing strategy include:

- 1) Land regulations related to housing development: Land still belongs to the ownership of the people as a whole and is to be managed by the Government. The organizations, persons (including foreign organizations and persons) can rent (or be given) land from the Government and they have the right to transfer, assign, lease, inherit, mortgage the land use rights.
- 2) Financial principles concerning land use fee: Urban land is high value estate and the value tends to increase. Therefore, it significantly affects the housing development. This requires specific policy on urban housing land encouraging people to invest in the housing development. In principle, the land for housing development projects should be controlled appropriately for each sector and each user.

Details are as follows:

- Highly profitable land (commercial and service centers; ground floor of the multi-story buildings designed for business, services use, or the land of high living quality areas) must be sold or leased at the market price.
 - Regarding the land of low profitability, the land use fee is applied pursuant to the price rate issued by the Government (people who have dedication in the revolution and low income people can be considered for the reduction or exemption of the land use fee. They can pay for the housing by installment with preferential interest).
 - The land use fee of 10% of the price issued by the Government will be applied to the land for the development of apartment (both for sale and lease). The land use fee for the public area (infrastructure, water surface and green area, etc.) shall be exempted. Land use fee is paid lump-sum at the time of sale or the beginning of the lease.
 - Housing renovation and upgrade projects at residential area, aiming at the improvement of the living quality will be exempted from land use fee.
- 3) Investment sources: The sources for housing development investment consist of the deposits of buyers who need housing and other domestic as well as foreign financial sources. These investment sources are used mostly for the development, maintenance and operation of infrastructure as well as the construction of houses (inclusive of the houses for the city use).
 - 4) Financing for the infrastructure development is an important responsibility of the Government and will be prepared by the Government through international financial organizations such as the World Bank, Asian Development Bank and Official Development Assistance (ODA).
 - 5) Preparation of necessary conditions for the establishment and stabilization of housing market must be conducted.

- 6) Early completion of housing development plan, in conformity with urban development plan, must be done.
- 7) The land use to strengthen the effectiveness of the land management must be ratified.

4.1.3. Hanoi Housing Development Program to the Year 2010

(1) Background

Faced with the serious shortage and degradation of housing stock in Hanoi, HPC coordinated with the concerned agencies to complete long-term housing development program to the year 2010 in order to implement efficiently the industrialization and modernization process of the capital city.

(2) The Concept of Housing Development in Hanoi to the Year 2000 and 2010

The Objectives of the Program

The objectives include:

- satisfying, step by step, the rights of all kind of urban citizens to have suitable accommodation, not only the rich, prior people (people who made good service during the war) and state employees but also low income and poor people,
- developing houses in order to satisfy the social needs for the sales and lease of houses,
- renovating administrative procedures to facilitate the transfer of land use rights and housing ownership, which will create better property market and avoid the speculation in the real estate business in Hanoi.

The Roles of the Government

The Government has the responsibility to invest in social infrastructure facilities such as schools, medical centers, cultural and sport facilities, as well as other infrastructure facilities such as roads, water supply and drainage system in order to obtain initial basement for speeding up the housing development process.

It is necessary for the Government to offer necessary legal framework for stimulating housing development investment with particular policies on land, planning, finance and credit, construction and housing businesses and urban development control. This legal framework will create necessary environment for housing development strategy.

Finance Issues

It is very important to create investment environment to attract foreign investment in housing development in addition to the mobilization of domestic financial resources.

Synchronous Development

Houses have to be developed synchronously with infrastructure, social system and urban services. Houses are also to be developed synchronously with the establishment of sustainable living environment, green areas and urban architectural landscape.

New development and rehabilitation of houses must be done synchronously.

Architecture and Planning

Architectural solutions for housing construction are used for harmoniously developing the modernity, nationality and multiformity in compliance with each development period.

Particular policies are to be established for preserving ancient quarters, improving and embellishing old quarters, improving and completing infrastructure improvement plan for the block buildings and preserving traditional villages in the planning and urban development process.

Orientation of Development Investment

Combining harmoniously the improvement of old urban areas with the development of new urban areas in the surroundings of the city in order to reduce population density in the city center.

Combining the improvement of the traditional architecture of the low rise houses (average height of 2 to 5 floors) with the construction of high rise buildings (10 to 20 floors, modern and comfortable apartments of high quality).

Organization and Management Structure

It is necessary to hold the Government's management roles in housing development investment in order to carry out the guideline and orientation functions, guaranteeing essential role of state sector economy.

- Establishing organizations for housing development and business, which are separated from construction organizations.
- SOEs will, step by step, transform from budgetary-subsidized organization structure to other structure in compliance with new economy.
- Establishing the models for housing management after projects are completed to ensure the maintenance and development in compliance with developing economy.

Housing Development by Projects

From the experience, housing development by projects is suitable at this moment, ensuring the synchronic urban development process.

Resources for Execution Process

It is imperative to mobilize all the legally capable organizations and enterprises to participate in housing construction process in Hanoi.

In the long run, it is necessary to have a central management system to organise execution process. Initially, the main problems to be solved are :

- overcoming existing confusion in the construction activities,
- strengthening inspection and control of these activities in the city,
- obligating all construction organizations and personal entities to have license and high quality.

(3) The Goals of Housing Development Process of Hanoi up to the Year 2010

- Average land area to the year 2000 will be at least 5.5m² / person.
- Average land area to the year 2010 will be at least 8.0 m² / person.
- Diversifying design of houses and apartments suitable to the varieties of tastes, convenience and affordable price, even for the poor and low income people.

In order to attain the goals above, main housing construction duties will be :

- Building approximately 2.13 mill. to 4.70 mill. m² of additional houses up to the year 2000, and 12.60 to 18.00 mill. m² of houses up to the year 2010.
- The capital demand for housing development to the year 2000 is about 1,835 to 6,685 bill. VND and about 18,700 to 32,500 bill. VND to the year 2010.

(4) Housing development plan to the year 2000 to 2010

Two development scenarios are proposed in the plan. The high case scenario is calculated in accordance with the Document No.21-TB/TW dated November 14, 1996 by the Politbureau. The housing objective of Hanoi to the year 2000 is 6.5 m²/person and 10.0 m²/person in 2010.

The low case scenario takes into account of the actual resources available for the Program and is considered more realistic. In order to attain the norm of about 5.5 m²/capita in the year 2000 and 8.0 m²/capita in the year 2010, following housing development plan is proposed(**Table 4.2.**).

Table 4.2. Housing Development Plan to the Year 2000 to 2010(Hanoi City)

Norm	To the year 2000	To the year 2010
Additional housing needed to be developed. In which:	2,135,000m ²	13,865,000m ²
Proposed upgrade	1,400,000m ²	5,000,000m ²
Upgrade by the Government	100,000m ²	1,000,000m ²
New construction	635,000m ²	7,865,000m ²
House building for the priority people	80,000m ²	400,000m ²
Total capital demand for housing development. In which :	1,835 billion VND	21,870 billion VND
Existing state owned houses to be maintained	80 billion VND	200 billion VND
Existing state owned houses to be improved	200 billion VND	2,000 billion VND
Houses for assisting priority people	160 billion VND	800 billion VND
New houses to be constructed	1,270 billion VND	16,130 billion VND
Infrastructure and public welfare facilities	95 billion VND	1,180 billion VND
Land clearance	190 billion VND	2,360 billion VND

Source: Housing Development Plan to the Year 2000 to 2010(Hanoi City)

This plan is proposed on the basis of development pace during the years of 1995-1996, in accordance with construction capacity as well as the city's abilities of capital mobilization.

The State budget is disbursed only for:

- Maintaining existing state-owned housing resources,
- Improving and increasing state-managed housing resources,
- Developing houses for priority people,
- Developing urban infrastructure,
- Assisting land clearance activities partly.

The state is expected to invest 690 bill. VND, i.e. 40% of the capital. Funding comes from three main sources. About 200 bill. VND is from the sale of state-owned housing, 40 bill. VND via 60% appreciation in housing rent, and 450 bill. VND from the capital resources invested by the Government. The remainder is proposed to be raised from residents and long-term loan.

(5) Particular Policies and Solutions

Strengthening Housing and Land Management

- Speeding up the schedule of issuing Housing Ownership and Land Use Rights Certificates in order to gradually reduce illegally constructed housing area, providing advantages for construction permit issue, rental houses and increasing housing resources,
- Applying priority policies for people with good services during the war period,
- Increasing housing rent to secure repair and maintenance costs.
- Improving procedures for the transfer of privately-owned houses, increasing the efficiency in the management of the housing use.

Planning and Architecture

- In the plan, it is necessary to determine development zones and zoning, and to propose many kinds of architecture plan, structure and construction material for the construction of apartments with suitable prices for varied income level households.
- In transportation plan, the plan for intersections has to be combined with housing in each streets.
- Guiding citizens to follow the construction permit.
- Improving the procedures for issuing construction permit, providing advantages for all the people in construction process.
- Resettlement areas will be developed as a project, which are constructed together with other urban development projects.

Land for Construction

Initially, it is necessary to establish annual land use plan to be approved by the Government. Based on this plan, HPC will allocate and lease land for construction purposes.

The land allocation for housing development is implemented in particular projects. In each project, particular priority policy will be applied on land rent and land use levy.

Capital and Financial Resources for Housing Development

Financial resources for housing development in Hanoi will be mobilized from: national budget and capital that enterprises mobilize from domestic and foreign economic entities and housing buyers.

Land Clearance Policies

In principle, land clearance is implemented in accordance with the regulations promulgated by the Government and City People's Committee. However, the housing

development projects have special characteristics so that specific institutions will be improved in accordance with respective situation.

For new residential area or new urban area projects, lands are used for the national and public benefits. Therefore, when the project is approved by proper authority, it will be considered as an Ordinance so that the investor/developer does not have to negotiate with the Commune or Ward authorities. The investor/developer has to implement the land clearance in accordance with the land clearance plan prepared by the Site Clearance Board of the District and approved by the City People's Committee.

With respect to small and sparse development projects in inner city, the government allows enterprises to use the former house areas of people or organizations and agencies who are renting those from the state. The enterprises are allowed to negotiate with people on compensation regarding their temporary resettlement area. Enterprises have responsibility to implement assisting policies when they carry out the site clearance, which include assistance for moving, new job, and change of living environment, etc.

Every year the city needs about 800 – 1,000 apartments (equivalent to 40,000m² – 50,000m² floor) for resettlement related to the road opening and facility construction. To carry out this properly, the state should have housing resources for resettlement, therefore, the state should make an annual plan of reserving land and funding for construction of the housing resources. The city is kindly requesting the Government to give it the responsibility of implementation, based on annual requirement to make plan on land, finance and implementing management organization.

Policies for Each Segment of House Users

It is necessary to issue policies suitable to every segment of house users including :

- people with good service during the war period
 - state employees
 - high income people
 - low income people
 - poor people
- 1) People with good service during the war period: receive preferential treatment in house building, repairing, buying and renting.
 - 2) State employees: government budget will be spent on providing them with shelters, with low-interest loans of 2 – 3% /year or discount price if paid lump-sum as in the Decision No.61/CP by the Government on selling state-owned house to the renters.

- 3) High income people: Larger high quality villas (100–200m²) will be designed to meet requirements of this group and their purchasing power. Those include; over 5-story comfortable buildings of 100 –150 m² equipped with car parking, management office, entertainment facilities at the price of 250-300 mill. VND for sale, and 1–1.2 mill. VND/month for lease in the city center, and also, 2–4-story houses or villas on the quarters with good infrastructure at 500–1,000 mill. VND in the outskirts.
- 4) Low-income people: 30–50 m² averagely-equipped flats in high rise blocks or 1–3 level houses in the suburb leased at charges set by the city or by low-interest loan for 20 – 25 years.
- 5) Poor People:
About 6% of Hanoi population has no stable job and no certain income (20–25% of the average income). Their income is only 150,000VND/person, and 80,000VND/person in the outskirts. The prior need of those is income not house. They are living in the city’s slums lacking hygiene. In the future, the slums would be removed. However, the State could design projects of upgrading infrastructure(road, drainage and toilet) and call for international and domestic aids.

Solutions on Policy for Housing Development

Initially, it is necessary to study some policies and solutions on business encouragement such as :

- Deferring the land use levy when allocating land for the projects, and exempting land use levy for the block building , etc.
- Deferring and exempting corporate and value added taxes
- Providing preferential loan for some particular projects.

Executive Agency

In order to implement the housing development program, it is necessary to establish a functional organization, i.e. the “Steering Committee on Land and Housing Policies” under the management of the Chairman of HPC. This committee will coordinate with following state agencies to implement Hanoi Housing Development Program.

- Department of House-Land
- Chief Architect Office
- Department of Construction
- Hanoi Authority for Planning and Investment
- Department of Finance
- People’s Committee of Districts

(6) The Projects to be Proposed in the Program

In order to implement this program efficiently, many investment and development projects are proposed to develop large residential areas in Hanoi. The projects include Linh Dam Residential Area - Stage 1(24ha), Thang Long International Village (10.2ha) and Trung Yen Urban Area (37ha).

4.1.4. HCMC Housing Development Program

HCMC People's Committee is to submit the official housing development program to the Government after the establishment of the National Strategy on Housing. The contents of the program is not yet fixed completely.

According to the DPI, the expected target is to achieve 7.0 m²/person from current 5.8 m²/person. Housing development of 48 mill. m² is necessary to achieve this goal. HCMC is planning to supply 12 mill. m² through expansion and 36 mill. m² anew. For this 36 mill. m² of new housing, the acreage of land required is 5,400 ha. The city plans to secure 900 ha for high-rise building and 4,500 ha for residential areas in the suburbs.

According to the interview with the Department of House-Land. The housing program is composed of five programs.

(1) Program 1: Clearance of Canal Area.

This project is to move houses to clear 21 thousand families living in canal area. The movement of 11 thousand families are already completed. Therefore the total number of affected families is 32 thousand. Clearance of 25 thousand covering 50 km length is necessary. Among the housing development programs, HCMC People's Committee is currently concentrating on this program. Its implementation will improve living conditions and the environment, as the illegal occupation of the canal pollutes the environment.

Although this program can receive strong support from the Government, it covers only a part of the expenses. Resettlement program is on voluntary basis, some may stay in the city center and some will relocate to newly developed areas. Affected people can choose apartment houses. They are also offered the purchase of housing with a deferred payment or installment. This is a city government program and management boards are established in each district.

(2) Program 2: Replacement of Slum Houses

This is to develop the water/drainage infrastructure system and new apartments to replace 17 thousand slum houses. The slum houses are both inside and outside of the canal area. Current residents will live in the same area after the replacement of slum houses.

Program 2-1 is the clearance of 17 thousand slum houses and 2-2 is the destruction and reconstruction of 105 apartments.

Housing Fund will finance the program 1 & 2, although the management board for each program is different.

(3) Program 3: Houses for Low-Income People

This is to build houses for low-income people (government officials, doctors and teachers, etc.). 5-6 thousand houses are necessary every year to meet this demand. However the HCMC can provide only 10% of the houses, due to the limited budget. State-owned construction companies participate through its own investment. The government funds invest in infrastructure. The government introduces buyers to banks which will provide 30-40% of the cost through loan in 5-10 year installment.

(4) Program 4: Houses for Families and People Who Have No Relatives

This is to provide housing for families and people whose relatives are already dead. This program is basically for rural areas. Program 4-1 is only for limited people without houses. The government has already constructed more than 8 thousand houses. Program 4-2 is 14 thousand charity houses for families with large members. These people are usually victims of war and are very poor who cannot afford to build houses. So far only 2 thousand temporary houses were built. This program is called charity because funding is from donation from social organizations and charity money. HCMC government cannot spend money on this program.

(5) Program 5: Roof Houses for Rural Areas

This is to build houses with tight roof for the rural area. There are bamboo and rattan houses in the rural areas and improvement of living conditions for those remote area is necessary. The government cannot support this project financially. It only supports in the administrative aspects such as paper works and the support for the procurement of materials. It also indirectly supports them through the development of infrastructure such as road and hospital.

The Department of House-Land indicated that the city's population would increase to 7 to 10 mill. Therefore, housing goal up to the year 2010 is to be adjusted accordingly. The department is considering to increase the housing floor per capita to 10 m², which would require the total housing stock of 73 mill. m² compared to current 27 mill. m².

4.2. HOUSING DEMAND AND SUPPLY

4.2.1. Overview

(1) Demand

According to the report of the Ministry of Construction, 30% of the people in Hanoi still have housing space of less than 3 m²/person. In HCMC, there are 150,000 temporary dwellings, including 43,000 dilapidated houses and 24,000 slum houses along the canals and small rivers.

Of the total 54.4 mill. m² of urban housing, 32 mill. m² requires immediate repair and maintenance, and 1.7 mill. m² needs to be removed for new housing construction (See **Appendix 2** for the details of Housing Condition) .

(2) Supply

Since Doi Moi, the private sector has produced about 70% of the new housing in Hanoi and about 60% in HCMC (DLH of Hanoi, 1995). There are differences in the concept of the "private sector" of urban housing production between Viet Nam and other low income countries. In Viet Nam the private sector covers housing production by households using their own funds to produce housing for their personal use. This concept is similar to the "popular sector" because a large part of this housing is constructed without any attention to legal requirement¹.

The explosion of housing construction in popular sector is the result of the following consequences of Doi Moi as well as the deregulation in housing sector.

- 1) Higher living standard provides people with sufficient money for housing construction,
- 2) Growth in demand for new housing and improvement of living conditions,
- 3) Housing production in the state sponsored sector has remained lower than the demand,
- 4) Limited capacity of the private sector to produce housing for rent and sale,
- 5) Liberalized housing policies that create favorable conditions for the people to build or improve their own houses.

Table 4.3. shows recent housing production trend, though the data is somewhat inconsistent due to the imperfect statistics.

¹ Dr. Trinh Duy Luan, head of Department of Urban Sociology at the Institute of Sociology, Hanoi and Mr. Nguyen Quang Vinh, a senior researcher at the Institute of Social Sciences in HCMC, VIETNAM'S SOCIO-ECONOMIC DEVELOPMENT, No. 10, Summer 1997

Table 4.3. Total Housing Area Produced in Urban Centers of Viet Nam

Year	All Urban Centers	Hanoi	HCMC
1991-1995	26,026,086	1,006,086	8,800,000
1991	1,448,471	140,771	450,000
1992	2,292,718	169,378	560,040
1993	5,373,778	220,078	2,791,000
1994	6,021,011	224,311	2,380,000
1995	10,899,228	251,548	2,698,460 (1,863,708)
1996	-	223,742	(1,720,403)
1997	-	218,250	(2,279,737)
1998	-	339,191	(2,383,384)

Source: Urban Housing Development Program 1996-2000(Draft Document) and Statistical Yearbooks of both cities. Parenthesis is from the HCMC Statistical Yearbook

4.2.2. Hanoi

(1) Housing Demand

The lack of living square remains an urgent social problem in Hanoi. According to the Ministry of Construction, currently 30% of Hanoi people are living in very crowded and very small houses with living space per capita of less than 3m². Hanoi also has a large share in the proportion of houses in need of repair or reconstruction which correspondingly account for 32 mill. m² and 1.7 mill. m² out of 54.4 million m² of houses in all urban areas in the country².

(2) Housing Development

In Hanoi as well as in other cities in the North, no housing business was allowed prior to 1975. Although there was a movement for "the state and people to join efforts", in Hanoi up to the middle of the 1980s, basically there was no housing business activity. Households themselves finance the housing construction for the purpose of living or opening business.

After 1988, the government allowed city municipalities to allocate land to certain state business controlled by central or local construction companies to build houses for sale. And there appeared another type of houses built by funding from government enterprises for sale. These government enterprises include central construction companies or local construction companies(provincial level, and in some cases district level) operating with funding from the budget of the central, provincial and district levels, and by investment generated from housing buyers. These companies aim at

² Tuong Lai, Ass. Prof. & Director, Institute of Sociology, "Urban Housing Development and Urban Management- A Sociological Approach" Social Sciences-1/98

building public constructions with government ownership or serving individuals who are in need of houses for living, service businesses or production place.

This type of public house constitutes nearly 30% of all new houses built in Hanoi from 1991 and 1994.

(3) Illegal Construction

According to the data of Ministry of Construction in the period from October 1992 to December 1994 in Hanoi there were 2,741 houses newly built with permission whereas the number of houses built without permission was over 13,000. The city authority was forced to deal with constructions without permission with a very flexible manner, that is "fine and let it be." This is why the proportion of new houses built without permission in Hanoi keeps growing. According to the CAO, in the first four months of 1995, from 1/1/1995 to 1/5/1995, there were over 5,000 cases violating construction regulations, among them 80% were constructions without permission.

Prof. Lai, Institute of Sociology, Hanoi, estimated the reasons for the illegal construction as follows.

- 1) Housing need is urgent and they cannot wait for the government to give subsidy as it did before. Moreover, in the market economy new house could be a means for income generation.
- 2) A house built without permission is more likely to be accepted by the authority by means of paying the penalty which is not beyond the financial ability of the violator.

(4) Housing Policy

Private housing in Hanoi are often constructed in an unofficial manner. Construction by people themselves is spontaneous but often not suitable with urban development master plan. The policy orientation is to absorb private constructions into the projects. Based on the orientation, people will construct housing within the site of the projects over the infrastructure developed by the state.

The vision is to develop housing synchronous with urban complex only in the projects. The project means something for which exact land use is allocated and urban land is reserved for housing development. Either state-owned enterprises or private companies can participate in the project. They must get approval for the site, density and F/S and must submit project files to the authority.

4.2.3. HCMC

(1) Shift to Public Housing

Prior to 1986, private houses in HCMC constituted 83.4% of all houses where as in Hanoi then the corresponding number was 51.9%. However, during eight years of Doi

Moi from 1986 to 1993, the state sponsored sector constructed 40% of new built houses, while in Hanoi from 1991 to 1993 it was only 30%³.

(2) Housing Program of the City Government

In accordance with the City development general plan up to 2010 the average will be 12m² per capita. For the last three years HCMC has been building many blocks of flats for 4,000 people who had lived on the 10,365-meter banks of Nhieu Long- Thi Nghe canals. This would bring back the natural scenery to the canals, which were once limpid, and make the city more graceful and attractive. This housing program is the biggest social activity of HCMC, both resolving the accommodation problem for the poor, and environment as well as employment problems.

By the end of 1996, 5,000 new apartments were built. By moving a great number of households to new residential areas at new districts of the city, the house building program for clearing the Nhieu Long-Thi Nghe canal is also partly easing “the population density pressure” inside the city. The new urban area of South Saigon-on the east bank of Saigon River is planned to be the “New City” stretching to sea in the 21st century.

Another housing program with profound social meaning is to build “dedicated houses” for persons and families which have merit towards the country within the two struggles against imperialists and colonists. By the end of 1997, HCMC has already built 10,000 “dedicated houses” with financial support from different organizations and individuals. The “dedicated houses” movement has received zealous support from the people in the society, which is a significant illustration of the profound altruism and gratitude to those sacrificed for the country.

HCMC also assigns itself a task with deep social character: to build accommodation for low-income people and poor workers. The program has been under way and expanded into different directions: to set up a system that helps people to save money and get loans from the banks to build houses. Installment plan for houses is widened for anybody in need of accommodation. For the time being this program sets priority on those who lived on the canals’ banks. Enterprises in the 13 new industrial zones – as planned in the HCMC general development plant up to 2010 – will be responsible for the initial investment in providing their workers’ accommodation.

The housing building program also has to cover about 35,000 newly-weds every year. These couples are encouraged by the city to save money for housing. The city will provide houses with low prices and reasonable installment plan policies. Besides, the

³ HO CHI MINH CITY PUBLISHING HOUSE, 1998 "HO CHI MINH CITY self introduction PART 1 The Achievements of 10 YEARS' RENOVATION"

city also has the responsibility to cooperate with the Army for resolving accommodation needs of soldiers' families.

4.3.HOUSING MARKET

Vietnamese prefer to purchase house. Even the poor people do not like to rent houses. Currently, luxury houses do not sell well, but apartments for low-income people sell very well if their location is good. The basic mode of transportation in the Vietnamese cities is motorbike. Therefore, people have very strong preference toward the central locations, otherwise they cannot commute by motorbike.

Housing Bank, HCMC has indicated that apartment for \$15 thousand is moderately priced and sold well. However, for low-income people, installment payment plan up to 15 years is often necessary. Through this arrangement of installment payment, developers, not banks, provides loans to the housing purchasers.

RESCO, HCMC has indicated that the price for housing for low-income household must be between \$8-10 thousand given the fact that their monthly income is around \$100 and they can afford to pay up to 30% of the income for housing.

Apartment of 73.6m² is priced at about \$11,200 in Linh Dam project located at the suburb of Hanoi (**Table 4.4.**).

Table 4.4. Price of Apartment in Linh Dam Project(Hanoi)

Floor	(mill.VND)		
	77.7m ²	73.6m ²	72.9m ²
9 th	138.6945	131.3760	130.1265
8 th	146.8530	139.1040	137.7810
7 th	155.0115	146.8320	145.4355
5 th ,6 th	163.1700	154.5600	153.0900
4 th	171.3285	162.2880	160.7445
3 rd	179.4870	170.0160	168.3990
2 nd	187.6455	177.7440	176.0535

Source: Advertisement on An ninh Thu do(newspaper) on June 20,1999

4.4. STRUCTURE OF HOUSING SUPPLY

4.4.1. Hanoi

There are more housing constructions at the central level in Hanoi than in HCMC, which accounts for 10% of newly built area of residential housing in 1998. "Self-building by people" accounts for more than 70% recently (Table 4.5). Commercial housing development including "Capital for building house for sale and mobilized joint-venture capital" has been declining due to economic crisis in Asia.

Table 4.5. Newly Built Area of Residential Housing(Hanoi)

Unit: sq.m

	1995	1996	1997	1998
Total	251,548	223,742	218,250	339,191
<i>Central construction</i>	9,800	10,850	7,200	35,350
<i>Local construction</i>	241,748	212,892	211,050	303,841
<i>Central budget</i>	-	8,800	-	6,638
<i>Local budget</i>	-	-	5,500	14,284
<i>Other capitals</i>	5,339	-	5,750	-
<i>Self-building by people</i>	165,200	164,807	172,500	253,600
<i>Bid capital</i>	4,360	5,100	-	-
<i>Capital for building house for sale and mobilized joint-venture capital</i>	66,849	34,185	27,300	29,319

	1995	1996	1997	1998
Total	100.0%	100.0%	100.0%	100.0%
<i>Central construction</i>	3.9%	4.8%	3.3%	10.4%
<i>Local construction</i>	96.1%	95.2%	96.7%	89.6%
<i>Central budget</i>		3.9%		2.0%
<i>Local budget</i>			2.5%	4.2%
<i>Other capitals</i>	2.1%		2.6%	
<i>Self-building by people</i>	65.7%	73.7%	79.0%	74.8%
<i>Bid capital</i>	1.7%	2.3%		
<i>Capital for building house for sale and mobilized joint-venture capital</i>	26.6%	15.3%	12.5%	8.6%

Source: 1998- Statistical Yearbook, Hanoi Statistical Office

4.4.2. HCMC

The classification of statistics in HCMC is different from that of Hanoi. "House built by inhabitants" has been increasing and now accounts for 74% in HCMC (Table 4.6.).

Table 4.6. Housing Construction Area(HCMC)

	<i>sq.m</i>			
	1995	1996	1997	1998
Total	1,863,708	1,720,403	2,279,737	2,383,384
1. Housing construction branch	198,780	178,380	196,980	277,520
<i>City</i>	15.900	35.820	51.120	74.340
<i>District</i>	182.880	142.560	145.860	203.180
2. Houses built by inhabitants	1,116,032	1,050,701	1,673,357	1,763,302
<i>1st. 2nd grades houses</i>	995.072	952.971	1.565.804	1.366.658
<i>3rd. 4th grades houses</i>	120.960	97.730	107.553	396.644
3. Others	289,616	196,483	-	11,250
<i>Army</i>	198.352	-	-	-
<i>Others</i>	91.264	196.483	-	11.250
4. Houses mended, reconstructed	215,280	259,039	316,440	320,992
5. Gratitude houses	44,000	35,800	92,960	10,320

	1995	1996	1997	1998
Total	100.0%	100.0%	100.0%	100.0%
1. Housing construction branch	10.7%	10.4%	8.6%	11.6%
<i>City</i>	0.9%	2.1%	2.2%	3.1%
<i>District</i>	9.8%	8.3%	6.4%	8.5%
2. Houses built by inhabitants	59.9%	61.1%	73.4%	74.0%
<i>1st. 2nd grades houses</i>	53.4%	55.4%	68.7%	57.3%
<i>3rd. 4th grades houses</i>	6.5%	5.7%	4.7%	16.6%
3. Others	15.5%	11.4%		0.5%
<i>Army</i>	10.6%			
<i>Others</i>	4.9%	11.4%		0.5%
4. Houses mended, reconstructed	11.6%	15.1%	13.9%	13.5%
5. Gratitude houses	2.4%	2.1%	4.1%	0.4%

Source: Statistical Yearbook Ho Chi Minh City 1998, Statistical Office of HCMC

4.4.3. The Comparison

According to the interviews with the Department of House-Land of both cities, recent housing supply structure could be summarised as the tables below (**Table 4.7.**, **Table 4.8.**).

Table 4.7. Housing Development in Hanoi

Developers (30%)		Residents (70%)
State (27%)	Private (3%)	

Source: DLH, Hanoi

Table 4.8. Housing Development in HCMC

Involvement of public sector(20%)	Private Sector (80%)	
	Investors(20%)	Residents (60%)

Source: DLH, HCMC

4.5.GOVERNMENT AND STATE-OWNED ENTERPRISES

4.5.1. The Involvement of State-Owned Enterprises

State-owned enterprises are mostly big companies or corporations. They have larger capital and labor than private companies and are supported by state authorities. They usually develop large new urban and residential areas, including both infrastructure and various types of houses (high-rise building for lease, apartment, single family house for sale, etc.).

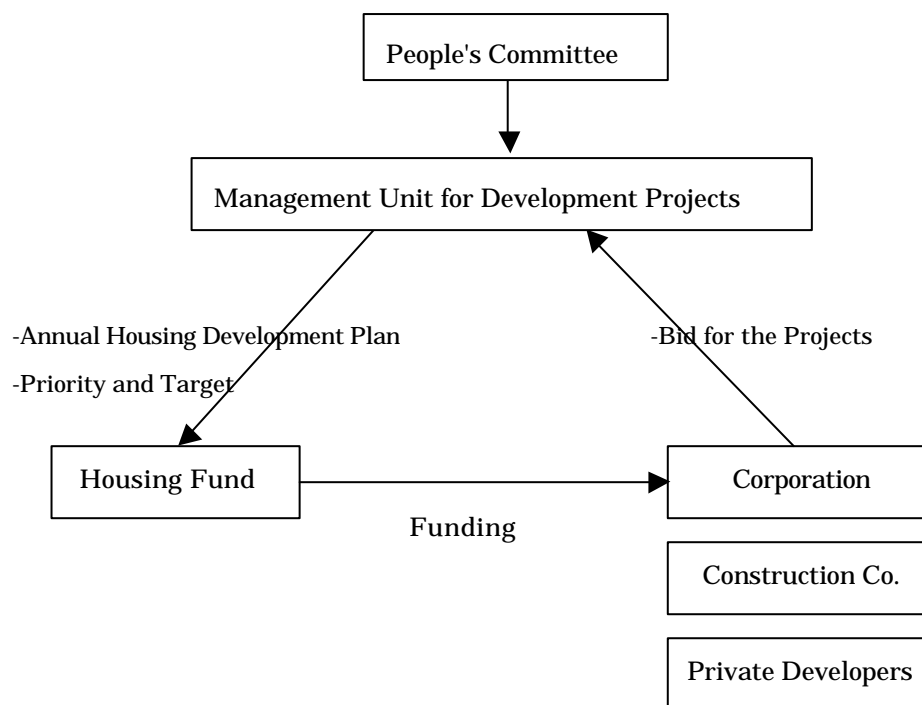
In HCMC, RESCO(Saigon Real Estate Corporation) was established by the Decision No.7363/QD-UB-KT dated 23rd December 1997 of the People's Committee of HCMC. RESCO has 16 subsidiary companies. It has between 40-50% share of the market of housing for low-income people and of construction through local budget.

Hanoi is planning a housing development project scheme based on the HCMC model (**Figure 4.1.**). It is planning to establish Hanoi Real Estate Corporation which will direct all housing development companies existing under former Department of House as its subsidiaries. In both cities, Housing Fund and Real Estate Corporation are key elements of the scheme, although credit institutions and banks other than Housing Fund also provide finance, and public and private companies other than Real Estate Corporation can bid for the projects.

In Hanoi city, a corporation under MOC named "Housing and Urban Development Corporation (HUD)" is the developer of the Linh Dam Residential Area Project with a total area of 24ha. Other corporations under MOC include "Viet Nam Construction Import & Export Corporation" developing Trung Hoa – Nhan Chinh residential area project with total area of 32.96ha.

Construction companies under Hanoi People's Committee are involved in small projects of 5-6 ha, and there is a fierce competition among MOC corporations and HPC companies for the project of this size. MOC corporations usually cannot compete with HPC companies regarding small projects, and instead MOC corporations are dominating larger projects.

HCMC has had a larger demand for housing. Therefore, local construction companies were established earlier and still play important roles. Major companies under the HCMC People's Committee were now merged into RESCO.



Source: Interview with Hanoi DLH

Figure 4.1. Planned Housing Development Project Scheme of Hanoi City

4.5.2. Corporations under MOC

(1) Housing and Urban Development Corporation (HUD)

1) Profile

HUD is a corporation under the MOC and an investor mobilizing various domestic sources. It develops condominiums, private houses, villas, etc. HUD is allowed to invest in projects nationwide, but is concentrating in Hanoi.

2) Linh Dam Project

Project Profile

The Linh Dam project is originated by HUD, which has studied housing demand, conducted F/S and assessed their own ability to conduct the project. HUD determined to invest in this project based on the project's advantageous geographical condition. Initially, joint-venture is expected, but it failed due to the Asian economic crisis.

The first phase of the project is the Bac Linh Dam(Northern Linh Dam). Regarding this project, HUD relied on the domestic sources including Vietinbank(BIDV). The banks take HUD's Land Use Rights Certificate as a

collateral. HUD has not yet received grant from the government. As HUD considers interest rate on their loan is high, it would like a low interest rate loan from the Government. HUD pays land tax and land use levy for changing the land use (from agricultural land to residential land).

Bac Linh Dam is 80-90% completed and getting into the second phase. Upon the completion of the infrastructure, the contract requires the buyers to build their houses by 2001. Yet at this moment (Mar., 1999), there are only over 20 houses.

Initially the project involved only villas, and the pledges were made for all the villas within six months. Then, HUD decided to increase the number of the luxury apartments. And again, there were many registrations for the second project and the expansion part is also nearly sold out. Actually, not many Vietnamese can afford this housing costing US\$100 thousand. However, this is less expensive than the 50-60 m² housing in the inner city of Hanoi. Majority of Hanoi's population is concentrated within 3km radius from Hoan Kiem lake. Although Linh Dam is 8km from the lake, it has a great advantage of being next to the scenic Linh Dam lake.

Project Implementation

Tranh Tri District, where the project is located, had land mainly in the form of rice field. Concerned bodies of the Government and Hanoi People's Committee conducted the pre-F/S together with Tranh Tri District. Upon the government decision to take the land over from the farmers in Tranh Tri District, HUD decided to participate in the project. HUD invests and compensates the affected people.

Regarding the compensation, there are five items to be possibly compensated; 1) the cost the user had incurred for repair and improvement of the land, 2) harvest for 10-15 years, 3) expenses of the ex-owners to change their jobs, 4) letting them to buy a part of the project for preferential price and 5) employing members of the affected families for the project.

Assistance from the Government includes 1) provision of access road from the state budget, 2) exemption of land use levy for high-story building and 3) expected provision of kindergarten and police, etc. through tax.

HUD has needed the approval from the CAO, construction permit and Land Use Rights Certificate for the project. TUPWS provided energy supply, etc. to the project. Linh Dam is quite large-scale and first of this kind in Hanoi.

Target Customers

Population density in inner city of Hanoi must be loosened. Therefore, the project's target customers are the households registered in Hanoi (those who have Ho Khau in Hanoi). HUD classified their target into three categories depending on the house types: 1) Villas; expensive and targeted toward just a few percent of the wealthy population, 2) 60-79 m² houses for relatively well-to-do people, and 3) high-

story condominiums for the average income people. This high-story housing is the first project of the kind in Hanoi.

Vietnamese like private house and dislike the inconvenience of living in the upper floor housing. It is worried that people misuse the elevator and that water supply cannot reach the higher floors.

Transaction Scheme

Usual payment scheme for villas and large houses(only land without building structure) is that the buyer deposits and buys within 10 days after deposit. He pays 95% of the cost then. HUD supervises the construction and completes the paper works for the buyer. After the procedure, the buyer pays remaining 5%.

Regarding apartments/condominiums, buyer pays 10% for deposit and 90% after the purchase. Should government provide assistance to HUD through lower interest rate, HUD would sell the condos in installment for 3-5 years. Interest rate then must be 6-8% per year.

For the villas and relatively large houses, HUD sells land to the buyers who then construct their houses themselves. There is a management company within HUD that does the permit procedures for the buyers, such as obtaining construction permit and Land Use Rights Certificate.

Pipeline Projects

HUD is planning similar projects in the same area including Dinh Cong Urban Development Project at the stage of F/S, Gia Lan Industrial Development and Yen So Commune Projects. They have numbers of smaller projects under 1 ha.

(2) Construction Corporation No.1(HCMC)

1) Profile

Construction Corporation No.1 is the largest corporation under the MOC. It is in charge of construction projects, manufacturing construction materials, mechanical process, consultancy services, etc.

The corporation is also authorized by the government as the developer of houses for Mekong Delta area.

2) Involvement in Housing and Urban Development

Construction Corporation No.1 is involved in the real estate development in HCMC and neighboring provinces and infrastructure projects in HCMC. Its participation into real estate and infrastructure businesses in HCMC is modest compared to the local construction companies. Currently the corporation has 10-15% of the market. The reason for this modest activity is finance, i.e. the lack of

money. Mieu Noi housing project of 10ha was approved five years ago but has completed only 70% until now. The corporation is involved in four projects of real estate and infrastructure development covering total of 50ha.

Often developers/investors know that money is to be in short at the planning stage of the project and tries to find financial source during the course of development. Developers have the preoccupation that real estate development is a long-term project. When the market was in fever the price was very high, therefore no problem emerges. On the contrary, when the market goes wrong many problems arise. Investors do not find enough money for 70% of the projects.

(3) Funding of MOC corporations

The financing source of MOC corporations includes: state budget; governmental preferential credit; corporation's own capital; loan from banks and other financial organizations and prepayment by the buyers.

1) State budget source

State budget is usually used for purposes of developing city level infrastructure, public facilities, or houses which would be used by the city for its purposes.

2) Preferential credit

Preferential credit is limited, and supplied only for the projects with high socio-economic benefits and encouraged by the state. The loan for each project is not to exceeded 20% of the total investment.

3) Loan from banks

Large project sometimes requires loans from banks. State banks can provide loans without collateral for the project by state-owned enterprises with good feasibility study results. Developers often claim that the interest rate of bank loan is too high for housing project, while banks often complain that loans to housing projects are not profitable enough.

4) Prepayment of buyers

One of the important financial sources for developers is the prepayment by the housing buyers. Often this prepayment is the main portion of funding for a project. That is why project attractive to buyers can mobilize capital quickly.

4.5.3. Corporation under People's Committee: RESCO(HCMC)

(1) Profile

RESCO is a state-owned corporation based on the Decree 91. Its function is to develop and sell housing and land. It develops new resettlement areas, urban areas and infrastructures(road and water, etc.)

RESCO has 16 subsidiary companies operating in the whole city area. RESCO is a corporation under HCMC People's Committee, but can operate outside the city. There are over 100 construction companies in HCMC and some of them are under MOC.

RESCO provides policy orientation and marketing strategies including encouragement of cooperation among subsidiary companies. Subsidiary companies are allowed to fund projects themselves. Yet, they must follow the instruction of RESCO. Depending on the size of project and fund, the companies may be required to get approval from RESCO.

RESCO's operation must make profit, though it, as a state-owned corporation, must be engaged in programs of HCMC People's Committee such as slum house clearance in the canal area and development of land allocated for new urban areas.

(2) Operation

In 1999, RESCO plans to develop 2,000 apartments for clearance project along the canal. Regarding housing for low-income people and construction through local budget, RESCO has between 40-50% share of the market, though it has only a few percent of the share in the total housing market of HCMC. Annual development of total new houses is 22-30 thousand units. Both private and state-owned companies participate in the development.

As a state-owned corporation, RESCO enjoys priority regarding the project of the city government. However, city government may not choose RESCO as a contractor, because every project requires bid to which construction companies attend.

Regarding RESCO's own investment, low-income house project constitutes 1/5-1/4 of its total investment. The number of this type of project is quite large, but their price is cheap. Selling price of the apartment for the canal project is US\$8,000-9,000/unit. An Phu is another famous project of RESCO's. RESECO currently has over 100 projects, but only few of them are implemented.

Most of housing projects develop houses for sale. Some companies are involved in the lease projects. However, usually lease fee is very low while depreciation time is long. Therefore, the companies cannot get capital back. Though leasing project is difficult, in the future, RESCO may consider leasing houses and apartment contingent upon the availability of financial sources.

RESCO develops 2,000 apartments and 2,000 private houses(land parcel only). For the private houses, RESCO provides infrastructure and develop lands. The prices

for these two kinds of housing projects are very different. Profit from private houses is three times as much as that from apartments.

(3) Funding

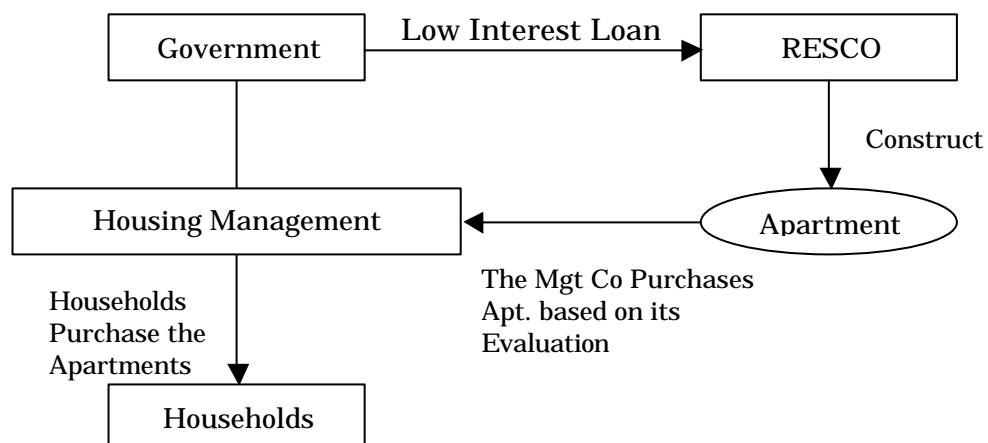
RESCO and its subsidiaries use their own capital and also borrow from banks. As RESCO is responsible for the companies, they need permission of RESCO before they sign the contracts or get a huge loan.

They borrow from domestic banks. Dependence on borrowing is contingent on circumstances. They sometimes have abundant money, and sometimes do not. In the latter case, they borrow from banks. Often there are offers from commercial banks, but RESCO and subsidiary companies themselves decide.

(4) The Benefit of State-Owned Corporation

City government provides incentives for state-owned corporation. Sometimes the government provides RESCO with low-interest loan(**Figure 4.2.**). For the projects like the slum clearance in the canal, the government buys houses from RESCO and resells the houses to the households.

When the Housing Management Company, a kind of public utility company, of the city government and RESCO do not reach the agreement on the value of the apartment, RESCO itself sells apartments directly to the public.



Source: Interview with RESCO

Figure 4.2. Transaction Scheme for Affordable Housing involving RESCO

4.6.PUBLIC HOUSING DEVELOPER

Public housing developers like those in Japan are not developed in Viet Nam. There are only some housing development companies under city's DHL. These companies, established in the past when the state supplied housing, mainly manage state-owned houses.

However, the establishment of housing development corporation specialising in housing development is under consideration by the Government and relevant authorities. These expected corporations are to help the achievement of the National Housing Development Program to the year 2010.

4.7.PRIVATE HOUSING DEVELOPER

The establishment of private construction companies has widen the source of housing supply. However the role of private companies is limited and not fully developed. A number of companies or private corporations participate in order to win the tender for industrial, civil or infrastructure construction works ordered by the State or households. In addition, there are hundreds of small-scale private shops involved in designing housing, brokerage and trading service, house for rent activities and construction material trading with supply of interior decorations.

However, large private construction companies are not really large scale business that can undertake big construction projects to supply houses for the market.

Besides, the state sponsored sector has some advantages in land allocation or lease for housing construction and business. According to regulations only state's companies have the right to receive leased land for house building for sale or for rent (Trinh Duy Luan & Nguyen Quang Vinh, 1997).

Normally, these private construction companies do not have much capital and due to the regulations, they still cannot contribute much to the housing development. These companies only participate in construction activities as contractors.

Joint venture companies also participate in housing development. The main purpose of those projects is the development of houses for lease. However, due to the economic crisis in Asia, foreign partners often withdrew from the project. Many project by joint venture company are at a standstill at this moment.

Approximately 200 private developers are registered in HCMC. They are usually small but very efficient.

4.8. RECOMMENDATIONS

Majority of housing is supplied through the self-building by people or inhabitant in both Hanoi and HCMC. Financing for those people to construct their own housing is to be expanded and improved. For this, mortgaging of the Land Use Rights Certificate is essential.

The involvement of large SOE developers is essential for the development of large residential areas. SOE developers are much dependent on funding from the public sector such as their own capital and budget of the People's Committee including Housing Fund. In order to increase their funding, bank loans have to be increased. Land Use Rights Certificate of the developers could serve as collateral. If developers can acquire certificate of the land they are going to develop, they can have loan from banks to construct housing structures making use of the certificate as collateral.

Land Use Rights Certificate of the land to be developed must be used as the collateral to borrow money from banks to build housing structures.

CHAPTER V HOUSING FINANCE

5.1. OVERVIEW OF HOUSING FINANCE

5.1.1. Formal and Informal Financing

Housing sector requires financing in two respects; that for housing developers and that for housing purchasers. The use of banks as a financial source is not very popular in Viet Nam, because developers are often state-owned enterprises with relatively abundant capital and purchasers prefer to use such informal financing as borrowing from friends and relatives.

According to "The Reports on Income, Savings and Credit for 1994 in Viet Nam" (UNDP State Planning Committee), only 1.99% of borrowing comes from private banks and only 17.53% from the state-owned banks. 55.50% is no interest borrowing from individuals and 21.98% borrowing with interest from individuals.

Developers often claim the terms of the loan from the commercial banks are not good enough for housing development project which is not very profitable. The duration of the long-term loan is usually 3-5 years, and the rate is usually higher than the rate of the borrowing from state institutions, such as Housing Fund and state-owned banks.

Housing purchasers do not like the cumbersome procedure requiring a lot of paper works associated with the bank loan or mortgage. They instead borrow from relatives and friends. Some expert calls this practice "moral guarantee lending" as opposed to mortgage that requires property as a collateral or guarantee.

The use of bank is considered more popular in HCMC than in Hanoi. For example, Housing Bank in HCMC has a much larger operation than Habubank in Hanoi.

Table 5.1. explains typical terms of loan in HCMC. The duration of the loans are very short. Regarding the loans for developers, banks allow up to only three year duration because they expect the developer to complete and start to sell houses in three years.

Table 5.1. Typical Terms of Bank Loans in HCMC

	Loan for Developers	Loan for House Buyers
Maximum sum of the loan	50% of the investment cost	
Duration	Short-term: 6 months Medium-Term ¹ : 2-3 years	7 years(10 years max)
Rate	0.8-0.9%/month(Soft Loan) 1.2%/month	0.8%/Month(Tael ² -based Loan)
Collateral	Assets of the developer, not including the land to be developed. The maximum loan amount does not exceed 70% of the value of the collateral.	Land Use Right Certificate Housing Ownership and Land Use Rights Certificate ³

Source: Interviews with banks

5.1.2. Mortgages

According to GDLA, the size of the mortgage market of Land Use Rights mortgaged to banks by 1999 included a total of Ten Thousand Billion VND. The use of mortgages is growing. However, at the same time the mortgage and real estate market are growing together, the number of problems of making, registering and collecting frozen debts on mortgages is also growing.

(1) Regulations of Mortgages

Under Vietnamese law, a number of security interests are available to banks and lenders to secure loans. Virtually all mortgages in Vietnam are made with Vietnamese banks because all land belongs to the State and mortgages are a new subject and the State must therefore manage both the mortgage and bank lending processes. The security interests possible under Vietnamese law include:

1. Mortgages (The Chap)
2. Pledges (Cam Co)
3. Deposits (Dat Coc, Ky Quy, or Ky Cuoc)
4. Guarantees (Bao Lanh)

(2) Limitations

The structure of Vietnamese Financial System is described in **Figure 5.1**. Mortgages over land, buildings and immovable property are typically undertaken with Vietnamese credit organizations, such as State Banks or Joint Stock Banks.

¹ Private commercial banks usually do not provide long-term loans for developers.

² Tael is the unit to signify the amount of gold. Houses are often traded in tael unit.

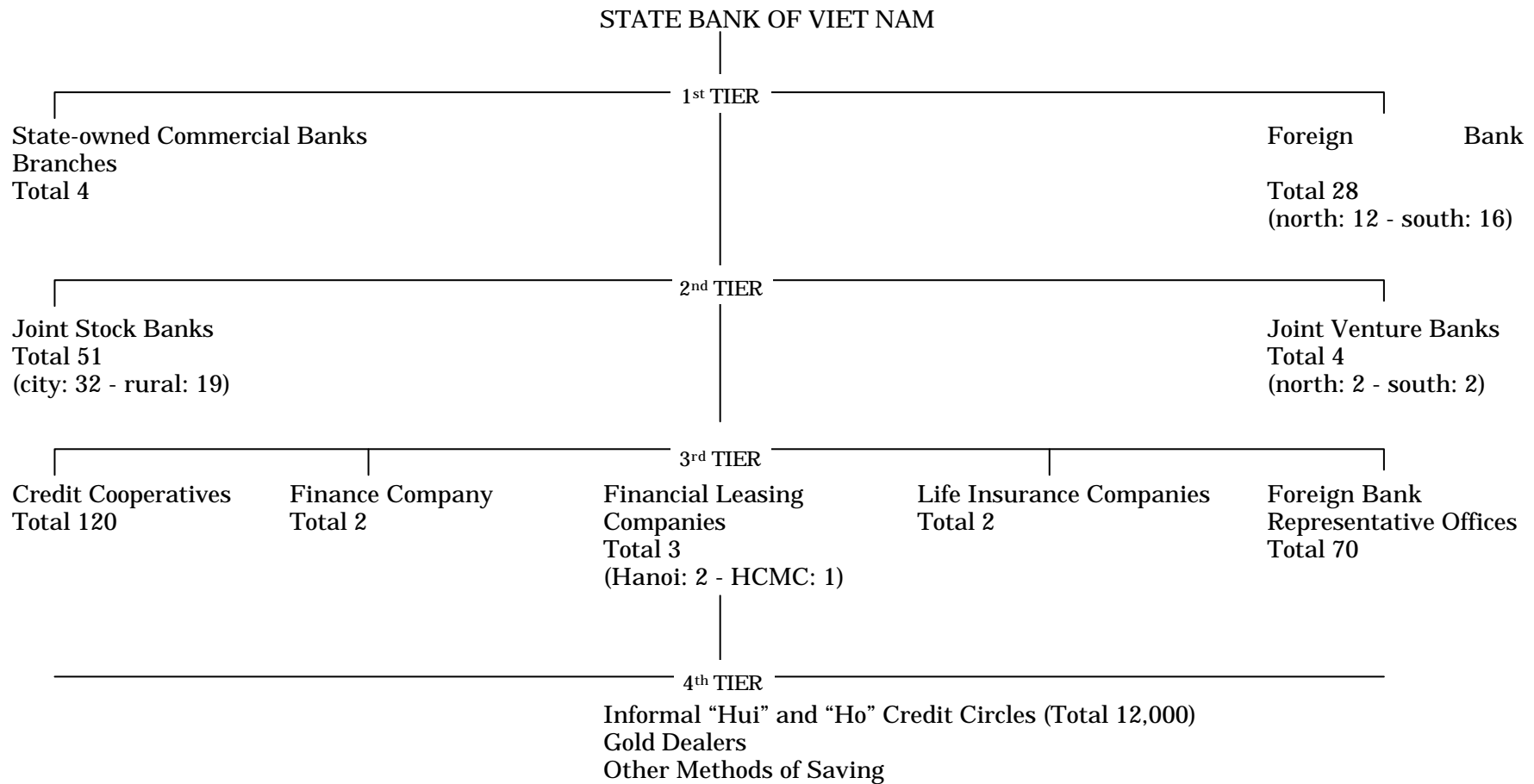
³ As explained in Chapt.3, there are two kinds of certificate.

Recognizing the need to encourage foreign investors to Viet Nam for important infrastructure projects in Viet Nam, Decree 62 and Decree 90 suggest that foreign lenders should have the ability to take immovable property as security, and the ability to transfer the Land Use Rights underlying this immovable property, in accordance with the laws of Viet Nam. However, in many areas, the regulations and legislation affecting mortgages remains unclear.

The 1998 Law on Land calls for mortgages to be limited to joint stock banks and state banks. The regulations by GDLA seem to conflict with intent of Decrees 62, 90, and 48, and also seem to conflict with the economic reality that the Vietnamese banking system lacks the necessary capital to support a healthy mortgage market.

Viet Nam has yet to have the registration system of mortgage. Current practice is that the bank takes the Land Use Right Certificate of the borrower together with the pledge letter to allow the bank to sell off the Land Use Right in case of default. HCMC has an auction center of real estate under the Justice Department. The center has been operating for two years.

Experts point out that this practice allows only one bank to provide mortgaged loan. Or, in some cases, banks provide loans based on the photocopies of the certificate. The banks do not know how many banks are lending based on the original and photocopies of that certificate.



Sources: Viet Nam Finance Ministry (1998)
ANZ Bank (1998)

Figure 5.1. Structure of Vietnamese Financial System

5.1.3. Difficulties with Financing Resources

For Viet Nam in 1999, the amount of money in the banking system available for lending to mortgaged real estate has been dramatically reduced due to the following statistics:

Table 5.2. Difficulties with Banking System

Source of Funds	1996	1997	1998	% Decline 1999
Gross Domestic Investment (%GDP):	29.5	27.0	20.0	(7.0%)
Gross Domestic Savings (%GDP):	17.7	20.0	15.6	(4.4%)
GDP Growth (GDP Decline: \$US 2.8 Bill.)	09.3	08.8	04.0	(4.8%)
Disbursed Foreign Direct Investment:	45.0	05.0	(60.0)	(60.0%)
(In 1998, Disbursed FDI was only \$600 million, compared with \$2.4 Bill. in 1997)				
Banking System Overdue Loans (% Loans)	(05.0)	(10.0)	(17.0)	(07.0%)
Remittances from Overseas Viet Nam:	10.0	(05.0)	05.0	+05.0%

Source: Memo for GDLA Workshop

Clearly, the ability of state banks to lend to mortgage borrowers is reduced due to 1) existing commitments to supporting state owned industries; 2) existing commitments to provide “moral guarantee” loans to Vietnamese households and businesses; 3) “frozen” and overdue debts which have already caused state banks to shut down or merge numerous joint stock banks in HCMC. There has also been a reduction in the value of land, and in the amount of money flowing into the Vietnamese economy, as indicated by the table above.

5.2.HOUSING FINANCE FACILITIES

Table 5.3. describes principal facilities for housing finance. Private banks often provide housing loan for relatively wealthy people. Housing Funds are the budget item of the People's Committee and disbursed mainly for the housing construction programs. HCMC has HIFU which is a public fund but commercially and autonomously operated.

Table 5.3. Principal Facilities for Housing Finance in Hanoi and HCMC

		Loans for				
		House Developers	House Buyers	Infrastructure Developers	Others	
State-owned Commercial Banks	VietinBank ⁴	++	++	++	+++	
	Agricultural Bank ⁵	++	++	++	+++	
Private Commercial Banks	Hanoi		+		+	
	HCMC	Housing Bank ⁷	++	++		+++
		Asia Commercial Bank	++	++		+++
Public Funds	Hanoi	Housing Fund	+++			
	HCMC	Housing Fund	+++			
		HIFU ⁸	++		+++	

+++ : active, ++ : involved and + : not very active

Source: Interviews with People's Committees, banks and funds

⁴ Bank for Investment and Development of Vietnam(BIDV)

⁵ Vietnam Bank for Agriculture and Rural Development(VBARD)

⁶ Hanoi Building Commercial Joint Stock Bank

⁷ Housing Development Commercial Joint Stock Bank

⁸ HCMC Investment Fund for Urban Development

5.3.HOUSING LOAN

The developers can borrow from state-owned banks or other credit organizations. However, these loans have high interest rate (loan in VND about 1.2%/ month), so it is not very affordable for housing project. The developer has to limit the reliance on bank loan as less as possible. The loan size allowed by the lender is also limited depending on the value of collateral.

5.3.1. The Government and the People's Committee

Depending on the project, the developer may ask the Government or People's Committee of cities for preferential credit with interest rate of 0.8%/ month when the project is encouraged. However, this is very limited and under 20% of total investment of the project.

The Government tries to provide enough loan for the development of urban infrastructure and public facilities or other facilities such as high story apartment, houses for low-income peoples, etc. However, the resource is limited and the Government cannot support much.

5.3.2. VietindeBank(BIDV)

(1) Profile

BIDV is the largest state-owned commercial and policy-based bank with 103 branches and four thousand staffs. The capital includes capital from the government (Charter Capital), capital for investment and development allocated by the government and no interest program under state investment, etc. It also acts as the agent for Trust Fund of aids from the government and ODA. BIDV does disbursement and collection. It provides bridge loan for ODA and guarantees the performance. It also plays the role of intermediate for two-step loans. When the bank was established in 1957, it was reconstruction bank and then it was transformed to BIDV.

(2) The Activities

BIDV has the commercial bank function. It takes deposit and provides loan to individuals and private companies on short-term basis. After the Asian economic crisis in 1997, there is a concern about the collateral and the bank is cautious about the risk. The share of individual customers had been 10-15% but it was only 10% in 1997. The bank's main customer is state-owned companies including Decree 90 corporations.

BIDV provides guarantee. There was a decree in 1998 regarding state-owned sector and project with good F/S does not require collateral. Regarding the private sector, the bank shall take collateral.

(3) Urban and Housing Development Sector

BIDV has a couple of programs for housing. It amounts to 14 thousand bill. VND and constitutes 10% of all loans in 1997.

1) Housing saving and loan to customers for housing purchase.

This program was initiated in 1996 for individuals. There were not many customers in 1997, as housing price dropped due to financial crisis.

2) Loan for housing development program.

BIDV provides loan for such projects as Bac Linh Dam in Hanoi, in HCMC and some other big cities. The duration of the loan is usually 3-5 years and rarely 10 years. There are limited cases of loan over 10 years for such project as highway and transport. Also, the bank receives grant from MOF and MPI, since such project as highway upgrade demands ODA, government grant and soft loans.

3) Working loans and commercial loans for fixed assets for customers.

Regarding industrial zones in the South, BIDV provides commercial loan for Viet Nam-Singapore Joint Venture. It also provides guarantee for Vietnamese partner(share investment).

The Hanoi branch is interested in the loan to the southern urban area. However these project can easily take 10 years for relocation. BIDV is accustomed to industrial and infrastructure projects. Housing sector is relatively new, although it has willingness in this field.

BIDV has an experience as an agent of ODA. Initially, it provides grant, then soft loans. It had become commercial bank and then became policy-based bank providing soft loans. It now also act as Trust Fund.

5.3.3. Joint-Stock Commercial Banks

The developers can also ask commercial bank for loan. These banks are operated under regulations of the state bank of Viet Nam so the qualifications of borrower and loan interest are equal to those of state-owned banks.

In 1989, three banks regarding housing were established. The bank in Hai Phong went bankrupt. The bank in Hanoi(Habubank) is still existent, but currently focuses on non-housing sector. Housing bank of HCMC still has housing programs and is in charge of housing development program instructed by the People's Committee.

(1) Hanoi Building Joint-Stock Commercial Bank(Habubank)

1) Profile

Habubank is a commercial joint-stock company. It is relatively a small bank providing supporting services to real estate payment. The service menu is

explained in **Table 5.4.**, and its main function is not necessarily the provision of housing loan.

The purpose of the bank is to reduce the risks in the housing payment and to act as a reliable agent via buyer's opening of special account. In the case of dispute, the bank plays the role of reconciler.

Table 5.4. The Service Menu of Habubank

1. Consultancy in buying, selling, payment and legal procedure on land and house
2. Provision of financial assistance to buying and selling of houses under collateral in credit organization
3. Authorization of payment for buying or selling of houses and other property
4. Provision of partial fund to buy house

Source: Habubank advertisement material

2) Capital

The amount of capital is not disclosed, though the bank is small anyway.

3) Services and Lending in Housing Sector

There is a high demand for housing in Hanoi, and Habunank is providing services to meet the demand in the circumstances described in **Table 5.5.** Seller lists houses to be sold at the bank and the buyers look for houses in the list. When the seller and buyer agree, the buyer deposits certain amount of money in the bank while the bank prepares legal documents for the transaction. The bank makes profit out of the services provided to the buyers (**Table 5.6., Table 5.7.**).

The bank can provide additional loans up to 30% of the housing price to the buyer when s/he prepares remaining 70%. Total loan disbursement by the Office No.1. is about 1 bill. VND. In such a case, the bank keeps all the documents regarding the transaction as collateral, including the Land Use Rights Certificate. In the event of default, the bank confiscates the house and land, making use of the documents it keeps.

The duration of the loan is one year and the rate is the same as the ordinary rate of the bank. In 1998, there are 30 cases of housing transaction in the Office No.1 of the bank. Approximately 10% of the customer of the bank actually completes the transaction.

Table 5.5. Habubank Housing Service Advertisement

From February 20, 1998, Habubank provides services, transaction, assistance for housing payment

- + When a house seller is unsure about the financial capacity and mode of payment of the buyer of the house-an asset of value
- + When the buyer of real estate is hesitant to pay the seller as the procedure to transfer the ownership has not been completed
- + When the buyer have not yet enough money to buy the house he likes
- + When the seller seeks potential buyer. The seller wants to sell the house as high as possible with the most convenient mode of payment
- + When the buyer and the seller need help in doing all procedures for transfer of ownership

Source: Habubank advertisement material

Table 5.6. Habubank Service Charge

PARTIAL FINANCIAL ASSISTANCE FOR PAYMENT OF ASSET
(under the decision No 99/HBB and decision 112/HBB of the Management Board of the
Joint-stock Commercial Bank on Housing of Hanoi)

Unit : Vietnamese Dong

	Service	Service charge
I	Payment on buying and selling real estate though bank	2%
II	Partial financial assistance to buying and selling house 1.Registering of selling and buying houses through bank 2.Buying and selling houses through bank a. Payment value under 100 ounces of gold b. Payment value more than 100 ounces of gold c.	100,000 Free of charge
III	Provision of current legal information on real estate Provision of information of prices on the market of real estate	Free of charge Free of charge
IV	Completion of legal document* 1. Transfer of legal ownership 2. Completion of legal document of real estate	3,000,000 Based of real payment
VI	Partial financial assistance for payment of real estate 1. Total amount of loan 2. Lending interest rate 3. Loan duration	< 30% of the value of real estate paid through the Bank Under current decision on Lending interest rate of HBB < 12 months
VII	Other services 1. Showing buyers houses in the 4 inner district of Hanoi 2. Showing buyers in the extended areas of Hanoi	10,000 15,000

The charge can vary according to the complexity of the contract and the location of the real estate

Note :

1. Forms to fill when house or buying house of collaborators of the bank are free of charge.
2. Forms to fill when or buying houses of construction companies, urban development project of Hanoi or adjacent provinces are free of charge.

Source: Habubank advertisement material

Table 5.7. Service on Partial Financial Assistance to Buying and Selling of Real Estate (Habubank)

<p>RIGHTS ON PAYMENT</p> <ul style="list-style-type: none"> + Receiving payment on buying or selling houses on time (with assistance of the Bank) + Minimizing risks in payment + Receiving assistance from the Bank on completing legal procedures + Receiving loans to pay part of the house price or repair houses <p>PROCEDURE ON BUYING AND SELLING HOUSE</p> <ul style="list-style-type: none"> + After the two sides agree on house buying and selling, the two sides will prepare “An agreement” which includes the schedule of payment, and level of compensation of both sides in the case of unilateral default. This agreement is registered at the Bank. + The buyer will open “special account” and authorizes the bank to make the payment to the seller. + Observing the payment schedule and conditions agreed by two sides in the agreement, the buyer will make a deposit on the special account. + Based to the payment schedule and conditions as mentioned above the Bank will make payment to the seller on time and on right conditions. <p>MAIN CONTENT OF THE AGREEMENT</p> <ul style="list-style-type: none"> + Agreement on the opening of an account at the Join-stock Commercial Housing Bank of Hanoi and authorization of the bank to make payment + Agreement on the schedule and conditions of each payment + Agreement on the amount of each payment + Agreement on penalty when any side does not observe all conditions agreed upon + Agreement on settlement if one side faces loss of right or goes bankrupt + Agreement on house that faces disaster during the buying and selling process
<p>RESPONSIBILITIES OF THE BANK</p> <ul style="list-style-type: none"> + The bank will strictly abide by the Agreement registered at the Bank, inform, give guidance and supervise both sides to observe the payment schedule and conditions. + During the process of payment, if there is any disputes between the two sides, the Bank will help in conciliation. Once these disputes are settled, The Bank will continue the payment in the spirit of settlement agreed by both sides. + The Bank has no responsibilities to implement any agreements between the two sides that is not registered beforehand in the bank. <p>THE BANK OF ALL HOUSES THAT PROVIDES</p> <ul style="list-style-type: none"> + Consultancy in buying, selling, payment and legal procedure on land and house + Provision of financial assistance to buying and selling of houses under collateral in credit organization + Authorization of payment for buying or selling of houses and other property + Provision of partial fund to bury house <p>WITH the aims :</p> <p>To minimize risks in payment, to act as a reliable bank for the buyer and sellers through the opening of a special account in the bank. If the two sides have any disputes, the bank will play a role of a conciliator.</p>

Source: Habubank advertisement material

(2) Housing Development Commercial Joint Stock Bank(Housing Bank, HCMC)

1) Profile

Housing Bank is a joint-stock bank with 100 staffs. The government approved the license based on the proposal the bank submitted regarding its establishment as bank for housing development. The bank's operation area is limited to HCMC due to the decision by the shareholders.

2) Capital

State-owned companies have contributed up to 80% of the bank's capital. Most shareholders are construction companies. Others include individuals and private companies. The bank takes deposit from state-owned companies and public people. The bank must offer reasonable interest rate for public people. As the bank relies much of deposit on the public people, its financial cost is relatively high.

3) Lending in Housing Sector

Housing bank lends to all industries. 40% goes to construction and building material industries. Among which, 30% goes to development projects and 10% to individual house buyers. Remaining 60% goes to other sectors. In 1998, lending for housing sector was 200 bill. VND. Collateral and mortgage is popular in HCMC. Housing bank has little frozen debt and, in case of default, they can auction properties.

HCMC People's Committee has projects for low-income people such as government servants. Housing bank is involved in resettlement projects along the canal and lends money to construction companies. The return for the bank from such projects is low, while the interest rate the bank offers is not so high. Therefore, profit margin is very thin and the projects are just marginally profitable. The bank still needs to be involved in housing sector because it is a housing bank and established that way.

Other projects include An Phu project 6 km from the city center. This is a housing project for average and high income people and taken care by the housing development company of the city. For the Villas project for rich people, the bank both invests and lends. Regarding the construction of residential area for low-income people, the bank provides loans for 3-5 years in installment.

The bank is involved basically in the housing project supported by HCMC People's Committee.

4) Project by the HCMC People's Committee

Before the lending, the F/S must be approved by the authority. Then the bank takes guarantee from such upper organization of the borrowers as People's Committee. For the construction project, the loan is short-term.

Usually, construction companies borrow from the bank. Upon the completion and inspection of the project's quality, the developer pays the construction company which in turn pays back to the bank.

5) Difficulties

Main difficulties include lack of capital and low rate of return. The funding of the bank is dependent on two sectors; people and companies. For people, the bank offers high interest rate and for companies low interest rate on their contribution. Through the mix of two sources, the bank achieves a fairly reasonable interest rate, which is a bit higher than the rate of the state bank.

The bank wishes to support the housing sector, but low profit margin is the problem. RESCO became one of the bank's shareholders and the bank expects the money from RESCO would serve to reduce the financial cost.

6) Ancillary Services for House Sellers and Buyers

Brokerage and Loan

The bank has the Department of Housing Trading Service which plays the role of broker between housing buyers and sellers. Upon the agreement between buyer and seller, the buyer deposits gold in the bank. The bank does the paper work on behalf of them and acquires the certificate of transaction from the notary and Land Use Rights Certificate.

If the buyer needs loan, the bank takes these documents as collateral. The sum of the loan is up to 50% of the housing price. Buyers must pay certain down payment anyway. Bank would lend up to 60-70% of appraisal value of the house.

This is relatively a new service, and during the 2-year service period, there were 10 thousand cases of housing transactions. The bank gets 1) service charge for doing transaction procedure, 2) rewards for successful transaction settlement and 3) interest rate when providing loan.

Real Estate Trade Center and Consultancy Services

Individuals wishing to buy housing register house of hope specifying size, location, quality and architecture. Sellers also register houses. The bank advertises registered houses for sale on newspapers.

The bank has in-house architects providing consultancy services regarding architecture, design and materials of construction projects.

(3) Asia Commercial Bank(ACB, HCMC)

1) Profile

60% of the ACB loan goes to trade-related businesses, 25% to agriculture and 15% to consumers. Consumer loans include loans for housing purchase, housing construction, and purchase of equipment and motorbikes.

In sum, 8-10% of the loan goes to housing. This ratio has been stable. ACB expects the growth of consumer loans as Vietnamese will become richer.

2) Lending in Housing Sector

ACB has virtually no business with state-owned construction companies. ACB considers this due to relatively high interest rate it offers as a private commercial bank. ACB's rate is 1.1%/month while Vietinbank's rate is 0.9%/month.

As far as ACB knows construction companies involved in the People's Committee's housing projects borrow from Housing Fund and HIFU not from private banks. Vietinbank recently provided bridge loan.

ACB offers construction loans for private construction companies. Duration is usually three years. Collateral is the assets of the developer not including the land to be developed. Maximum loan amount does not exceed the 70% of the value of the collateral.

ACB also offers mortgaged loan for housing purchasers. The common term is 0.8%/month, tael-based for 7 years. For both developers and purchasers, ACB provides up to 50% of the necessary cost.

3) Frozen Debt

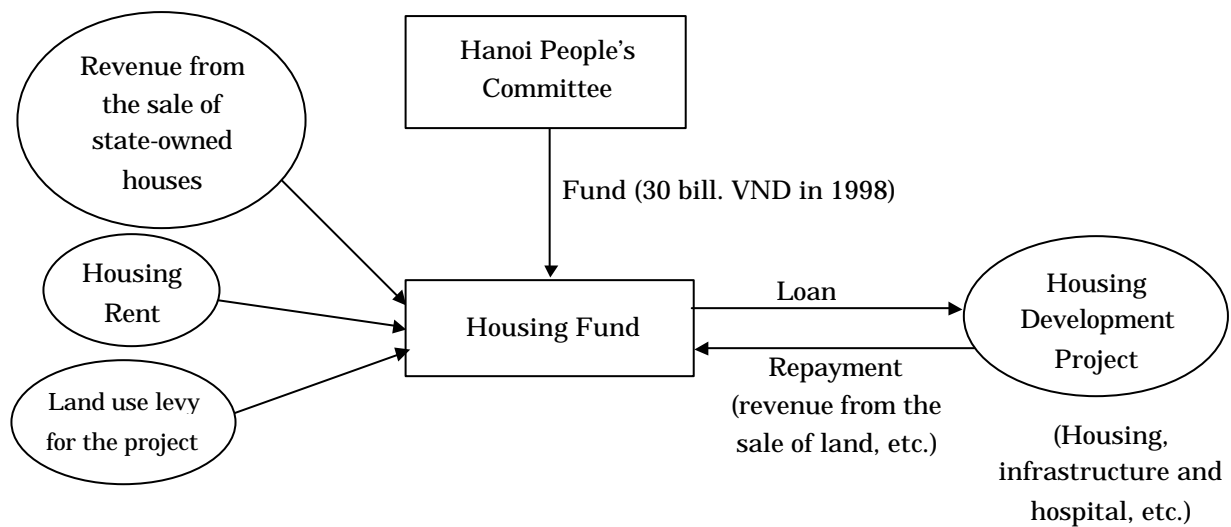
Frozen debt/bad loan is about 3.5%. This is inevitable because up to one year is required to sell off the mortgaged assets.

5.4.HOUSING FUNDS AND INVESTMENT FUND

Housing fund is encouraged in "Ordinance on Housing of the State Council, dated March 26,1991." Also, one of the main solutions proposed in the National Strategy of Housing Development is establishment of Housing Development Fund.

5.4.1. Hanoi Housing Fund

Hanoi Housing Fund is operational on pilot basis(**Figure 5.1.**). The fund is a part of the People's Committee's budget and managed by the Department of Finance. HPC has contributed 30 bill. VND for the operation of this fund in 1998. If the fund operates successfully, the city will contribute more money to it.



Source: Interview with Hanoi HLD

Figure 5. 2. Scheme for Hanoi Housing Fund

5.4.2. HCMC Housing Fund

(1) Profile

Housing fund is a budget item of the city and not an organization. Revenue for the fund includes; proceeds from the sale of state-owned houses, proceeds from the sale of housing in canal area, installment payment that has started before 1975, and lease fee from city-owned housing and warehouses, etc.

Annual budget of the fund is 800-1,000 bill. VND.

(2) Operation

Housing fund is within the city's budget. There are two ways of disbursement; provided money(grant) and loan. Department of Finance decides the allocation of the fund. Often provided money goes to infrastructure and compensation, and loans go to housing construction.

5.4.3. HCMC Investment Fund for Urban Development(HIFU)

(1) Profile

HIFU is a state financial institution established by the order of the Prime Minister in 1997. It started operation in the middle of 1997. HIFU is neither an enterprise nor a bank. As of 1999, HIFU has the capital of 1,500 bill. VND. Of it, 600

bill. VND is entrusted by the fund manager of HCMC, 500 bill. VND is equity and 400 bill. VND is mobilized by HIFU.

The fund entrusted by city is managed by the order of the city. HIFU submits a proposal to the city and gets management fee. HIFU eventually pays back to the city.

HIFU is established for long/middle-term fund mobilization and project-based investment. HCMC gets money from the sale of state-owned houses and HCMC fund manager entrusts HIFU with the money for disbursement and recovery.

Banks are invited to co-finance. However, only good project can get co-finance.

(2) Projects

HIFU has a record of one and half year operation and investment of 1,200 bill.VND with the main focus on key infrastructure projects in HCMC.

1) Key infrastructure; transport and roads

Nhu Long Canal

Nhu Long Canal project includes renovation of the canal, transport road along the canal and the relocation of the people to new area. It is the biggest project and HIFU has already invested 600 bill. VND. HIFU's lending is free-interest and the project continues until the middle of 1999.

Compensation fee is used for house clearance. After the clearance, part of land is used for public works and the other is reserved for sale. Investment is recouped from the sale of the land.

Dien Bien Phu Street and Inner City Road

Another project regarding the investment in main transport is the upgrade of Dien Bien Phu street. The project is to double the capacity of Saigon Bridge and the connecting road. The other is inner city road with the investment of 350 bill. VND. The phase 1 costs 90 bill. VND for the relocation of people, i.e. compensation fee. The project finishes in 2000.

Extension of Lethanh Ton Street

This is to connect the inner city and the right side of Saigon River. So far half of the road is complete and the remainder is to complete in 1999. The sum of remaining investment is 120 bill. VND.

Hung Vuong Road

This is to connect HCMC and Mekong Delta area. HIFU has invested 80 bill. VND to relocate people along the road. 260 bill. VND is still to be mobilized to complete the road.

Low South Saigon Road

This is the combination of four road projects at feasibility study stage. It goes through connecting Cambodia and Nam Saigon. A lot of fund from overseas is needed to complete the projects.

2) Housing

In HCMC, the demand is low for the market of expensive housing, while the demand is high for low and middle class housing for laborers and workers. Developers usually invest in land and do not build houses. Therefore, HIFU has the policy to investment in housing construction for workers and poor people sold in installment.

HIFU is working with SEP(Saigon Export Process Zone) Management Board, considering housing area for industrial zones. Projects include Tan Tauan Export Process Zone and Linh Trung Industrial Park. They will build houses and sell to the factory workers in installment policy. Buyers are expected to pay 50% up front and remaining 50% in five-year period. The value of house is 100 mill. VND. HIFU and SEP are considering high-class housing for managers and experts, too.

3) Industrial Development

HIFU leases factories inside the industrial zones to companies, especially when they relocate from the inner city. When the site is developed and leased to the company for forty years, HIFU leases the factory and Vietinbank leases the equipment. Projects includes Le Minh Xuan Industrial Park, Tan Tao Industrial Zone and Cu Chi North West Industrial Park.

(3) Capital

The government entrusted HIFU with 500 bill. VND as activity capital. It also mobilize capital and invest the money. The principle is that the recovery of the direct investment and indirect investment(loan) is necessary. The minimum requirement is the recovery of the principal.

(4) Lending/Investment Policy

HIFU invests and lends to the development project. For the lending, i.e. indirect investment, HIFU has a multi-form policy regarding interest rate. The duration of the loan is usually 5-7 years.

1) Free interest rate

Principal recovery only and for the duration of 1-2 years. Repayment starts soon after the completion of the construction. Projects include canal renovation.

2) Preferential Interest Rate/Soft Loan

The projects include; building houses for low-income people, factory in industrial parks and export production and high-tech companies. The rate is 0.85%-1% per month. The duration is 3-5 years with not too long grace period. Grace period is usually 3- 6 months up to one year.

3) Market Interest Rate

For investment, HIFU participates in Joint-Ventures and BCC with local & foreign partners. HIFU holds the share of the Housing Bank and RESCO. For the direct investment, HIFU has the target IRR of 15-17%/year. However, the cost of capital is also around 15%/year.

(5) Fund Mobilization Policy

HIFU usually analyses the project and organizes co-financing by banks. Mobilization strategy varies depending on project. Municipal bond is utilized for Le Thanh Ton project. Mobilization is project-based, because each project has its own cycles, revenue stream and different effectiveness.

Figure 5.3. is the overall structure of development scheme of affordable housing in HCMC including SOE developers, banks and funds.

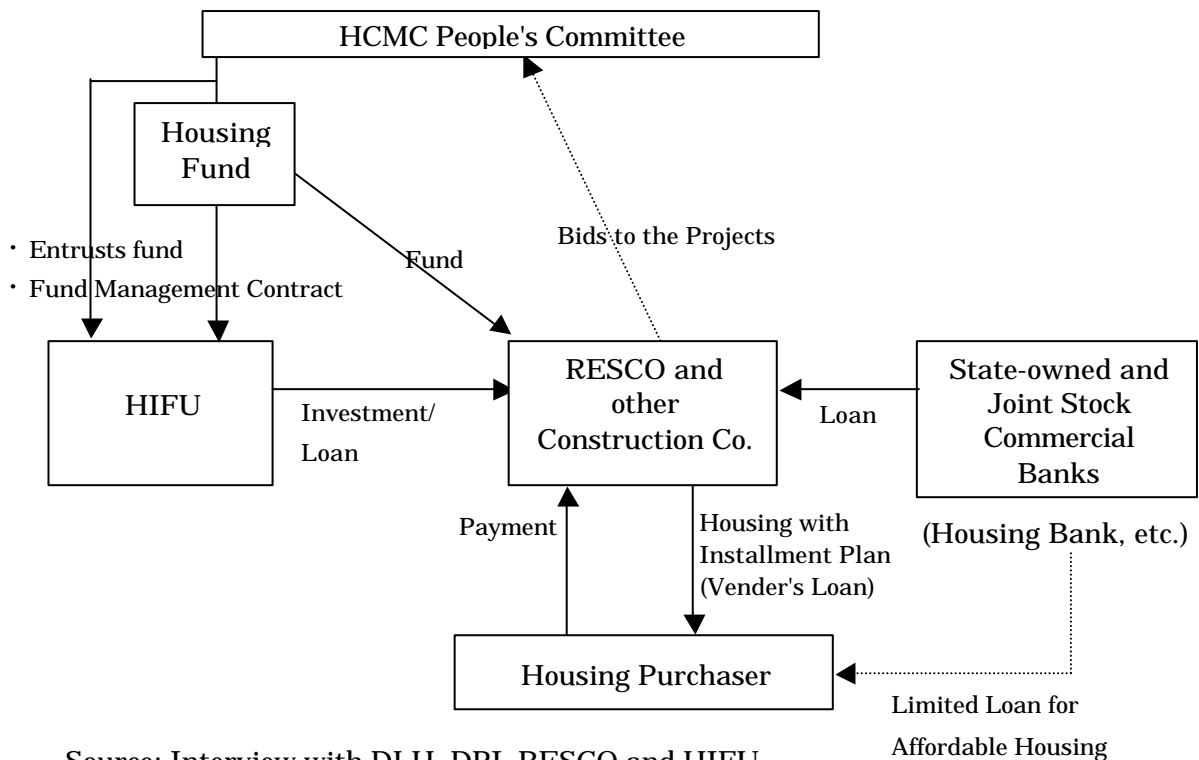


Figure 5.3. Development Scheme for Affordable Housing Projects in HCMC

5.5. RECOMMENDATIONS

As the fund of the public sector such as Housing Fund is not satisfactory to finance the vast amount of housing construction necessary in Viet Nam, bank loans must be expanded. Yet, the capacity of private banks such as Joint Stock Bank is limited and they cannot effectively provide loans for housing.

The development of overall housing finance market is essential in Viet Nam from now. Especially, following must be considered.

- Improving the capacity of private banks to handle mortgage.
- Introducing refinancing institutions such as Fannie Mae in the U.S. to relieve the liquidity risk of banks in providing housing loan.

APPENDIX

APPENDIX 1. LAND ACQUISITION AND COMPENSATION

A.1.1. Government Appropriation of Land

(1) The Government Right to Take Lands

The Government can take lands from organizations, households, persons when such lands are needed for the national defence, security and public benefit purposes. Those include:

- 1) Land for national defence and security purposes.
- 2) Land for national and public benefit purposes, consisting of:
 - construction of technical and social infrastructure systems and facilities such as roads, bridges, rivers, lakes, schools, hospitals, etc;
 - construction of offices of state authorities, agencies and political and social organizations;
 - investment projects such as processing and industrial zones, recreation and entertainment areas, etc;
 - development of new urban areas, residential areas determined by proper authorities;
 - other purposes and special purposes decided by the Prime Minister;
 - construction of public or non-profit facilities of local authorities determined by the People's Committee.

(2) The Regulations

Decree No.90/CP on the compensation for appropriation of land for defence, security or national and public interest (17 Aug. 1994) was issued at the time when there was an urgent need for resolving disputes on land acquisition and compensation for loss of land after the issuance of the new Land Law. However, it could not keep pace with the rapid change of the Vietnamese society in the early 1990s, and problems on compensation for loss of land still arose.

This Decree was succeeded by Decree No.22/1998/ND-CP issued on 24 Apr. 1998. Compared with Decree 90/CP, it contains relatively detailed provisions on compensation and resettlement. People's Committee of the city issues decisions to supplement the decrees. Hanoi has "Decision No.20/1998/QD-UB dated June 30, 1998 issued by the Hanoi People's Committee providing the details on the compensation of land needed for public works inside Hanoi area."

A.1.2. Compensation

Decree No.22/1998/ND-CP provides who are to be compensated for what, and who shall compensate them.

(1) Eligibility

Regarding the entities who are entitled to receive compensation, the Decree states: Domestic organization, households and individuals whose lands are appropriated (“the land loser”) by the State for the purposes of national defence, security, national interests and public interests, and have eligible qualification as stipulated in Article 6 of this Decree, are entitled to receive compensation for loss of lands and damage of properties associated with these lands (Article 3, Clause 1).

The entities who are entitled to receive compensation for the damages in the properties associated with the appropriated land must be the legal owners of these properties (Article 3, Clause 2).

Eligible land losers must meet one of the following conditions :

- 1) having land use right certificate or document of land use right transfer in accordance with laws;
- 2) having decision of land allocation or land lease by the proper state authorities in accordance with laws;
- 3) having other legal documents such as decision by the court or purchase document of the ex-state owned house, etc.
- 4) in case, there are no document as stated above, land losers will be compensated only when they have documents proving that they have used such land before 15 October, 1993.
- 5) If there are no documents, the People’s Committee of the city may assist such people in some ways depending on the situations. Such land occupiers may obtain some compensation for removal purpose only.

(2) Compensation and Ho Khau

HCMC compensates even those without Ho Khau in HCMC, i.e. illegal residents. The sum of compensation varies depending on the status of registration and acquisition of construction permit(**Table A.1.**).

Table A.1. Sum of Compensation for Illegal Residents in HCMC

		Ho Khau	
		Registered	Not Registered
Construction Permit	Acquired	100%	40%
	Not Acquired	60%	

Source: DPI

(3) Coverage

The compensation consists of:

- 1) Compensation for loss of lands which are completely appropriated, as stipulated in Chapter II of this Decree;
- 2) Compensation for existing properties, including technical infrastructures associated with the appropriated land;
- 3) Living allowances and production allowances to the entities who have to relocate the dwelling and the facilities using for production, business, etc;
- 4) Assistant fees for the persons who have to change their professions due to the appropriation of existing lands;
- 5) Expenses for the works for the implementation of the compensation, the resettlement, ground clearing.

(4) Compensation Responsibility

Regarding entities who have to make the compensations, the Decree states: Domestic/foreign organizations and individuals who are allocated or leased lands (“the land users”) by the State for use of these lands in purposes stipulated in Article 1 of this Decree, shall have to pay compensation for the loss of lands and the damage of properties associated with these lands.

(5) Compensation Items

The compensation items to be considered in case of projects requiring the acquisition of lands in the urban residential area in the cities are summarised as in **Table A.2.**

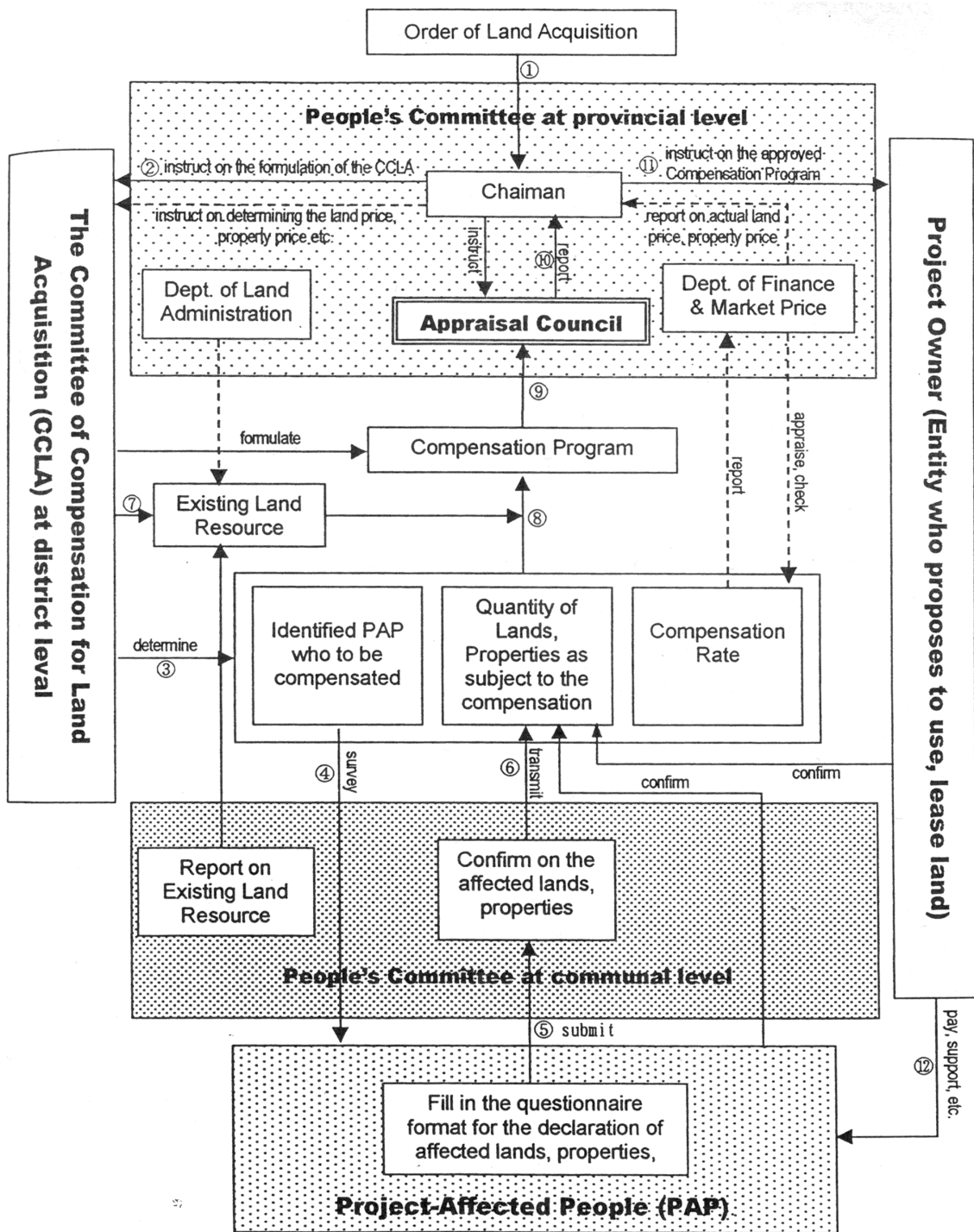
Table A.2. Compensation Items for Loss of Urban Residential Lands in the Cities

<p>(1) Compensation for Lands Lost (Note 1):</p> <ol style="list-style-type: none"> 1) Compensation in cash 2) Compensation in house at resettlement sites 3) Compensation in land at resettlement sites 4) Compensation in land at areas outside of the urban area (Note 2) <p>Note 1) In case of projects located in the urban areas of cities of Class I and Class II, the compensation is limited in cash or in house at resettlement sites.</p> <p>2) In ease of compensation in land at areas outside of the urban area, the compensation amount wilt be added with an amount equivalent to 10% of the common amount.</p>
<p>(2) Compensation for Properties Lost:</p> <ol style="list-style-type: none"> 1) Compensation in cash for properties lost, at actual market price at the time being. 2) Assistance in cash for the dismantlement and relocation of houses, structures.(Note 1) <p>Note 1) Assistance for dismantlement and relocation of houses, structures, is 1,000,000-3,000,000 VND in case of relocation within the province, and is 3,000,000-5,000,000 VND in case of relocation to outside of the province. The actual amount shall be determined by the PPC.</p>
<p>(3) Assistance for Stabilizing the Productive Activities and Livelihood:</p> <ol style="list-style-type: none"> 1) Assistance in cash an amount equivalent to: 30 kg of rice at actual market price 6 months for one household member (Note 1). 2) Assistance during the suspending time in operation of enterprise, in case of project-affected enterprise is forced to relocate. <p>Note 1) In case of big scale project which needs to use a large surface of land, the PAP who is forced to resettle in other provinces can receive the assistance during 1 year period.</p>
<p>(4) Assistance for changing means of livelihood:</p> <ol style="list-style-type: none"> 1) Assistance for carrying out the job training courses to the farmers who have to change means of livelihood due to the loss of cultivated land (Note 1). 2) Provide to the PAPS the priority to be recruited if it occurs the needs to recruit new employee of laborer during the project implementation and operation. <p>Note 1) The actual assistance amount shall be determined by the relevant PPC.</p>
<p>(5) Other assistance:</p> <ol style="list-style-type: none"> 1) Assistance to vulnerable PAPS (Note 1). 2) Bounty to PAP who undertook the relocation before the time limit set by the CCLA's plan (Note 2). <p>Note 1) An amount of 1,000.000 VND shall be provided to PAP who is member of family being receiving social allowances from the State.</p> <p>2) The maximum amount is 5.000,000 VND.</p>

Source: OECF(1999), Interim Report for SAPROF for Transport Infrastructure Development Project in HCMC in Socialist Republic of Viet Nam

A.1.3. The Procedure

Figure 3.3. shows the relevant organizations and the procedure related to the compensation for land acquisition with public interest in Viet Nam, according to the provisions of Decree N0.22/1988/ND-CP (24 Apr 1998), and other regulations relevant to the issues on compensation for land acquisition.



Source: OECF(1999)

Figure A.1. Organization and Procedure for Implementing Compensation Program (in a common case when the CCLA is formed at district level)

(1) Main Organizations in Charge of Implementing the Compensation Program

1) The Committee of Compensation for Land Appropriation (CCLA)

Based on the order of the competent State agency on the appropriation of land, and based on the size, characteristics and nature of each project, the People's Committee of the province or city under direct control of the central government shall instruct the districts, provincial towns and cities under its direct control to set up a CCLA at its level.

The CCLA shall support the local People's Committee to formulate and evaluate the compensation program (policy) for land appropriation, and submit to the Appraisal Council at the provincial level, then submit to the Chairman of the People's Committee of the province or city under direct control of the central government for approval and formulate the organization in charge of implementing the compensation according to the ratified program.

The CCLA shall be set up for each project and shall operate until the compensation program for this project had been fully implemented.

In case of necessity, the People's Committee of province or city under direct control of central government may set up a CCLA at the provincial level.

The members of the CCLA shall work and receive allowances according to the part-time regime. The actual levels of these allowances shall be determined by the Chairman of the People's Committee of the relevant province or city under direct control of the central government, taking into account of the recommendation of the Director of the Department of Finance and Market Price (Article 33. Clause 7 of Decree N0.22/1998/ND-CP).

2) The Appraisal Council

The Appraisal Council of the province of city under direct control of the central government should make the conclusion within 20 days after receiving the documents on compensation program submitted by the CCLA.

(2) Procedure for the Implementation of Compensation Program

As described in **Figure A.1.**, the procedure for implementing the Compensation Program is as following.

- 1) After the implementation of the project is approved (by the Prime Minister in common cases), an order on land acquisition is issued by competent authority and submitted to the Chairman of the PPC.
- 2) The Chairman of the PPC shall instruct the relevant agencies to set up the CCLA (Committee of Compensation for Land Acquisition).

- 3) The CCLA shall conduct the survey on lands and properties to be compensated, in order to set up the Compensation Program.
- 4) A kind of questionnaire formats shall be sent to the project-affected households. The CCLA shall instruct the project-affected households on the survey, method of filling in the questionnaire formats, etc.
- 5) The project-affected households shall fill in the questionnaire format to declare the information on their affected land (i.e. land area, land category, land type and location of the land), on the quantity of affected properties, livestock, plants, etc. existing on the affected lands, and send this questionnaire format to the relevant People's Committee of the commune, ward or township.
- 6) The People's Committee of the commune, ward or township shall confirm these questionnaire formats and send them to the CCLA at district level.
The CCLA shall carry out the investigation on the lands and properties to be compensated, based on the questionnaire format filled by the project-affected households, with the participation of the members of the project-affected households and representative of the land user (the entity being responsible for paying the compensation). Base on the result of this investigation, the quantities and characteristics of lands and properties to be compensated for each project-affected household shall be determined.
- 7) The Department of Land Administration shall coordinate with the People's Committee of the district, county, town, or city under direct control of province to investigate the land resource to be used for the compensation.
The People's Committee of the commune, ward or township shall make a report to the CCLA and the People's Committee at district level, on the actual situation of the land resource which can be used for compensation in the commune .
- 8) The CCLA shall make the determination on the total amount of compensation for the whole acquired land, the total amount of compensation for the whole properties existing on the acquired land, and other total amounts of compensation; as well as the determination on the levels of compensation and allowance and subsidy for each entity to be compensated, and formulate the proposed compensation program in which all of these factors are integrated .
- 9) The CCLA shall submit the proposed compensation program to:
 - a) The Appraisal Council at the provincial level, for appraising and submitting to the Chairman of the People's Committee of the province, city under direct control of the central government for approving, (in case that the CCLA is formulated at the district, county, city under direct control of the province);
 - b) The chairman of the People's Committee of the province, city under direct control of the central government, for approving (in case that the CCLA is

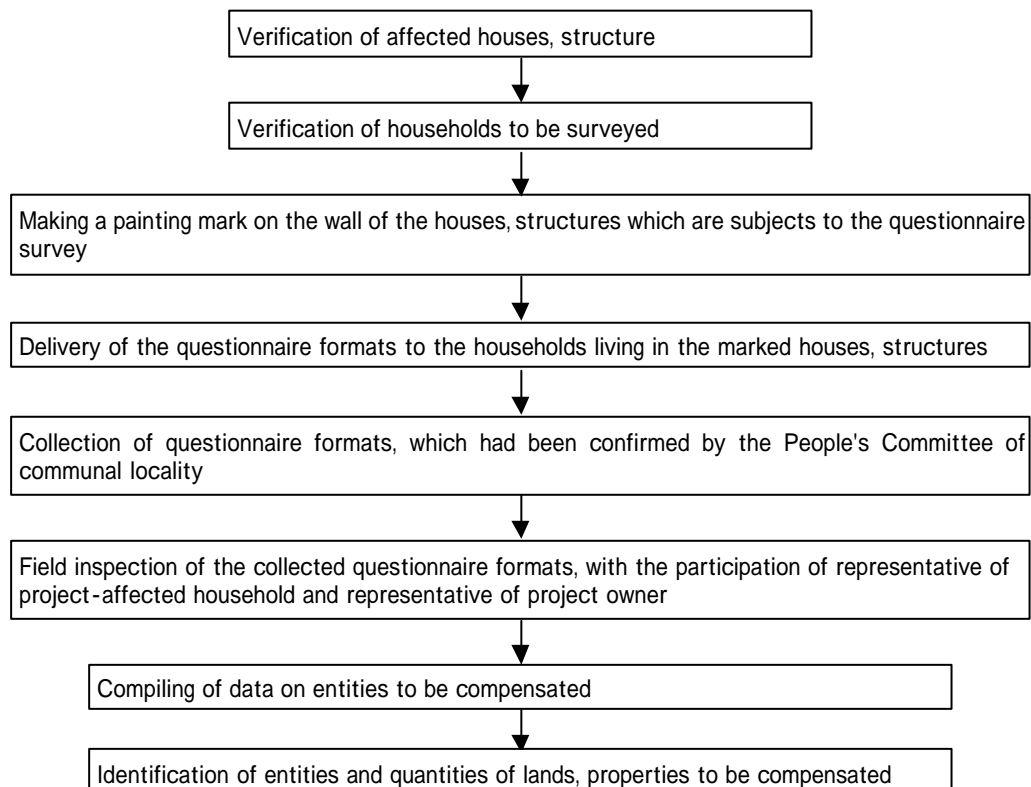
formed at the province, city under direct control of the central government).

- 10) The Appraisal Council shall appraise the Compensation Program submitted by the CCLA, and report to Chairman of PPC.
- 11) Based on the report submitted by the Appraisal Council, the Chairman of PPC shall make the approval of the Compensation Program, and instruct the Project Owner on its implementation.
- 12) According to the instruction of the Chairman of PPC, the Project Owner shall undertake the payment of compensation, allowances, etc. to the PAPs, and to the organizations in charge of implementing the Compensation Program.

(3) Verification of Project Affected People

In general, the first thing that the Chairman of the People's Committee at provincial level (PPC) has to do after receiving the Decision on Land Acquisition (usually from the central government) is to form a Committee of Compensation for Land Acquisition (CCLA). This CCLA is responsible for conducting surveys on the project-affected people, and set up the Compensation Program .

Figure A.2. shows the procedure. for conducting the survey on PAP.



Source: OECF(1999)

Figure A.2. Procedure for Conducting the Survey on PAP

(4) Calculation of Land Price

Circular No.145/1998/TT-BTC (4 Nov. 1998) on the application of Decree No.22/1998/ND-CP. explains in more detail about the methodology of determining the compensation rate, the expenditures required for the works related to the land acquisition, etc. Some important issues are summarised as followings:

- K factor described in the Article 8 of the Decree No.22-1998/ND-CP is a factor expresses the proportion of the relation between the actual land price with the land price determined by the People's Committee of province, city under direct control of central government (PPC). The calculation of actual land price is based on the productivity (ability to product benefits) of the land.
- The K factor as described in this Decree shall be applied for the calculation of the land price to be use for determining the compensation rate (according to Article 6 of Decree 22), and the amount of money to be paid to the State Budget. (according to Article 14 of Decree 22).
- The K factor to be. used for calculating the compensation rate shall be determined by the Chairman of the PPC for each project, after taken into consideration the recommendation of the Director of Department of Finance and Market Price, with the participation of other related agencies.
- Land price should be determined by the PPC, based on the land price frame given in the Decree 87-CP (14 Nov. 1994), and had been supplemented by Inter-Ministry-Circular No.94-TT/LB (14 Nov. 1994), Decree No.17-1998/ND-CP (21 Mar. 1998), and Decree No.302/TT (13 May 1998).
- Actual land price should be determined base on (1) the productivity (the ability to product. benefits) of the land, or (2) the land price at real market time (the land price when transferring the land at the present time, at the real market). In case of urban land, the land price at market time is determined as the average land price among the lands in the same street, at the same location.
- Land price to be used for the determination of compensation rate should be determined base on the land price approved by the PPC in accordance to the related regulations and multiply with the K factor.

(5) Construction of the Resettlement Zones

Base on the socio-economic development plan of the locality, on the actual size of the acquisition land, the remained land resource to be used for compensation, the number of families and individuals who have to relocate, -the People's Committee of the province or city under direct control of the central government decides, or entrust, the decision to the People's Committee of the district or town or city under direct control of the province, whether to resettle the PAPs at the concentrated resettlement zones or at dispersed areas (Article 28).

The construction of the resettlement, zones must be planned as a component of the investment project and must be ratified by the competent State agency as stipulated by the current effective regulations on investment and construction (Article 28).

The resettlement zones must be constructed in conformity with the land use plan of the locality, with the suitable standards and the norms for construction in urban or rural areas (Article 29, Clause 1).

The appropriate infrastructures required for a suitable residential land in the locality should be constructed at the resettlement zones before allocating the lands to the households and individuals (Article 29, Clause 2).

The financial source for the construction of the infrastructures of the resettlement zone consists of:

- a) The compensation paid by the project, owner for the damage of infrastructures at the appropriated area;
- b) The land resource which can be used as capital;
- c) The financial support provided by the entities who are allocated lands or leases lands. The amount of this financial support in actuality shall be determined by the People's Committee of the province or city under direct control of the central government, with the agreement of the entities who are allocated land or lease land;
- d) The subsidy came from the State budget;
- e) Other financial sources (Article 31)

APPENDIX 2.HOUSING CONDITION

A.2.1. Housing Condition Data

Population census of Viet Nam is being conducted for the fiscal 1999 with the assistance of UNDP and UNFPA and the result is to be published within a few years. This is the first census covering all households and not based on the sample data. The former census was conducted in 1989 based on the sample data. Both population census include housing census. Cities of Hanoi and HCM, MOC and independent researchers conducted population and housing surveys from time to time. But most of them are not published.

The Real Estate Trade Center of Housing Bank, HCMC commented that the housing market was still new to Vietnamese, and that information on housing was confusing and patch-worked. The center was established in response to the fact that no public sector organization is available to provide adequate information on housing.

(1) Population

According to the cities' statistics, average population is over 2.5 million in Hanoi and over 5 million in HCMC and is increasing in both cities(**Table A.3.**). The share of urban population is much larger in HCMC, while the share of agricultural population is larger in Hanoi.

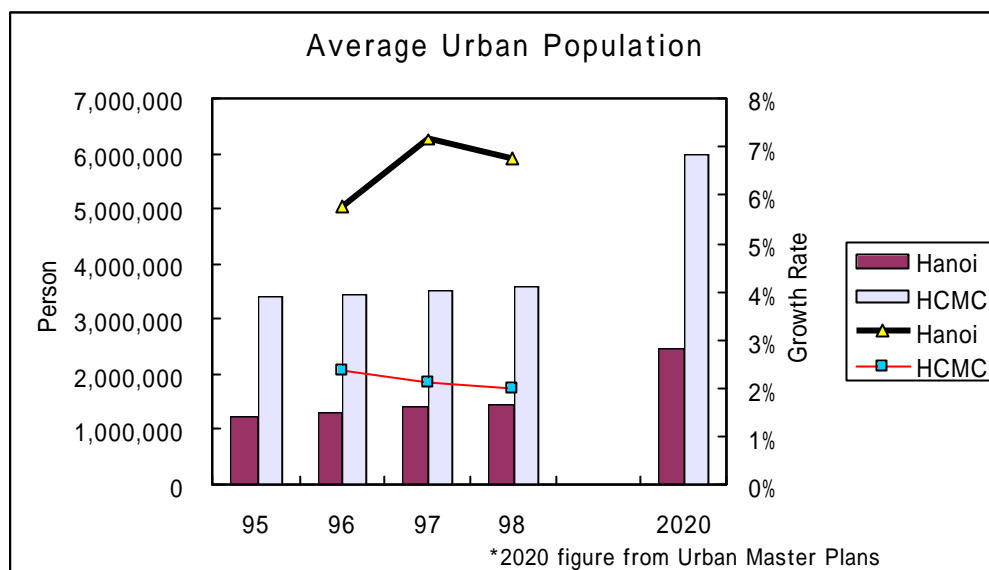
Table A.3. Average Population

		1995	1996	1997	1998
HANOI	Total(Person)	2,335,400	2,395,900	2,467,200	2,539,400
	Urban	1,221,200	1,291,600	1,384,200	1,477,500
	Rural	1,114,200	1,104,300	1,083,000	1,061,900
	Agriculture	751,500	767,400	799,800	815,300
	Non-agriculture	1,583,900	1,628,500	1,667,400	1,724,100
HO CHI MINH	Total(Person)	4,764,671	4,880,435	4,989,703	5,096,487
	Urban	3,386,488	3,466,891	3,541,040	3,611,701
	Rural	1,378,183	1,413,544	1,448,663	1,484,786
	Agriculture	496,362	482,916	467,212	450,082
	Non-agriculture	4,268,309	4,397,519	4,522,491	4,646,405

Source: Statistical Yearbook of both cities

The urban population of Hanoi and HCMC is increasing at the rate of over 6% and over 2% respectively in recent years(**Figure A.3.**). The urban development master plan

of respective city forecasts that the inner city population of Hanoi will be 2.5 millions and that of HCMC will be 6 to 6.5 millions in 2020.



Source: Statistical Yearbook of both cities

Figure A.3. Average Urban Population of Hanoi and HCMC

(2) Urban Housing Conditions

1) Floor Space

According to the statistical data published by the Ministry of Construction (Urban Housing Development and Management Programme)(**Table A.4.**), there are 81 million m² of housing floor in urban cities of Viet Nam, of which Hanoi City has 8 million. The average housing area per capita is 6.3 m² in HCMC larger than the national average of 5.8 m². Hanoi has a smaller area of 4.7 m².

Table A.4. Urban Housing in Viet Nam

Criteria	Unit	Hanoi	HCMC	Others	Total
Year 1996 :					
• Total floors	(mill. m ²)	8.0	26.0	47.0	81.0
• Average per capita	(m ² /person)	4.7	6.3	-	5.8
Year 2000 :					
• Total floors	(mill. m ²)	15.6	42.2	77.9	135.7
• Average per capita	(m ² /person)	6	7.2	-	6.5

Source: MOC

According to the Institute for Construction Economics, Ministry of Construction, November 1997, the unit size of majority of houses is less than 50 m²(**Table A.5.**). It is typical for Vietnamese households that two or three (even four) generations share the same place of living. In urban areas, housing is not only for living purpose, but may serve as income generation space. Hanoi Ancient Quarter (36 streets areas) is famous right for this traditional characteristics.

Table A.5. Distribution of Unit Sizes of Housing

Unit Size (m ²)	Share
Above 100	1%
80 ~ 100	5%
40 ~ 80	20 – 30%
20 ~ 40	– 70%

Source: MOC

2) Ownership and Structures

Hanoi has a larger proportion of housing under state ownership than the national average(**Table A.6.**). Similar data on HCMC was not available. Over half of housing stock is either semi-permanent or temporary(**Table A.7.**).

Table A.6. Urban Housing in Viet Nam & Hanoi

Total housing	Viet Nam		Hanoi	
	(1000 m ²)	%	(1000 m ²)	%
Total	81,000	100	12,000	100
Classified by stories				
- Low-rise building	73,000	90	10,000	81
- High-rise building	8,000	10	2,000	19
Classified by ownership				
- State ownership	24,000	30	5,000	42
- Other ownership	57,000	70	7,000	58
Classified by quality				
- Good	33,000	41	4,000	33
- Need to be repaired	45,000	56	7,400	62
- Need to be rebuilt	2,500	3	600	5

Source: IUTD

Table A.7. Types of Dwelling in Viet Nam Urban Areas

Types of Dwelling	%
Villa	0.21
Multi-story dwelling with own bathroom, kitchen & toilet	14.27
Multi-story dwelling with shared bathroom, kitchen & toilet	4.79
Permanent one-story dwelling with own bathroom, kitchen & toilet	7.60
Permanent one-story dwelling with shared bathroom, kitchen & toilet	12.19
Semi-permanent house	41.56
Temporary house	19.37
Total	100.00

Source : Living Standard Report by Ministry of Construction, 1997

(3) Typical Housing in the Different Income Strata

1) General Observation

The Poor

Houses for the poor are single storey, tiled roof public blocks which were built 30 years ago, and are now in poor condition. Residents are mainly laborers, small traders, and low salary cadres. Self repair is done on these flats to improve ventilation and the overall quality. Living conditions can be improved a little bit but the basic infrastructure and polluted environment are of little concern for the occupants. Apart from this, services such as transportation, health care, education and open space such as playgrounds, and green plants are not available.

The Middle Class

Houses for the middle class are the living quarters in high blocks, on public land lots or on land in the outskirts of the city. On land of 50-80m², a three or four story house is built according to the owner's design with fences, steel gates or a small yard. Such houses seems to be the "dream houses of Hanoi". Such housing offers better quality with basic infrastructure and city services, and open space (playground, green plant) that meets the demands of the owners.

The Rich

Houses for the rich are located in the central part of the city or in the outskirts. The location is usually convenient for business and is used either as an office or hotel. Modern designed houses and furniture are constructed and are worth billions of VND.

2) Hanoi

Prof. Tuong Lai cited a sociological sample survey on housing in Hanoi carried out in April 1997.

Residential Area-wise (Table A.8.)

In the central area majority rent houses from the government, while in suburban area the majority of people build houses by themselves.

Per Capita Income-wise (Table A.9.)

People with higher income live in better houses. But, even people with very high income often live in an apartment. Rent from government is about 30% throughout income strata.

Household-size-wise (Table A.10.)

There are no clear-cut trend showing larger households have larger housing.

Educational Level-wise (Table A.11.)

Obviously people with better education have better housing in terms of structure, number of rooms and utilities. People with the educational level of university graduate or better often rent housing from the government in Hanoi, possibly reflecting the fact that Hanoi is the capital.

Occupation (Table A.12.)

People with better jobs have better housing, The distribution pattern is similar to the case of educational level, possibly reflecting the fact that people with better education tend to have better occupation.

Table A.8. Housing Statistics By Residential Areas

	Area			Total
	Central	Intermediate	Suburban	
Type of house				
4 th grade, semi strong	10.0 %	26.0 %	10.0 %	15.3 %
Strong apartment	80.0 %	74.0 %	52.0 %	68.7 %
Apartment in residence house	6.0 %	.0 %	36.0 %	14.0 %
Private residence house	4.0 %	.0 %	2.0 %	2.0 %
Ownership				
No house	.0 %	.0 %	2.0 %	.7 %
Rent from government	52.0 %	28.6 %	8.0 %	29.5 %
Rent and build	10.0 %	4.1 %	18.0 %	10.7 %
Inheritance	16.0 %	34.7 %	14.0 %	21.5 %
Built by oneself	22.0 %	32.7 %	58.0 %	37.6 %
Number of rooms				
1 room	16.7 %	14.0 %	18.0 %	16.2 %
2 rooms	33.3 %	60.0 %	30.0 %	41.2 %
3 rooms	27.1 %	8.0 %	16.0 %	16.9 %
more than 3 rooms	22.9 %	18.0 %	36.0 %	25.7 %
Average number of rooms	2.56	2.30	2.70	2.52
Utilities				
Shared with other household	10.0 %	8.0 %	6.0 %	8.0 %
Private kitchen, no toilet	18.0 %	28.0 %	.0 %	15.3 %
Private kitchen, flush toilet	12.0 %	38.0 %	38.0 %	29.3 %
Kitchen, toilet, shower bathroom	2.0 %	2.0 %	.0 %	1.3 %
Modern utilities, warm water	58.0 %	24.0 %	56.0 %	46.0 %
Source of water				
Public pipe water	2.0 %	2.0 %	6.0 %	3.3 %
Pipe water shared with other households	18.0 %	16.0 %	2.0 %	12.0 %
Private pipe line	58.0 %	62.0 %	44.0 %	54.7 %
Private pipe line with multiple outlets	22.0 %	20.0 %	48.0 %	30.0 %
Cases	50	50	50	150
Cooking energy				
Coal	16.3 %	30.0 %	26.0 %	24.2 %
Gasoline	.0 %	16.0 %	12.0 %	9.4 %
Electricity	32.7 %	36.0 %	26.0 %	31.5 %
Gas	51.0 %	18.0 %	36.0 %	34.9 %
<i>Electricity fee for last month (1,000 dong)</i>				
Average	173.60	98.72	104.28	125.53
Average per capita	41.61	22.85	24.63	29.69
Cases	50	50	50	150

Source: Tuong Lai, "Urban Housing Development and Urban Management - A Sociological Approach"

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Table A.9. Housing Statistics by Income per Capita

	Level of income per capita (quintile)					Total
	Very low	Low	Average	High	Very high	
Type of house						
4th grade, semi strong	41.4 %	22.6 %	11.8 %	.0 %	.0 %	15.3 %
Strong apartment	58.6 %	64.5 %	73.5 %	77.8 %	69.0 %	68.7 %
Apartment in residence house	.0 %	9.7 %	14.7 %	18.5 %	27.6 %	14.0 %
Private residence house	.0 %	3.2 %	.0 %	3.7 %	3.4 %	2.0 %
Ownership						
No house	3.6 %	.0 %	.0 %	.0 %	.0 %	.7 %
Rent from government	25.0 %	29.0 %	38.2 %	29.6 %	24.1 %	29.5 %
Rent and build	14.3 %	9.7 %	5.9 %	11.1 %	13.8 %	10.7 %
Inheritance	35.7 %	19.4 %	14.7 %	18.5 %	20.7 %	21.5 %
Built by oneself	21.4 %	41.9 %	41.2 %	40.7 %	41.4 %	37.6 %
Number of rooms						
1 room	31.0 %	16.1 %	18.2 %	7.4 %	7.1 %	16.2 %
2 rooms	51.7 %	41.9 %	36.4 %	44.4 %	32.1 %	41.2 %
3 rooms	10.3 %	12.9 %	36.4 %	14.8 %	7.1 %	16.9 %
more than 3 rooms	6.9 %	29.0 %	9.1 %	33.3 %	53.6 %	25.7 %
Average number of rooms	1.93	2.55	2.36	2.74	3.07	2.52
Utilities						
Shared with other household	13.8 %	6.5 %	11.8 %	7.4 %	.0 %	8.0 %
Private kitchen, no toilet	24.1 %	16.1 %	11.8 %	18.5 %	6.9 %	15.3 %
Private kitchen, flush toilet	48.3 %	41.9 %	29.4 %	18.5 %	6.9 %	29.3 %
Kitchen, toilet, shower bathroom	.0 %	3.2 %	.0 %	3.7 %	.0 %	1.3 %
Modern utilities, warm water	13.8 %	32.3 %	47.1 %	51.9 %	86.2 %	46.0 %
Source of water						
Public pipe water	6.9 %	3.2 %	2.9 %	3.7 %	.0 %	3.3 %
Pipe water shared with other households	27.6 %	9.7 %	11.8 %	7.4 %	3.4 %	12.0 %
Private pipe line	62.1 %	64.5 %	47.1 %	51.9 %	48.3 %	54.7 %
Private pipe line with multiple outlets	3.4 %	22.6 %	38.2 %	37.0 %	48.3 %	30.0 %
Total	29	31	34	27	29	150
Cooking energy						
Coal	44.8 %	25.8 %	26.5 %	15.4 %	6.9 %	24.2 %
Gasoline	13.8 %	19.4 %	11.8 %	.0 %	.0 %	9.4 %
Electricity	34.5 %	35.5 %	23.5 %	30.8 %	34.5 %	31.5 %
Gas	6.9 %	19.4 %	38.2 %	53.8 %	58.6 %	34.9 %
<i>Electricity fee for last month (1,000 dong)</i>						
Average	75.52	86.39	105.4	162.8	206.3	125.5
Average per capita	17.51	19.97	27.24	36.32	48.98	29.69
Total	29	31	34	27	29	150

Source: Tuong Lai, "Urban Housing Development and Urban Management - A Sociological Approach"

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Table A.10. Housing Statistics by Household Size

	Household size			Total
	Under 4	4 Persons	Over 4	
Type of house				
4th grade, semi strong	.0 %	15.4 %	20.0 %	15.3 %
Strong apartment	78.6 %	71.4 %	60.0 %	68.7 %
Apartment in residence house	14.3 %	12.1 %	17.8%	14.0 %
Private residence house	7.1 %	1.1 %	2.2 %	2.0 %
Ownership				
No house	7.1 %	.0 %	.0 %	.7 %
Rent from government	14.3 %	35.6 %	22.2 %	29.5 %
Rent and build	28.6 %	6.7 %	13.3 %	10.7 %
Inheritance	7.1 %	22.2 %	24.4 %	21.5 %
Built by oneself	42.9 %	35.6 %	40.0 %	37.6 %
Number of rooms				
1 room	15.4 %	16.5 %	15.9 %	16.2 %
2 rooms	38.5 %	44.0 %	36.4 %	41.2 %
3 rooms	23.1 %	17.6 %	13.6 %	16.9 %
more than 3 rooms	23.1 %	22.0 %	34.1 %	25.7 %
Utilities				
Shared with other household	7.1 %	11.0 %	2.2 %	8.0 %
Private kitchen, no toilet	14.3 %	15.4 %	15.6 %	15.3 %
Private kitchen, flush toilet	28.6 %	26.4 %	35.6 %	29.3 %
Kitchen, toilet, shower bathroom	.0 %	1.1 %	2.2 %	1.3 %
Modern utilities, warm water	50.0 %	46.2 %	44.4 %	46.0 %
Source of water				
Public pipe water	7.1 %	3.3 %	2.2 %	3.3 %
Pipe water shared with other households	.0 %	13.2 %	13.3 %	12.0 %
Private pipe line	71.4 %	53.8 %	51.1 %	54.7 %
Private pipe line with multiple outlets	21.4 %	29.7 %	33.3 %	30.0 %
Cooking energy				
Coal	28.6 %	22.2 %	26.7 %	24.2 %
Gasoline	14.3 %	10.0 %	6.7 %	9.4 %
Electricity	35.7 %	33.3 %	26.7 %	31.5 %
Gas	21.4 %	34.4 %	40.0 %	34.9 %
<i>Electricity fee for last month (1,000 dong)</i>				
Average	91.64	122.6	142.0	125.5
Average per capita	34.36	30.65	26.30	29.69
Cases	14	91	45	150

Source: Tuong Lai, "Urban Housing Development and Urban Management - A Sociological Approach" Social Sciences -1/98

**Table A.11. Housing Statistics by the Highest Level Education
among Wife and Husband**

	Education			Total
	Less than higher secondary	Less than university	Graduate or higher	
Type of house				
4th grade, semi strong	36.1 %	15.5 %	1.8 %	15.3 %
Strong apartment	55.6 %	67.2 %	78.6 %	68.7 %
Apartment in residence house	8.3 %	15.5 %	16.1 %	14.0 %
Private residence house	.0 %	1.7 %	3.6 %	2.0 %
Ownership				
No house	2.9 %	.0 %	.0 %	.7 %
Rent from government	20.0 %	22.4 %	42.9 %	29.5 %
Rent and build	8.6 %	15.5 %	7.1 %	10.7 %
Inheritance	37.1 %	25.9 %	7.1 %	21.5 %
Built by oneself	31.4 %	36.2 %	42.9 %	37.6 %
Number of rooms				
1 room	28.6 %	17.2 %	7.3 %	16.2 %
2 rooms	54.3 %	37.9 %	36.4 %	41.2 %
3 rooms	8.6 %	20.7 %	18.2 %	16.9 %
more than 3 rooms	8.6 %	24.1 %	38.2 %	25.7 %
Average number of rooms	1.97	2.52	2.87	2.52
Utilities				
Shared with other household	13.9 %	8.6 %	3.6 %	8.0 %
Private kitchen, no toilet	33.3 %	13.8 %	5.4 %	15.3 %
Private kitchen, flush toilet	38.9 %	27.6 %	25.0 %	29.3 %
Kitchen, toilet, shower bathroom	.0 %	1.7 %	1.8 %	1.3 %
Modern utilities, warm water	13.9 %	48.3 %	64.3 %	46.0 %
Source of water				
Public pipe water	8.3 %	3.4 %	.0 %	3.3 %
Pipe water shared with other households	13.9 %	15.5 %	7.1 %	12.0 %
Private pipe line	66.7 %	46.6 %	55.4 %	54.7 %
Private pipe line with multiple outlets	11.1 %	34.5 %	37.5 %	30.0 %
Cases	36	58	56	150
Cooking energy				
Coal	47.2 %	19.0 %	14.5 %	24.2 %
Gasoline	16.7 %	8.6 %	5.5 %	9.4 %
Electricity	19.4 %	39.7 %	30.9 %	31.5 %
Gas	16.7 %	32.8 %	49.1 %	34.9 %
<i>Electricity fee for last month (1,000 dong)</i>				
Average	87.56	147.45	127.25	125.53
Average per capita	23.57	33.45	29.74	29.69
Total	36	58	56	150

Source: Tuong Lai, "Urban Housing Development and Urban Management - A Sociological Approach"

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Table A.12. Housing Statistics by Higher Status Occupation among Occupations of Wife and Husband

	Occupation / Job				Total
	No job, retired, manual workers	Skilled job	High qualified job	Leader, manager director	
Type of house					
4th grade, semi strong	46.2 %	18.2 %	4.0 %	10.0 %	15.3 %
Strong apartment	46.2 %	68.8 %	76.0 %	60.0 %	68.7 %
Apartment in residence house	7.7 %	13.0 %	14.0 %	30.0 %	14.0 %
Private residence house	.0 %	.0 %	6.0 %	.0 %	2.0 %
Ownership					
No house	8.3 %	.0 %	.0 %	.0 %	.7 %
Rent from government	16.7 %	19.5 %	44.0 %	50.0 %	29.5 %
Rent and build	8.3 %	13.0 %	10.0 %	.0 %	10.7 %
Inheritance	33.3 %	32.5 %	6.0 %	.0 %	21.5 %
Built by oneself	33.3 %	35.1 %	40.0 %	50.0 %	37.6 %
Number of rooms					
1 room	23.1 %	22.1 %	6.3 %	10.0 %	16.2 %
2 rooms	61.5 %	41.6 %	41.7 %	10.0 %	41.2 %
3 rooms	7.7 %	16.9 %	14.6 %	40.0 %	16.9 %
more than 3 rooms	7.7 %	19.5 %	37.5 %	40.0 %	25.7 %
Average number of rooms	2.00	2.34	2.83	3.10	2.52
Utilities					
Shared with other household	23.1 %	9.1 %	4.0 %	.0 %	8.0 %
Private kitchen, no toilet	30.8 %	19.5 %	8.0 %	.0 %	15.3 %
Private kitchen, flush toilet	38.5 %	31.2 %	28.0 %	10.0 %	29.3 %
Kitchen, toilet, shower bathroom	.0 %	1.3 %	2.0 %	.0 %	1.3 %
Modern utilities, warm water	7.7 %	39.0 %	58.0 %	90.0 %	46.0 %
Source of water					
Public pipe water	15.4 %	3.9 %	.0 %	.0 %	3.3 %
Pipe water shared with other households	30.8 %	10.4 %	10.0 %	10.0 %	12.0 %
Private pipe line	46.2 %	58.4 %	54.0 %	40.0 %	54.7 %
Private pipe line with multiple outlets	7.7 %	27.3 %	36.0 %	50.0 %	30.0 %
Cooking energy					
Coal	53.8 %	28.6 %	12.2 %	10.0 %	24.2 %
Gasoline	23.1 %	10.4 %	6.1 %	.0 %	9.4 %
Electricity	23.1 %	32.5 %	38.8 %	.0 %	31.5 %
Gas	.0 %	28.6 %	42.9 %	90.0 %	34.9 %
<i>Electricity fee for last month (1,000 dong)</i>					
Average	71.23	131.78	128.50	133.20	125.53
Average per capita	18.60	30.31	31.15	32.09	29.69
Cases	13	77	50	10	150

Source: Tuong Lai, "Urban Housing Development and Urban Management - A Sociological Approach"

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3) HCMC

In HCMC, most households(99.7%) have some sorts of housing(**Table A.13.**). Still over 60% of housing is either semi-permanent structure or thatched houses. Most households use electricity and clean water, while the use of latrines in the suburb is still 76%(**Table A.14.**).

Table A.13. The Composition of Houses in HCMC(1998)

Houses	Whole city	Urban	Rural
1. Percentage of households having houses	99.7	99.5	100.0
2. Structure of houses			
- Permanent	26.8	34.9	9.8
- Semi-permanent	64.7	63.0	68.8
- Thatched houses, cottages	8.5	2.1	21.4
3. House area per household (sq.m)	60.7	60.7	60.6

Source: Statistical Yearbook of HCMC, 1998

Table A.14. Houses and Use of Water, Electricity in HCMC(1998)

Houses	Whole city	Urban	Rural
Percentage of households using electricity	99.7	100.0	98.9
Percentage of households using clean water	96.7	98.7	92.7
Percentage of households using latrines	88.6	94.8	75.9
Of which: self-destroying and semi-self-destroying	69.9	79.8	49.9

Source: Statistical Yearbook of HCMC, 1998

(4) Housing Prices

According to the The Real Estate Trade Center of Housing Bank, HCMC, above the half of the houses traded via the center is priced less than 100 tael, i.e. \$ 28 thousand. The center considers the purchasers of these houses are medium to low-income people. The rich purchase houses priced more than 200 tael.

Asian Commercial Bank roughly classifies housing of their customers in the following manner(**Table A.15.**).

Table A.15. Types of Housing for Bank Customers in Each Income Stratum

	Characteristics of Typical Houses
The Rich	Rich people borrow money when they buy larger houses than the current ones. Typically they buy villa costing about \$250 thousand.
Middle Class	Middle class people are their largest customer base consisting of shop owners, teachers and bank employees, etc. Typically they buy houses around \$50 thousand.
The Poor	Poor people often buy apartments supplied by the city authority. The apartment is usually equipped with two bed rooms located on the 3rd-5th floor. The price ranges from \$12 to 15 thousand.

Source: ACB

RESCO, an SOE developer claims that \$15 thousand is not actually affordable for the poor. And the price must be \$8-10 thousand.

A chauffeur in Hanoi indicated that housing price is about \$300/m². Average citizen buys housing of about 30 m² and 50 m² is often not affordable. Hanoi made a forecast of housing price in its housing development program(**Table A.16.**).

Table A.16. The Forecast of the Price of Housing in Hanoi(Year 2000)

Type of apartment or house	Selling price with all costs (million/ Apart.)	Selling priority price (million/ Apart.)	Renting priority price (thousand dong/apart. - month)	Renting price with all costs (thousand dong/apart. - month)
Apartment 32 m ²	92	73	250	308
Apartment 36 m ²	104	83	277	346
Apartment 42 m ²	121	97	323	404
Apartment 50 m ²	144	115	384	480
Apartment 80 m ²	180	-	614	769
High quality apartment 100 m ²	250	-	-	1000
High quality apartment 120 m ²	300	-	-	1200
Residence 150-200 m ²	400-500	-	-	-
Villa 200-300 m ²	600-1000	-	-	-

Source: Hanoi Housing Program to the year 2000

Table A.17. makes a breakdown of the selling price of an apartment. Structure and equipment account for just over half of the price.

Table A.17. The Component of Average Selling Price of an Apartment in High Rise Block

	Item Description	Selling price of house per 1 m ²	
		1,000 VND	%
1	Structures and equipment	1,500	53.57
2	Other works	75	2.68
3	Spare	75	2.68
4	Site clearance	300	10.71
5	Infrastructure	150	5.36
6	Land use levy	200	7.14
7	Land registration fee	4	1.14
8	Loan repayment	400	14.28
9	Revenue tax	72	2.57
10	Income tax	9	0.32
11	Profit	15	0.54
Total		2,800	100.00

Source: Hanoi Housing Program to the year 2000

(5) Housing Investment

The share of housing development in total civil invested capital is decreasing for the whole Viet Nam (**Table A.18.**). The share is less than 2% in 1995. In Hanoi, housing investment in local capital has increased almost ten-fold while the share of housing in local investment capital(state capital) for infrastructure in Hanoi has more than doubled to 4.7% in 1998 (**Table A.19.**).

It is difficult to calculate the equivalent figure for HCMC. But, according to the DPI, the share of housing in the city's total public investment would be approximately 3% in 1999.

Table A.18. Investment for Housing Development in Total Civil Invested Capital in Viet Nam

Year	Total civil invested capital (billion VND)	For housing development	
		(billion VND)	%
1990	2,703.7	231.98	8.58
1991	4,503.5	224.27	4.98
1992	7,566.4	329.90	4.36
1993	16,643.5	422.74	2.54
1994	21,141.8	511.63	2.42
1995	22,963.0	274.70	1.20

Source: IUTD

Table A.19. Local Investment Capital (State Capital) for Infrastructure in Hanoi (At current price)

	1995	1996	1997	1998	1995	1996	1997	1998
Total	205,837	324,370	501,011	703,592	100.0%	100.0%	100.0%	100.0%
Transport and Communication	93,465	203,415	163,831	118,322	45.4%	62.7%	32.7%	16.8%
Water pump stations	31,000	65,680	51,783	8,006	15.1%	20.2%	10.3%	1.1%
Urban drainage system	16,248	17,440	167,457	422,929	7.9%	5.4%	33.4%	60.1%
Urban lighting	11,118	8,352	3,000	3,195	5.4%	2.6%	0.6%	0.5%
Housing	3,466	2,943	18,482	33,135	1.7%	0.9%	3.7%	4.7%
Culture and art	19,892	6,250	35,083	37,940	9.7%	1.9%	7.0%	5.4%
Education and training	6,725	13,025	36,060	54,199	3.3%	4.0%	7.2%	7.7%
Health-physical culture & sport	23,923	7,265	25,315	25,866	11.6%	2.2%	5.1%	3.7%

Source: Hanoi Statistical Office "1998-Statistical Yearbook"

A.2.2. Typical Housing Finance of Households

(1) Housing Finance

Before the introduction of Doi Moi policy, almost all classes of people could not afford to build or repair their houses, but now the majority of households acknowledge an increase in living standard, and half of these households now own or have built their own houses with their own capital.

Only a minority of households had to borrow capital to finance 1/3-1/4 of the cost of construction¹.

Depending on each family's financial ability, they construct or renovate their house in different ways. The capital used for construction or renovation is usually in the form of savings or a loan. Savings come from an increase of income, from relatives living abroad, or sale of their property (old house or land, inherited property). Around half of the construction capital in Hanoi is borrowed capital. The main sources of lending are friends, and relatives, in which case they do not pay the interest. Bank loans are rarely used².

Vietnamese developers often allow installment payment of housing purchase cost. Therefore, the developers actually provide loans to the buyers. This also decreases the buyers' need to rely on banks.

Borrowing from banks is cumbersome and requires a lot of paper works. Not many people have Land Use Rights Certificate nor Housing Ownership Certificate. Actually, those who would like the assistance in obtaining the certificate often go to Habubank and Housing Bank.

(2) Housing Expenditure

"Survey on Households in 1994" found that "food, beverage and smoke" accounted for approximately 60% of the monthly average expenditure per capita (**Table A.20**). Housing is just 3.0% for the whole country, while it is 5.1% and 5.7% respectively for Hanoi and HCMC. Housing accounts for very small portion of the total household expenditure.

This is natural given the household structure but gives misleading impression. A household in Viet Nam could have up to 10 members. Even though each member has low income, the household collectively could have relatively much income. Vietnamese often save money on household basis and buy house first for the elder child and then to the younger children.

¹ Pham Quynh Huong, "Private Housing Sector and Changes in the Organization of Urban Space", Viet Nam's Socio-Economic Development" No.12, Winter 1997

² Same as above

This has some implication on housing policy. People's Committee often would like to provide low-income people with affordable housing. However, a low income person may be a member of relatively well-to-do household. Careful attention must be paid to the family structure.

Table A.20. Monthly Average Expenditure per Capita

1,000 VND

		Total	Food, beverage and smoke	Others								
				Total	Wearing	Housing	Household Appliances	Health	Travelling and postal services	Education	Culture, sport and entertain ment	Others
VND	Whole Country	141.90	91.20	50.70	9.31	4.25	6.49	4.97	10.99	3.67	5.57	5.46
	Hanoi	221.12	128.24	92.88	8.84	11.30	10.01	4.76	29.40	11.03	12.27	5.28
	HCMC	328.09	195.56	132.53	19.74	18.56	13.69	7.69	28.96	17.73	16.40	9.75
Percent	Whole Country	100.0%	64.3%	35.7%	6.6%	3.0%	4.6%	3.5%	7.7%	2.6%	3.9%	3.8%
	Hanoi	100.0%	58.0%	42.0%	4.0%	5.1%	4.5%	2.2%	13.3%	5.0%	5.5%	2.4%
	HCMC	100.0%	59.6%	40.4%	6.0%	5.7%	4.2%	2.3%	8.8%	5.4%	5.0%	3.0%

Source: Survey on Households in 1994

A.2.3. Informal Settlement

Informal settlement is a bit vague term. As discussed in Chapter 3, majority of land and housing transaction is informal, i.e. out of the control of the state management. A lot of houses are constructed without construction permit. Some unofficial studies revealed that 80% of Hanoi's housing and 40% of HCMC's housing was illegal constructed.

Therefore, considerable portion of housing lacks some element of the formalities anyway. In addition, most urban residents of both cities have no Land Use Rights Certificate allocated by the state yet.

Also, there are a lot of illegal residents in Hanoi and HCMC. They are those who do not have Ho Khau registration. Migrants without Ho Khau in the city can still do either short-term temporary or long-term temporary registrations. Considering these temporary registration, the distinction between legal and illegal residents blurs.

The constitution admits the freedom to choose residence. And non-registered residents face little practical problems anyway.

(1) Non-Registered Migrants

1) Hanoi

In Hanoi, the population has been growing by an average of 55,000 people a year since 1986; of this figure as many as 22,000 are migrants, three-quarters of whom have settled in city center. The number of people moving to Hanoi is five times the number of those leaving. In addition, Hanoi regularly receives an influx of seasonal laborers looking for work during the period between harvests, as well as temporary migrants who come to work there for a few years before making a decision as to whether to stay long-term or move elsewhere. Only 17 % of those interviewed were registered to live in Hanoi over the long term; remaining 83% did not have permanent residence. Among the latter group 40% were looking for ways to obtain this status³.

2) HCMC

HCMC is estimated to have received more than 80,000 new arrivals annually over the past few years. Currently there are more than 500,000 unregistered inhabitants throughout the municipality.

In July of 1996 the city government carried out a house-by-house population census. It found 205,456 households (576,186 people) which had not registered for long-term residence in the city and 109,977 temporary residents, for a total of

³ Doan Mau Diep, Ph.D et al, "Patterns of Rural-Urban Migration and Solutions to the Problem: A Case Study of Hanoi"

roughly 700,000 migrants. In December 1997 the most recent police statistics showed approximately 800,000 migrants -an increase of 100,000 over 1996 -with more than 200,000 temporary or part-time residents. In addition, the city has 35,748 families (181,647 people) living on rivers or canals, 8,500 living on sidewalks or in public places, and 10,000 beggars wandering the streets. Based on these figures, HCMC's migrant population is currently thought to be fluctuating between 900,000 and 1,000,000; more than 200,000 of these are seasonal migrants. As for housing, 32.20% have bought their own house, mostly without documentation. 9.74% are renting housing, and 32.05% are staying in other people's homes. 26% of migrant have either built their own houses, occupied land illegally, or do not have a regular home⁴.

(2) Living Standard of Migrants

Migrants surveyed in Hanoi and HCMC by the UNDP study had incomes that were similar to those of non-migrants living in those cities(**Table A.21.**). Legal migrants have higher income because the rules for obtaining permanent residence favored those with higher levels of education and qualifications, and those working in the state sector.

Migrants compared to non-migrants save a higher proportion of their income. Part of the reason for the higher levels of saving of migrants was the poorer living conditions of migrants. One quarter of the spontaneous(illegal) migrants in the HCMC study by the UNDP lived in boarding houses or guest houses. The average living space in these living arrangements were approximately one half of what was available in other living arrangement.

Table A.21. The Average Monthly Income by the Registration Status

	Hanoi	HCMC
Non-migrants	539,000 VND	757,600 VND
Legal Migrants	465,000 VND	981,900 VND
Illegal Migrants		680,900 VND

Source: UNDP "The Dynamics of Internal Migration in Viet Nam" Dec. 1998

⁴ Tran Anh Tuan, "Spontaneous Migration and Resettlement in Ho Chi Minh City: Problems and Solutions"

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