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Assessment of Housing for Low Income Groups In Danang.
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ABBREVIATIONS

ADB	Asian Development Bank
BOC	Bureau of Construction
BOLUC	Building Ownership and Land Use Certificates
CAS	Country Assistance Strategy
CDS	City Development Strategy
CFI	Community-based Financial Institutions
CIEM	Central Institute for Economic Management
CPRGS	Comprehensive Poverty Reduction and Growth Strategy
DHCM	
DHMC	Danang Housing Management Company
DIEPZA	Danang Industrial and Export Processing Zones Authority
DOC	Department of construction
DOE	
DOLISA	Department of Labour, Invalids & Social Welfare
DONRE	Department of Natural Resources, Environment and Housing
DPC	Danang People's Committee
DPI	Department of Planning and Investment
DSO	
DSY	Danang Statistical Yearbook
DTPWS	
DTUPWS	Transport Urban Public Works Service
DUPA	Department of Urban Planning & Architecture
FDI	
GDLC	
GDP	Gross Domestic Product
GEF	
GOV	Government of Vietnam
GSO	General Statistics Office
HAIDEP	Comprehensive Urban Development Program in Hanoi Capital City
HCCRP	Hanoi City Regional Plan
HCMC	Ho Chi Minh City
HCRP	Hanoi Capital Region Planning
HDI	Human development index
HDOMP	Housing Development Orientation Master Plan
HFF	
HFP	Housing Finance Project
HH	Households
HML	Home Materials Loan
HOC	Housing Ownership Certificates
HOR	
HPC	Hanoi {People's Committee
HUTDP	Hanoi Urban Transport Development Project
IDA	International Development Association
IEC	Information Education and Communication
LIA	Low Income Areas
LIH	Low Income Households
LIHAS	Low Income Housing Assessment Study
LUR	Land Use Rights
LURC	Land Use Rights Certificates
MOC	Ministry of Construction
MOF	Ministry of Finance
MOLISA	
MONRE	Ministry of Natural Resources, Environment and Housing
MOT	Ministry of Transportation
MPI	Ministry of Planning and Investment
NCSSH	National Centre for Social Sciences and Humanities
NIURP	National Institute of Urban and Regional Planning
NOMP	National Orientation Master Plan
NURIP	
NUUP	National Urban Upgrading Program

O&M	Operation and Maintenance
ODA	Official Development Assistance
OMP	Orientation Master Plan
PFI	
PHRD	
PIIP	Priority Infrastructure and Investment Project
PMO	
PMU	Project Management Unit
PPC	Provincial People's Committees
PPTA	
PSP	
RAP	Resettlement Action Plan
RCFF	Reinforced Concrete Frame and Floor
SEDP	Socio-Economic Development Plan
SEDP	Socio-economic development plans
SOE	State Owned Enterprises
SSED	Strategy for Socio-economic Development
TOR	Terms of Reference
ULIPH	Urban Low Income and Poor Households
UPH	Urban Poor Households
UPI	
URENCO	Danang Urban Environment Company
VAT	Corporate Income Tax
VBC	Vietnam Building Code
VDG	Vietnam's Development Goals
VDR	Vietnam Development Report
VND	Vietnam Dong
VUUP	Vietnam Urban Upgrading Project
WB	World Bank
WWTP	Waste Water Treatment Plants

1 INTRODUCTION

1.1 BACKGROUND

Danang City is the capital and economic hub of the central region of Vietnam. As in all of the major urban centers of the country, Danang is currently experiencing rapid urbanization fueled by consistent economic growth and the resultant steady increase in population, much through rural-urban migration. For this reason, central and city government has been increasingly concerned with the urban development and housing sectors.

In August 2004, in response to a request from the Government of Vietnam (GOV), the WB/ IDA launched preparatory activities for the Priority Infrastructure Investment Project (PIIP) in Danang. The PIIP is a multi-sectoral infrastructure investment initiative aimed at poverty reduction and the promotion of economic growth. The Project reflects the national goals set out in the Comprehensive Poverty Reduction and Growth Strategy (CPRGS), and is in line with the overall development priorities of the City's Five-Year (2006-2010) Socio-Economic Development Plan (SEDP).

The (PIIP) Project objectives are to: i) improve the living conditions and productivity of low income residents through better access to basic services; ii) promote economic growth through strategic investments that enhance mobility and increase private sector participation in the City's economic development; and iii) improve city and district level management through institutional and human resource development and capacity building.

1.2 ASSESSMENT OF HOUSING FOR LOW INCOME GROUPS IN DANANG

1.2.1 Objective

During the course of (PIIP) Project preparation activities, Government expressed a desire to include a further sub-component to support the provision of housing for poor households not affected by the Project. This provided the rationale for the Assessment of Housing for Low Income Groups in Danang, (hereinafter referred to as the Low Income Housing Assessment Study (LIHAS)), which will parallel, support and inform preparation of the PIIP Project, while not being an integral part of it.

The objective of the (LIHAS) Study is to undertake an assessment of the low-income housing sector in Danang with a view to: i) determining effective demand for low-income shelter in Danang; and ii) providing alternative models of housing production, including aspects of housing finance, construction and maintenance.

1.2.2 Executing/ Implementing Arrangements

The Client for the Study is the Urban Development Unit of the East Asia and Pacific Region of the World Bank (WB). Key institutions within Danang involved in preparation of the Study include the: i) Danang People's Committee (DPC); ii) PIIP Project Management Unit; iii) Department of Planning and Investment (DPI); iv) Department of Natural Resources, Environment and Housing (DONRE); v) Department of Construction (DOC); and vi) Danang Urban District Administrations.

1.2.3 Work Program / Consultancy Inputs

The (LIHAS) Study began in July/August 2006 and is scheduled to last for about seven months with the final Study recommendations due at the beginning of February 2007. The Study will be prepared on the basis of about 18 weeks of international and domestic consultancy inputs.

1.2.4 Scope of Work

The Study will take account of Government housing policy as it affects low-income households (LIH) in Danang. In this regard there has been a move away from direct Government involvement in house construction for the public sector service which was found to be financially unsustainable. The scope of work is based on two phases as follows:

- **Phase I. Data Collection and Analysis:** this will involve: i) agreement with the DPC on a definition “low-income households” for Danang City to be used as basis for the Study; ii) a literature review of relevant reports and studies; iii) preparation of an inventory of all existing publicly constructed housing developments for low-income groups in Danang built since 1980; iv) a rough assessment of the current size and rate of expansion of informal housing in the City; v) an assessment of the type and level of private sector participation in low-income housing provision; vi) a review and assessment of the roles and responsibilities of both DONRE and DOC in respect to the provision and maintenance of publicly sponsored low-income housing; vii) a financial assessment of DONRE and DOC operations with respect to the provision and maintenance of low-income housing; viii) identification of the binding constraints on the creation of low-income housing generally and in Danang specifically.
- **Phase II. Options and Recommendations:** this will involve: i) determination of the effective demand for low-income housing over the period 2005-2020; ii) description of alternative models of low-income housing production with varying degrees of public and private participation; iii) definition of an outline low income housing policy for Danang City, including a section on rental housing and an institutional and regulatory regime required to create an effective O&M mechanism for the existing publicly constructed low-income housing; iv) an outline program of technical assistance to strengthen the capacity of DOC and DONRE for managing the stock of public housing; and v) a workshop to present, discuss and refine the Study’s recommendations prior to finalization.

1.2.5 Reporting Schedule

Four main reporting outputs are called for in the Study. These are the: i) Inception Report (submitted in September 2006); ii) Draft Report on Phase I (this report); iii) Draft Report on Phase II (due January 2006); and iv) Final Reports (Phase I and II)

2 HOUSING SECTOR OVERVIEW

2.1 INTRODUCTION

This Chapter presents a brief description of various aspects impacting of the urban housing sector at the national level. It provides a broad contextual background to the Study.

2.2 URBAN POPULATION

In 2003, Vietnam's urban population, including unregistered migrants, was estimated to be approximately 23 million, equivalent to about 26 percent of the country's total population. In comparison with many other Asian countries this is still a relatively low proportion¹. However, the country's urban population is projected to increase rapidly, with more than one million people moving to urban centers every year over the next 15 -20 years or so. By 2020, estimates are that the country's urban population will have almost doubled to about 40 million.

By 2020, MOC forecasts an urban population equivalent to 45 percent of the country's total, although the General Statistics Office (GSO) median set projections indicate a far lower proportion of 33 percent. This discrepancy can largely be accounted for by: i) the relative dates on which these alternative projections were made, and; ii) the inclusion or exclusion of unregistered migrants. MOC forecasts which include these migrants are likely to prove more realistic². A household census conducted in 2004 in HCMC which included unregistered households found that these households composed around 15 percent of the urban population. In addition to these households cities are also home to a large number of 'floating' migrants who travel between rural and urban areas often on a seasonal basis in search of work. Both these issues mean that the accurate measurement of urban population growth is highly problematic. In all likelihood projections based upon the experience of other countries offer the best estimates.

2.3 RURAL-URBAN MIGRATION

Vietnam's cities and towns account for about 70 percent of the country's total economic output, and the bulk of FDI is directed toward major cities and towns. The economic growth prospects apparent in major urban centers offer the rural poor an opportunity to escape poverty, and as a result are fueling rapid urban population growth through rural-urban migration. At present, the percentage of people in poverty is lower in urban areas than in rural areas, although the incidence of urban poverty, both in percentage and density terms, is likely to increase, at least in the medium term, as more of the rural poor migrate. However, although urban areas represent centers of economic opportunity, the rapid build up of population has resulted in increasing development pressure for land, affordable housing, infrastructure and services, while at the same time placing a massive burden on the urban management capabilities and financial/human resource capacity of local governments. Nevertheless the economies of scale apparent in cities and towns suggest, in theory at least, that poverty alleviation can be undertaken more effectively and rapidly in urban as opposed to rural areas. Thus, whilst not abandoning a balanced approach to development nationwide, an increasing focus of poverty alleviation efforts on urban areas is likely to offer higher marginal returns in terms of poverty reduction.

2.4 CLASSIFICATION OF URBAN AREAS

¹ For example, in 2001 China's urban population was estimated to be about 37 percent of its total, with equivalent proportions in Indonesia- 42 percent, and in the Philippines-almost 60 percent.

² A further complication to the reporting and accurate measurement of migration is that provincial budget allocations from the central government are in part determined on the basis of the number of registered households in the province. Thus largely rural provinces have a strong budgetary incentive not to recognize any net out migration taking place.

Urban centers throughout Vietnam are officially classified by MOC according to their administrative level and a six tier hierarchy based on: i) functional centers; ii) the proportion of non-agricultural employment; iii) level of infrastructure provision; iv) population; and v) population density (Decree 72/2001/ND-CP) physical criteria, population and population density, economic activity, GDP and level of infrastructure provision. Hanoi, along with HCMC, is one of only two cities in Vietnam with a population of more than 1.5 million, and is officially classified as a “Special City”

The role and responsibilities of local authorities are designated by administrative level.³ The five Special and Class I cities, including Danang, have provincial status⁴. Class II, III, and some Class IV cities have the same status as districts and come under the authority of provincial authorities. The remainder of Class IV and Class V urban areas has commune status and also come under the authority of provincial authorities. These classifications are however are subject to periodic changes as Government adds provinces and reclassifies cities.

Although the average population of each urban classification is expected to triple over the period to 2020, official forecasts that the percentage distribution of urban population by urban center category will remain basically unchanged through to 2020. However, this forecast has already been superseded as a result of continuing reclassification, migration to larger urban centers, and increasing population densities in existing cities towns and villages.

Table 2.1 Population Distribution by Urban Center Classification. 1998 to 2020

Urban Class (as of January 2005)	1998		2010		2020	
	Cities	Urban Pop.(%)	Cities	Urban Pop. (%)	Cities	Urban Pop. (%)
Hanoi & HCMC (Special Cities)	2	37	2	39	2	40
National Cities (Class I)	3	9	3	10	3	11
Regional Cities (Class II)	12	15	12	16	12	17
Provincial Cities (Class III)	16	7	18	8	20	9
District Towns (Class IV)	58	14	62	13	66	12
Townlets (Class V)	612	18	1172	14	1831	11
Total Urban Centers	703		1269		1934	

Source: MOC.

2.5 URBAN POLICY AND REGULATIONS

2.5.1 Constitutional Provisions

The National Constitution grants citizens the right to build and houses in conformity with any current legislation. The 1992 constitution also stipulates the right to house ownership. It is interesting to note that while provision is made for housing ownership, in Article 58, the land to which this immovable asset is attached cannot be privately owned. This distinction is at the root of the dual system of housing and land registration in Vietnam.

- **Article 62 of the Constitution of the Democratic Republic of Vietnam of 1980⁵ States:** “Citizens have the right to housing. The State has a responsibility to improve the rate of housing construction directly while encouraging and assisting housing construction by collectives and individuals according to common plans, so as to gradually implement this right. The allotment of State housing space must be fair and equitable”.

³ According to the 1992 Constitution, there are four level of State Administration, namely, (i) Central Government; (ii) Province (including cities under direct Central Government); (iii) District (including provincial cities and towns); and (iv) Sub-district (urban wards, townlets and rural communes)

⁴ The other Class I cities are Hai Phong and Hue.

⁵ Adopted by the National Assembly on 18 December 1980

- **Article 58 of the Constitution of the Democratic Republic of Vietnam of 1992⁶ States:**
“The Citizen enjoys the right of ownership with regard to his lawfulhousing”
- **Article 62 of the Constitution of the Democratic Republic of Vietnam of 1992⁷ States:**
“The Citizen has the right to build dwelling houses according to zoning regulations and the law. The rights of lessees and lessors are protected by the law”.

2.5.2 Comprehensive Poverty Reduction and Growth Strategy (CPRGS)

Government's Strategy for Socio-economic Development (SSED) for the period 2001-2010 included a number of implications for the urban and housing sectors. Overall the view is expressed that without growth, the state cannot generate enough resources for poverty reduction. At the same time, to make significant progress in poverty reduction, growth must be accompanied by additional targeted measures to create favorable conditions for the poor to access opportunities to improve their lives, recognizing that the poor themselves must make efforts to escape from poverty. The sentiment of SSED is clear, but clearly a lot of work needs to be undertaken to develop the policy thrusts of SSED into operational development strategies. The most striking initiative of this kind has been the formulation of the Comprehensive Poverty Reduction and Growth Strategy (CPRGS).

The CPRGS is an action plan that translates the SSED and the linked five-year Socio-economic Development Plans as well as other sectoral policies into specific concrete measures with well-defined road maps for implementation. This action plan is intended to realize economic growth and poverty reduction objectives.

The MPI took the lead in preparing the CPRGS in collaboration with concerned ministries and agencies. The CPRGS has a number of specific references to urban poverty reduction and these references describe initiatives to which urban policy, including that related to housing provision, needs to be responsive:

- (i) poverty reduction and growth strategies in urban areas should encourage the poor to find ways themselves to escape from poverty with assistance from the government and the community;
- (ii) implementation of this objective needs to be synchronized with the implementation of national urban development strategies and other economic growth and social equity strategies that benefit the poor with no distinction between local indigenous and immigrant poor people;
- (iii) there is a need to develop policies aimed at providing loans to the urban poor through savings programs and community credit, including small loans for business and production activities; priority subsidies for education, health care; housing renovation and other essential infrastructures, e.g. water supply and drainage, electricity, improving the environment;
- (iv) social and economic infrastructure development investment programs will be developed to upgrade infrastructure at the grass-roots level, ensuring the provision of basic services, such as water supply and drainage, sanitary and public lighting to poor communities;
- (v) urban development strategies will avoid as much as possible the relocation of poor people, but will instead prioritize on-site renovation of infrastructure for the poor; and
- (vi) urban design and planning standards will be developed to ensure that environmental sanitation requirements are met taking into account demand and the poor's ability to pay in urban areas.

⁶ Adopted by the National Assembly on 15 April 1992

⁷ Adopted by the National Assembly on 15 April 1992

The CPRGS priorities for housing include: i) the provision of safe housing in flood prone areas, calamity-affected areas in the North, the highlands in the South, and coastal areas in the Central Region and the Mekong Delta; and ii) housing in new urban areas and industrial zones

2.5.3 National Orientation Master Plan for Urban Development (2000-2020)

The National Orientation Master Plan (NOMP) prepared by the MOC sets out Government's urban development policy to 2020. The main objectives of this policy are to: i) establish population targets for cities and district towns in an urban growth hierarchy; ii) limit the growth of Hanoi and HCMC and reduce population densities in the center of the primary cities; iii) create satellite cities around Hanoi and HCMC; iv) encourage growth at the fringes of urban areas; v) promote the development of medium and small cities and district towns; vi) create new urban areas in the more remote provinces and in proximity to major cities as a means of controlling growth of the larger cities; and vii) preserve agricultural land and plan rural development.

The NOMP identifies three major economic growth triangles: i) the Red River Delta bounded by Hanoi, Hai Phong and Ha Long in the north; ii) the Mekong Delta including HCMC in the south; and iii) a Central triangle based on Da Nang. NOMP also incorporates construction master (spatial) plans for Hanoi and HCMC through the year 2020. These plans delineate expansion areas for the cities and include lists of projects across all sectors. Export processing zones, industrial estates and major infrastructure investments are seen as key drivers of economic growth and are incorporated in the three regional economic growth triangles. Although the NOMP sets out goals and objectives, it does not define investment priorities, or indicate the costs or sources of funding. In terms of implementation strategies, the NOMP seldom goes beyond direction to construct a list of specific state sector facilities.

In addition to the urban targets in the NOMP, infrastructure goals, targets, and priorities are presented in a number of other Government policy documents, including the Comprehensive Poverty Reduction and Growth Strategy (CPRGS), and Vietnam's Millennium Development Goals (VDG), which are similar to the international Millennium Development Goals. There are also sector-specific goals and targets, including the MPI Ten Year Infrastructure Plan, and Government's Environmental Strategy to 2010. Not all these documents are consistent.

2.5.4 National Housing Development Orientation till 2020

In 2004, a Housing Development Orientation Masterplan (HDOMP) for all urban and rural areas throughout the country was formulated by MOC in "Decision No.76/2004.QD-TTg". The objectives were to: i) contribute to socio- economic development, improve housing conditions and to promote sustainable urban and rural development; ii) develop an efficient and demand-stimulating real estate market mobilizing the investment capital of various economic sectors; iii) establish development funds for low-income households, including officials, public servants, employees, laborers in industrial parks, students of universities and other social policy beneficiaries, to buy or rent houses; and iv) improve people's quality of life, both in urban and countryside..

The HDOMP set various development targets including a per capita floor area for urban housing of at 15 m² by 2010 and 20m² by 2020. Other development orientations for urban areas are to: i) develop houses in line with the approved urban plan; ii) develop diversified types of housing in order to meet market demands; iii) expand development of condominiums in order to achieve efficient land use and establish sustainable urban life style; iv) manage individual housing construction in accordance with planning, building code and other standards; iv) provide housing with deferred payment or rental houses for poorer households with low levels of affordability; and vi) encourage investment in housing from different economic sectors.

In order to implement the above development orientations, the HDOMP lists the following solutions: i) to strengthen formulation and approval of construction planning, particularly for detailed planning and management of construction works; ii) to formulate regulations on housing standards and architectural management; iii) to speed up the granting of house ownership and

land use rights (LUR) certificates; iv) to improve procedures for formulating and approving housing investment projects; v) to draw up credit mechanisms in line with both conditions in Vietnam and with international practices; and vi) to attract investment capital both from domestic and foreign and to encourage cooperation with foreign countries.

The HDOMP also provides for more specific solutions, such as the creation a land fund through the auction of land use rights or bidding for projects, to develop housing for workers in industrial parks and students of universities and colleges.

2.5.5 Decentralization

Over the past decade, Vietnam has embarked on an extensive program of decentralization based on the four levels of government. The country is divided into 64 provinces, a definition that includes the five largest cities in terms of population⁸. Provinces are subdivided into 643 districts, which, in turn, are subdivided into 10,602 (urban) wards and (rural) communes..

Control by central government over municipal financial management (including revenue generation), infrastructure development and investment approvals, planning and administration at the sub-national level has been progressively relaxed through a wide range of official laws, decrees and orientations with related guidance notes that define Government policy with respect to urban areas. The most significant of these are the: i) Budget Law (1996 and 2002); ii) Land Law (2004); iii) Construction Law (2004); and iv) Law on People's Councils and People's Committees (2004).

The national Five Year Socio-Economic Development Plans (SEDP) and the Comprehensive Poverty Reduction and Growth Strategy (CPRGS) also influence urban policy as do sector plans and/or orientations, such as the Orientation Master Plan for Urban Development (OMP) to 2020. While these policy documents have national application, cities and provinces also develop specific sectoral master plans (e.g. for urban transport, drainage and sewerage) all of which incorporate policy elements.

2.5.6 Budget Law (1996-2002)

The 1996 State Budget Law, subsequently amended in 2002, has been the basis for a growing level of fiscal decentralization, by which sub-national governments' share of total expenditures rose from 26 percent in 1992 to 48 percent in 2002.

In terms of consolidated State Budget revenues (central and provincial governments combined), provincial governments' share for the 1997-2002 period was a fairly steady 25 percent. However, the expectation is that provincial revenues will grow faster than central revenues and that by the end of 2004, about 30 percent of the State budget revenues will be derived from provincial governments.

One limitation of current revenue assignments in Vietnam is the lack of any material revenue autonomy by sub-national governments. Like many other countries Vietnam suffers from fiscal imbalances. These imbalances are addressed through equalization, or balancing, transfers which are unconditional grants, determined using a formula, and which remain fixed in nominal terms for periods of three-to-five years. The formula is based on the difference between estimated expenditure needs and revenue capacity, or potential. The minimum expenditure needs of the provincial government are derived on the basis of expenditure norms, and are intended to cover all current and capital expenditures.

However, at present limited provision is made for provincial governments to raise funds locally. With increasing urbanization throughout the country, many local administrations in urban areas are experiencing a rapidly increasing demand for infrastructure and public services which is

⁸ Hanoi, Ho Chi Minh City, Hai Phong, Da Nang and Can Tho

likely to result in a growing funding shortfall. In order to bridge this gap many local administrations are increasing their reliance on the sale of land development rights. However, there is a need for local governments to develop more sustainable longer terms methods of revenue generation.

2.5.7 Land Law (2003)

Land is a key input in the provision of low income housing. Land and improvements to it, including housing, are important assets, in particular for low income households where real estate is often the only asset these households possess. The ability to collateralize this asset is, in turn, an important source of housing finance for individual households.

Land is also an important municipal asset, and thus the type and effectiveness of the land administration regime has important implications for municipal financing. In relation to low income housing provision, this is important in terms of securing funds for O&M, infrastructure provision and environmental services. One aspect of land administration, which is of particular relevance especially in rapidly developing conditions, is land recovery where the needs for new urban land require large scale land recovery and conversion. This imply costs which often fall upon low income households-both those displaced from low income housing and those displaced from hitherto agricultural land-and create their own need for low income housing provision on resettlement sites.

Given the importance of all aspects of land an appreciation of the legislative context surrounding land is essential to understanding the context in which any provision of LIH must operate.

The new Land Law was passed in 2003 and came into force in July 2004. Key features of the new Land Law include: i) formal recognition of real estate markets, and a relaxation of Government's previous attempts to control the supply and cost of land; ii) devolution of responsibility to local governments for land administration and registration, as well as promulgation of local single points of contact for land registration; iii) the use of administrative price frames based upon market values for establishing compensation, taxes, and fees; iv) public participation in planning; v) public notification of approved plans; vi) simplification of the land titling process; and vii) improved compensation and resettlement provisions in supporting legislation.

The Land Law coupled with Vietnam's rapid economic growth has provided incentives for property developers, the majority of which are still state owned, to build planned developments. However, making appropriate housing available for low income people, including students and those requiring resettlement arising from development projects, remains a major challenge for Government, as does the regularization of informal real estate holdings in urban areas which still outnumber formal holdings. In 2004, the in-situ incremental improvement of existing slums, or urban upgrading, was recognized by Government as an appropriate policy for improving low-cost housing.

- **Article 62 of the Constitution of the Democratic Republic of Vietnam of 1980 States:** "Citizens have the right to housing. The State has a responsibility to improve the rate of housing construction directly while encouraging and assisting housing construction by collectives and individuals according to common plans, so as to gradually implement this right. The allotment of State housing space must be fair and equitable".

One of the most important recent developments in terms of the urban development sector in was the passing of the Construction Law (No. 16-2003-QH11) which came into effect in July 2004, and subsequently the supporting implementing regulations and guidelines set out in Decree no. 08/2005/ND-CP and Circular No. 15/2005/TT-BXD, both of which came into effect in 2005.

⁹ Adopted by the National Assembly on 18 December 1980

The most significant changes introduced by the new Construction Law are incorporated within the new Decrees on Planning and on Construction Investment Project Management. The main new features of the Planning Decree are: i) decentralization of the responsibility for preparing spatial plans to People's Committees for most cities and provinces (except inter-provincial cities, high tech and special economic zones); ii) decentralization of the approval of plans for Class III and IV cities to Provincial and District Peoples Committees; iii) review of plans by elected People's Councils; iv) addition of broader brush "Orientation Plans" covering 20 year periods for Special, Class I and Class II cities; iv) the addition of regional planning requirements; coverage of the redevelopment of existing urban areas (instead of just new construction); and v) the introduction of greater, though still rather limited, consultation in the planning process.

Although the new Planning Decree introduces some worthwhile improvements, the process of developing spatial plans for cities and provinces remains largely top-down. The Construction Law and Investment Project Management Decree combine aspects of project management, procurement and technical standards. The Construction Law increases the ceiling that can be approved at the sub-national level for most infrastructure projects to VND 400 million (around US\$25 million) and VND 600 billion (around US\$40 million) for housing. The most significant change arising from the Decree relates to a requirement for more detailed preparation of investment proposals.

2.5.8 Law on People's Councils and People's Committees (2004)

This Law outlines the functions, responsibilities and authority of People's Councils and Committees at all three local government levels. The Law was revised in 2004 to strengthen the supervision powers of People's Councils and to increase the authority and more precisely define the functions and responsibilities of People's Committees.

2.6 CENTRAL GOVERNMENT INSTITUTIONS

An outline summary of the main roles and responsibilities of central government agencies involved in the planning and management of urban areas throughout the country is set out in Table 2.2. Notwithstanding official moves towards decentralization of selected local administrative powers and responsibilities, the functions of the MOF, MPI, MOC, MONRE and MOT and their role in the planning and development of urban areas such as Danang remains critically important.

2.7 PLANNING SYSTEM

2.7.1 Urban Planning

Planning practice in Vietnam is still rooted in the central planning philosophy. Planning of all types is carried out both horizontally and vertically within Government, drafted by central government planning institutes which tend to promulgate official political ideals and Government mandated production targets, rather than reflecting and responding to market signals. Most entities with planning responsibility have a dual reporting relationship: a vertically to the central ministry and a horizontally to the appropriate executive level of Government. Government and the Party also have parallel policy guidance and reporting requirements. Consensus is deeply valued in Vietnamese society and is an important part of the planning process. Three types of plans are produced:

Table 2.2 Central Government Responsibilities for Urban Issues

Institution	Urban Functions and Responsibilities
Communist Party	<ul style="list-style-type: none"> • Policy guidance • Published party priorities minimally address urban issues
National Assembly	<ul style="list-style-type: none"> • Approves budget, sets expenditure priorities, prioritizes major projects • Controls decentralization • Sets formulae for local retention of revenue
Prime Minister	<ul style="list-style-type: none"> • Manages conflicting policies and agendas of ministries
Finance (MOF)	<ul style="list-style-type: none"> • Proposes budget (rural/urban priorities) • Allocates resources for state investments • Manages decentralization of revenues
Planning and Investment (MPI)	<ul style="list-style-type: none"> • Plans the state (or city, province or region) economy • Prioritizes sectors and major project locations • Integrates sector plans into overall socio-economic plan • Picks state investment projects • Seeks and approves FDI and ODA projects
Construction (MOC)	<ul style="list-style-type: none"> • Designated responsibility for urban issues • Prepared Urban Development Orientation Plan for 2020 • Spatial (physical master plans) planning to locate projects (also HPC) • Sets standards for city classifications and approves advancement • Prepares spatial plans for most cities and provinces through the NURIP 10 • Controls urban water and sanitation projects • Controls State Owned Enterprises (SOE) responsible for major construction projects • Controls permission for large building projects • Runs civil engineering and architectural universities
Transportation (MOT)	<ul style="list-style-type: none"> • Major transport projects (ports, rail, airports, national roads) • Road priorities and design • Controls State Owned Enterprises (SOE) building transport facilities
Natural Resources, Environment & Housing (MONRE)	<ul style="list-style-type: none"> • Responsible for land allocation • Sets regulations for allocation of urban land • Responsible for environmental regulations and controls
Industry (MOI)	<ul style="list-style-type: none"> • Responsible for power generation and electricity management • Responsible for the management of energy State Owned Enterprises (SOE)
Tele-communications	<ul style="list-style-type: none"> • Responsible for the management of telecommunications • Issue regulation for the operation in the telecommunication sector
Trade, Industry, Commerce Sectors	<ul style="list-style-type: none"> • Plans and runs industrial and production sector economy • Owns and operates relevant sectors' State Owned Enterprises (SOE)

Source: :MOC

- **Socio-Economic Development Plans (SEDP):** these are the responsibility of MPI. SEDPs are development strategies that set goals, detailed investment, development and production targets for all geographical regions and productive sectors of the economy, and combine, often without prioritizing, proposals contained in sector plans (e.g., transport, industry, education, and health). SEDPs are by prepared at all levels of government including wards and communes, and then consolidated at higher levels.

The five-year SEDP provides the basis for much of Vietnam's national development planning. The last five year planning period (2001-2005) involved production of both a SEDP and a CRPGS. Government's guidance to ministries and sub-national authorities for the 2006-2010 SEDP is that the two (SEDP and CRPGS) planning instruments should be merged. The guidelines specifically require that the five year plan should address the Vietnam Development Goals, which should result in a more outcome-focused plan. Once an SEDP is approved, it becomes the basis for the annual budget proposals from ministries and sub-national governments.

¹⁰ Special cities and most Class I cities have their own planning institutes even if they are not autonomous.

- **Land Use Planning:** land use planning is conducted by MONRE and its local level line agencies. Land use plans are prepared for 10 year periods with adjustments taking place every five years. They are created on the basis of socio economic development plans at commune, district, province and national levels.

The Land Law 2003 attempted to simplify land use planning to ensure that planning is more transparent and participatory. However, there still remains a number of unresolved problems relating to land: i) there is generally poor coordination at the local level between the preparation and outputs of land use plans and other planning activities, especially in the five first class cities; ii) land use plans often fail to meet market demands for land; iii) delays in the implementation of land use plans creates land use a number of problems relating to the issuance of title, land transactions and land development; iv) land use plans are frequently lased upon unrealistic targets rather than realistic estimations of prevailing conditions; v) Land use plans are subject to frequent changes which compromise the security of tenure of affected individuals; and vi) despite provisions stating that land use plans must be publicized within 30 days of their coming into force there is little public participation in the land use planning process.

- **Spatial Plans:** MOC is the agency responsible for the production of spatial plans, also referred to as master plans or construction plans. These plans present the proposed spatial arrangement of land uses, building footprints and infrastructure for a province, city, district, or development site in progressively greater detail.

There are three main classifications of spatial plans:

- (i) Regional Plans (approved by the Prime Minister);
- (ii) Urban Construction Plans: comprising a) general urban construction (Master Plans), and b) Detail Plans (both approved by People's Committees);
- (iii) Urban and Rural Local (Neighborhood) Plans: (in line with a recent official decision now to be approved by District Governments).

Spatial planning is driven by rigid technical standards and generally lacks the phasing and incremental development mechanisms to translate to the reality of a market economy where development is likely to occur on a more piecemeal and unpredictable basis, driven by demand and governed by the availability of land and capital. Spatial plans are generally not effectively converted into specific short-term programs with budgets for implementation, and as a result do not provide useful guidelines for channeling urban growth or providing infrastructure. More strategic, better integrated and flexible planning methods (including greater stakeholder participation and performance standards) need to be adopted to meet the demands of the market economy.

- **Sector Development Plans:** sector plans are the responsibility of appropriate line ministries. They involve preparation of production targets and strategies for individual sectors, such as water supply, urban transport and SOEs.

2.7.2 Regional Planning

In 2005, preparation of regional plans for the greater metropolitan areas of Hanoi, HCMC and Da Nang was initiated. Prior to this date, no consideration had been given to regional planning in Vietnam. Government Decree 08/2005 ND-CP (January 2005) sets out a methodology for the preparation, approval and management of regional plans. The Decree is fairly specific in determining the need for regional planning, as well as the scope, content, and preparation/approval process. However, it does not appear to specify which agencies will be responsible for implementing the regional plan and the financial resources needed for this.

A recently concluded study¹¹ on the regional planning process carried out through involvement with the National Institute of Urban and Regional Planning (NIURP) in the preparation of the Hanoi City Regional Plan (HCCRP) concluded that there was still a need to further review and improve the regional planning process. The Study's recommendations highlighted the need three key initiatives: i) formulation and adoption of a process of comprehensive regional development planning, including the reform of existing institutional arrangements to create a formal process of regional development management; ii) initiation of a process of incremental change to existing practices for the preparation and management of region plans, including the upgrading of skills and experience of planning professionals and government officials; and iii) an active commitment by Government and donors to implementation of a comprehensive regional development planning system through participation in a Regional Planning Improvement Program.

A summary of the findings and recommendations of the study was presented by the WB representatives and Study team to the (MOC) Minister and senior officials on 13 October 2005. The recommendations were well received and the first steps to act on them have been taken. The recommendations appear to cover many issues that will need to be addressed in order to overhaul the present urban planning process, especially issues of coordination and clear institutional roles and responsibilities, for which reason further developments of this initiative will need to be tracked carefully in the course of the current TA project.

2.8 URBAN INFRASTRUCTURE, SERVICES AND HOUSING

2.8.1 General

Although improvements are being made, the general standard of infrastructure and basic services in urban areas throughout Vietnam is still largely deficient, even in major centers such as Hanoi and HCMC. This deficiency places considerable constraints on economic growth and a disproportionate burden on the urban poor, as the provision of basic infrastructure such as water supply, drainage, sewerage, paved access, solid waste management, schools and health facilities, are important considerations in improving quality of life and lifting disadvantaged communities out of poverty.

Government has set some very ambitious (and sometimes inconsistent) targets in various policy papers such as the Comprehensive Poverty Reduction and Growth Strategy (CPRGS), the Vietnam Development Goals (VDG) and the various "Orientation Master Plans" for: urban development; water supply; drainage and wastewater; and solid waste management.

2.8.2 Water Supply

A benchmarking survey carried out in 2002 of all of Vietnam's Water Supply Companies revealed that only about 50 percent of urban residents had access to piped water. Coverage rates varied from an average 67 percent in the larger cities to only 11 percent in small towns. However, there was considerable variance in the level of supply in larger cities, with Haiphong reporting close to 100% coverage, whilst coverage in Danang was less than 50%.

In terms of future water supply targets the Comprehensive Poverty Reduction and Growth Strategy (CPRGS) gives specific priority to urban areas. CPRGS water supply goals and targets include; i) the completion of water supply networks for major and heavily-populated cities; ii) doubling of supply capacity for urban and industrial centers to 5-to 5.5 million cubic metres per day by 2010; iii) clean water supply to 90% of urban dwellers by 2010; and iv) a reduction in unaccounted-for-water from 39.4% to 30% by 2010.

¹¹ Technical Assistance for Regional Planning in Vietnam: Final Report. June 2005. World Bank- Australian Consultant Trust Fund. Lawrie Wilson & Pham Thi Khanh Van.

2.8.3 Sewerage and Sanitation

Treatment of waste water (sewerage) in all major towns and cities of the country is a stated Government priority. At present high volumes of sewerage are simply discharged into public water bodies through the drainage system without any form of adequate treatment. As a result, there is an increasing level of environmental degradation in most urban centers. There are growing concerns about the serious environmental degradation and health hazards are caused by the untreated and unregulated discharge of human waste and industrial effluent.

In 2005, a number of sewage treatment plants were under construction in major cities such as Danang, HCMC, Hanoi, Da Lat, Hue, and Buon Ma Thuot, and project preparation was under way in several other cities including Can Tho, Soc Trang and Bac Ninh. "Environmental quality and urban sanitation are major problems facing Vietnam's cities, especially the larger ones, exacerbated by the high densities" in the city cores.¹²

In 2002, only around 68% of the urban population was reported to have access to hygienic latrines. Residential and commercial premises are required to have on-site septic tanks, however these are rarely properly designed, constructed or maintained. As a result, effluent either soaks into the surrounding soils thereby polluting the groundwater, or runs into the stormwater drainage system causing pollution of canals and rivers. As urban areas expand, become more densely populated, and include an increasing number of commercial and industrial activities (including those potentially hazardous to public health), the need for strict environmental management of all forms of wastewater treatment will become critical.

Although Government gives high priority to constructing drainage and wastewater systems in urban areas, given the current situation, the CPRGS target of achieving 100% coverage in urban areas by 2010 appears optimistic.

2.8.4 Drainage and Flood Protection

Many of the country's major urban centers are located on flat, low lying and flood-prone land. As a result many cities and towns are vulnerable to inundation during the rainy season. However, the expansion and maintenance of efficient drainage and flood control systems has not generally kept pace with the increasing rate of urbanization throughout the country. This is due in part to the high cost of construction and maintenance of drainage installations, but also to the fact that in many cases comprehensive drainage and flood control systems are not included as an integral part of a comprehensive approach to city planning and development. Improvements to the construction quality of many drainage and flood control installations, and to urban solid waste management systems (to avoid the random disposal of garbage in drainage systems) are also important considerations in terms minimizing the risks of flooding. Evidently, as urban areas continue to expand these considerations will assume increasing significance.

2.8.5 Solid Waste Management

In spite of generally high levels of collection and disposal, solid waste management is becoming an increasingly important issue, especially in the major cities. Random dumping of garbage threatens public health, blocks drainage systems and as a result causes flooding. Furthermore, inappropriate disposal and treatment represents a major health public health hazard. Government recently classified 50 urban dump sites throughout the country as major public health hazards.

MOC report that 65% of domestic waste in urban areas was collected in 2004. The 2010 Environmental Strategy sets targets of 90% solid waste collection in urban areas and the safe

¹² Webster (2002), Douglas (2002), "Urban Dynamics and Public Policies in Developing East Asia: Implications for EASUR Programming", Asia Pacific Research Center, Stanford University unpublished

disposal of 60% of "dangerous waste" from hospitals and hazardous industries. The Vietnam Development Goals (VDG) target of 100% collection is even more ambitious. The cost of the necessary equipment and the construction of safe disposal facilities is a major consideration, however even more critical is the need raise user charges to the levels needed to generate the revenue necessary to operate and maintain equipment and properly manage sanitary landfills.

Constructing environmentally safe disposal facilities is one of Government's priorities. MOC recommends the adoption of sanitary landfills as the most appropriate disposal solution. A number of composting facilities have been constructed (e.g. in Nam Dinh and Hue), but these have not proven to be financially viable because there is no demand for the compost when it is priced at the cost of production.

2.8.6 Housing

Due mainly to available building materials and climate, housing conditions differ significantly between the northern and southern regions of the country. Although around 25% of housing is classified by Government as sub-standard, or temporary, the incidence of slums is reportedly higher in the south. In HCMC, the Land and Housing Department estimates that 300,000 people live in slums. Housing in urban areas throughout the country is generally cramped. While MOC recommend a minimum living space standard of 14 m² per person, the average living space in 2004 was estimated to be 8m²/persons, while approximately 30% of the population mostly in poor and low income areas had less than 3m²/person.

In recent years, Government has made progress in improving the policy environment and institutional framework for housing provision. Specific actions include: the elimination of housing subsidies (1992); charging rents for public housing (1993); sale of state-owned housing to tenants; and an important start to recognizing and registering property rights through the issuance of Building Ownership and Land Use Certificates (BOLUCs and LUCs), which can be used as collateral for a housing loan or mortgage.

Although the banking system has begun to provide affordable credit to certain middle and upper income house buyers, this facility has been restricted to middle and upper income house buyers. This restriction on access to credit limits the number of people who can afford to buy or improve their house, a condition especially severe amongst poor and low income houses. These same restrictions also discourage developers and contractors from investing in housing development, especially at the lower end of the market. Self financing of housing is therefore a necessity

Prior to the 2004 Land Law, about 80% of housing in urban areas was owner constructed. Most was built on an informal basis, beyond the scope of planning and building regulations and without adequate supporting infrastructure and public services. This informal approach to housing provision has given rise to severe environmental problems, especially in poor and low income housing areas where population densities are higher, and where there is often inadequate provision for drainage and sanitation, as well as poor access roads and footpath. Introduction of the Land Law, coupled with Vietnam's rapid economic growth provided incentives for property developers, the majority of which are still state owned, to build planned developments. However, making appropriate housing available for poor and low income households, as well as for students and war veterans, and those requiring resettlement as a result of public investment development projects, remains a major challenge for Government.

In 2004, the in-situ incremental improvement of existing slums, or urban upgrading, was recognized by Government as an appropriate policy for improving low-cost housing. The WB supported Vietnam Urban Upgrading Project (VUUP) is funding such improvements in Can Tho, Haiphong, HCMC and Nam Dinh, as well as preparation of a National Urban Upgrading Program (refer section 3.7). The Priority Infrastructure and Investment Project (PIIP) in Danang also seeks to build upon this initiative.

Traditionally housing has been financed on a cash basis, often through borrowing from the extended family. Loans and mortgage financing for housing are still new, but the demand for housing finance is rapidly increasing, although at the moment this largely confined to high income groups and developers constructing for this group. The ADB is supporting the Government through a Housing Finance Project to promote a more active housing mortgage finance market (refer section 3.4). The World Bank supported VUUP Project also includes a micro-finance component to support low-income residents improve their houses.

2.8.7 Urban Transportation

The rapid population growth and expansion of all the major cities of the country, including Danang, has brought about a significant increase in the demand for infrastructure and services in all sectors, in many cases well in advance of present capacity. This in turn has resulted in the steady deterioration of environmental conditions in most urban centers. The increase in private motorized transport has overloaded existing road networks, especially in the more densely developed central areas where there is restricted road access and limited carrying capacity. The result has been increasing levels of traffic congestion and emission-related pollution in urban areas.

Vietnam has the highest motorbike ownership per capita in the world and is experiencing exponential growth in motorbike ownership. More than 1.5 million motorcycles are registered in Hanoi and 2.5 million in HCMC; many more are unregistered. However, although the widespread use of motorcycles and ineffective levels of traffic management in major urban areas are critical concerns, potentially the most serious problem in terms of vehicle congestion and pollution in urban areas lies in current trends, which indicate that with increasing levels of affluence, there is a growing incidence of automobile ownership. At present, the price of the cheapest car is only about twice the cost of the most expensive motorcycle. Forecasts suggest that by 2010 per capita incomes will reach a level at which rapid automobile-based motorization is likely to occur.

Although congestion in Hanoi and HCMC does not yet reach the levels experienced in some other Asian cities such as Bangkok or Manila, it is beginning to have an impact on economic efficiency. Both cities are actively pursuing public transport as a solution. HCMC is preparing a feasibility study for urban rail transit. In Hanoi, bus ridership dramatically increased from 2002 to 2004 with new buses and routes being introduced. The WB is currently supporting the Hanoi Urban Transport Development Project (HUTDP) which will include the first phase of a Bus Rapid Transit system for the city.

2.8.8 Infrastructure Development & Investment Approval Process

Infrastructure and development approval procedures in the country are complicated and vary according to the nature and size of projects (A, B or C class), the investment capital status (private, foreign direct investment, ODA, state enterprises, and/or individual), and the category of land use. Most projects require three types of development approval: i) investment approval; ii) land use right certification; and iii) development approval and building or construction certificate.

Investment projects that require land allocation for development go through a pre-planning process with the local DPI for investment approval and the local DOC for guidance on project location. Following these approvals, the project proponent negotiates any necessary compensation and resettlement plan. An investment report (formerly a pre-feasibility report) and preliminary design report are required by the MPI. Group A projects funded with foreign sources need approval from central government. After investment approval, the proponent submits a request for land allocation to the local DONRE. A construction permit based on detailed design of the project is also required. Under the new Construction Law 2004, construction permits are issued either by the provincial DOC or the District People's Committee, depending on the complexity of the project. In some places, the process has been consolidated into a "one stop shop".

3 HOUSING SECTOR INITIATIVES

3.1 INTRODUCTION

In line with the TOR requirement for a review of relevant literature, this Chapter summarizes recent research and strategic directions within the urban housing sector. The intention here is to provide a broad context for the Study, and to identify key issues and initiatives relevant to the Study's eventual recommendations.

3.2 URBAN DEVELOPMENT AND HOUSING SECTOR IN VIETNAM REPORT¹

3.2.1 Introduction

The Study reviewed the status and issues arising in the urban development and housing sectors nationally and in Hanoi and HCMC, specifically focusing on: i) urban development policy, including the prevailing administrative structure and urban development planning system; ii) the legal and regulatory framework governing land management, including real estate registration and taxation; iii) housing development, including national housing policy and the role of public and private (especially individual) housing developers; and iv) available housing finance facilities in Vietnam. Although some of the conditions in these sub-sectors have changed since 1999, many of the recommendations made in the Study in respect of key issues identified still have resonance and are briefly summarized below.

3.2.2 Summary of Key Recommendations

- **National Urban Development Policy:** the construction approval processes is both complex and time-consuming, and inevitably leads to delays in implementation of urban development projects and thus in turn to non-compliance and illegal construction. The Study therefore recommended the introduction of a mandatory land use zoning system as an instrument of development control, as well as the simplification and streamlining of the construction approval process and the prevailing planning system, to facilitate rapid yet controlled development in line with the demands of an increasing rate of urbanization, especially in Hanoi and HCMC. Similar recommendations also form part of more recent studies including the Comprehensive Urban Development Program in Hanoi Capital City (HAIDEP) and the GEF funded component Hanoi Urban Transport Development Project (HUTDP).
- **Legal and Regulatory Framework:** at the time of the Study the majority of residents in Hanoi and HCMC did not have Land Use Rights Certificates (LURC), although these are a precondition of legal land ownership in Vietnam, as well as the basis for real estate registration and taxation. The Study therefore highlighted the need to expedite the LURC issuance in order to facilitate legal on-plot construction and the mortgaging of land for construction purposes. It also recommended merging LURC with House Ownership certificates.
- **Housing Development:** the Study did not attempt to preempt the National Housing Development Strategy which was under preparation by the MOC at the time, but noted that in view of the fact that the majority of house construction (especially in Hanoi and HCMC) was undertaken by private individuals on a self-build basis, there was a need to improve public access to a wider range of affordable housing finance. The Study also recognized the role of a number of State Owned Enterprises (SOE) in the development of more extensive residential areas, and the fact that although SOEs were largely dependant on public sector funding, the scope of their activities and level of involvement in the housing sector could be

¹ JBIC Research Institute for Development & Finance. Research Paper No. 3. Urban Development & Housing Sector in Vietnam. December 1999.

augmented by increasing their access to housing finance. In both instances, the value of LURCs as collateral for funding was noted.

- **Housing Finance:** the level of funding support provided by the Housing Fund was seen as inadequate to support the volume of house construction needed to meet growing demand. The pressing need to expand involvement of the banking sector in the housing finance sub-sector was noted. Development of the housing finance market throughout Vietnam was seen as essential, in particular the need to: i) improve the capacity of private banks to handle mortgages; and ii) setting up of refinancing institutions to the lessen the liquidity risk of banks involved in providing housing loans, a consideration especially critical in terms of the low income housing market.

3.3 ADB LOW INCOME HOUSING STUDY²

3.3.1 Introduction

The purpose of the Study was to prepare an assessment of the situation and potential for ADB support to the low-income housing sub sector in Vietnam, with particular emphasis on a housing finance strategy. The Study was thus the forerunner of the ADB Housing Finance Project Loan (refer section 3.4).

The goal of the Study was to suggest ways of increasing the availability and affordability of housing loans to low-income households through facilitation of sustainable lending institutions. In achieving this goal the objectives were to assess: i) housing needs in Vietnam with particular emphasis on low income housing; ii) formal and informal housing finance demand and supply; iii) institutional, legal and policy arrangements with emphasis on the provision of low-cost housing for low-income groups; iv) the constraints and opportunities for the provision of housing finance; and v) Government and international assistance interventions to assess the scope for ADB involvement.

3.3.2 Study Scope

In order to allow the development of an integrated Housing Finance Sector Development Program, the scope of the Study had five primary areas of focus:

- **Land Administration System:** including a review and analysis of the effectiveness of existing systems, and the differences between regions and between new and established housing were identified. Ways to increase the provision of serviced land and housing affordable to low income people were also determined, as well as an understanding of the housing mortgage market.
- **Housing Sector:** sample surveys were conducted in selected provincial cities/towns, including Hanoi and HCMC. Information was documented on the volume and quality of housing, differences between urban and rural areas, geographic regions and different categories of housing, types of housing, materials and quality of construction, use of housing, house prices, occupancy levels and status, as well as various other socio economic characteristics.
- **Housing Finance:** the housing finance sub sector was defined, to include an illustration of the relationship of the formal and informal market with the capital market. In addition, the ongoing fiscal reform program was analyzed to identify linkages and constraints. This review and analysis provided an understanding of the market and identified potential areas for reform, capacity building and institutional strengthening. Various recommendations were suggested to increase the flow of financial resources into the housing sector for house

² The Study was undertaken as the first part of the ADB funded "Low Income Housing and Secondary Towns Urban Development Needs Assessment" (ADB / TA 3487-VIE).

upgrading and new housing. Issues of willingness to pay and affordability for low income households were examined and documented, and an assessment was made of the present and future supply of and demand for land and housing, as well as the basic needs of low income groups. Assumptions regarding existing and future (LIH) demand will also be utilized in preparing demand estimates for Danang.

- **Low Income Household Profile:** this was undertaken using existing documentation, supplemented by household surveys in six provincial towns, Ha Noi and Ho Chi Minh City. The definition of low income households (LIH) adopted for the purposes of this Study have been referred to in the course of preparing a similar definition for this (LIHAS) Study.
- **International Funding Agency Assistance Programs:** ODA assistance in land management improvement, housing policy and housing finance was reviewed in order to prepare an effective scope for ADB intervention in the low-income housing sub sector, particularly in housing finance credit.

3.3.3 Low Income Households Profile

The definition of low income households (LIH) used in the Study was interesting from two viewpoints: i) it defined *households* in terms of *people* (presumably the household head) having a relatively stable income and the ability to make savings for housing improvement and installment payments (assuming favorable conditions on infrastructure and land policies); ii) it further defined this group as being *households* within an income band *above* the poverty line threshold, up to the average level of income. In 2000, this definition covered households from the 20th up to the 70th income percentiles, meaning some 50% of urban housing could be regarded as being occupied by low income households. Low income groups included a range of government staff, including teachers, police, army and medical personnel, workers, laborers and small traders in urban areas.

In 2000, the average monthly urban household income range was estimated at between VND 1-4 million, made up of members with a monthly per capita income ranging from VND200-800,000. The LIH income band varied between urban areas, but was estimated to be between VND 1-4.5 million in Hanoi and VND 1.25-5.5 million in HCMC. No income details were given for Danang. The 1999 population and housing census recorded 4.0 million national urban household with an average household size of 4.5 persons, slightly lower than the overall average for Vietnam at that time. The average LIH size was slightly higher at 5 persons.

The Study noted a high level of demand for residential land for low income households (LIH). In 2000, there were an estimated 2 million LIH. This figure was expected to increase to 3.2 by 2010 and to 4.2 million by 2020. Based on an average housing plot of 60 m² per household, and even assuming that only 30% of LIH need of land for housing, the net residential land area needed to accommodate this urban LIH group in 2000 was 3,660 ha, and 6,732 ha in 2010.

3.3.4 Recommendations

Low Income Housing Development

Recommendations to facilitate the development of low income housing outlined in the Study included the need to: i) develop a comprehensive low income housing policy, integrating the Study's housing finance policy recommendations as part of the (MOC) Orientation for Housing Development (2001-2010) housing policy document; ii) provide exemption or reduce the land use tax for low income housing; iii) allocate State budget funds for technical and social infrastructure in residential areas; iv) encourage employers, labour unions and confederations to take part in low income housing development projects; v) introduce favorable policies to encourage foreign investors to provide housing accommodation for their employees (workers' accommodation should be included in the detailed plans of industrial parks and export processing zones); vi) grant preferential financial conditions to LIH housing development

projects, for example exemption from or reduction of VAT or corporate income tax; vii) apply appropriate technical criteria in the design and construction of apartment buildings for LIHs; viii) create employment opportunities in new (resettlement) residential areas; ix) strengthen the capacity of housing development enterprises, wherein each major city would have at least one housing development company or real estate trading company with strong capacity, technically and financially, in order to implement housing development projects for LIHs to rent, or to purchase by installment payment; x) ensure that urban development master plans included LIH residential areas, with varying lot sizes and levels of service provision consistent with affordability; xi) give priority to the renovation of existing single story apartment buildings, with the participation of the government and community in improvement and upgrading of infrastructure such as roads, water supply, drainage, and power supply; and xii) conduct a detailed study to find a good model for management and utilization of apartment buildings.

Procedural and Institutional

Recognizing a number of issues in respect of prevailing procedures for bringing land onto the market in line with demand, including difficulty in the transfer and mortgage of land use rights, the basis and conditions for determining land user's rights, regulations determining land price and procedures for the auction of land use rights, the Study also made a number of recommendations in relation to prevailing procedural and institutional arrangements, including the need to: i) review and implement supplementing provisions that enable households and individuals to exercise their five LURs, especially on transfer and mortgage; ii) speed up the process of granting LUC and BOLUC; iii) simplify the qualification documentation and procedures to formalize LUR and HOR; iv) in order to encourage households to improve and reconstruct their houses, implement Government Decree 60/CP that stipulates organizations and factories transfer their housing stock to housing companies which can then on-sell this stock to rental occupiers; v) speed up the process of administrative reform of land and housing management in order to implement the laws on land, taxation and Decrees of the State on management of residential land and housing; vi) review the delegation of power on land management to district level, to ensure improved land management efficiency and convenience; and vii) create an appropriate institutional framework to enable a move from an informal to a formal land and housing market to allow improved State management and guidance.

Capacity Building

In addition to the above, the Study also identified the need for capacity building and retraining in land management at various levels, including at the: i) Central level- coordinate MOC and GDLC activities in reviewing, issuing and monitoring the implementation of policies and revising institutional frameworks in the area of urban land management; ii) Provincial and cities level-review the model of the Department for Cadastral-Land and Housing and disseminate this organizational structure widely to other provinces. Also, create an institution framework for coordination between provincial agencies, especially between land management and construction agencies; and iii) District level-review the operational performance and effectiveness of district urban management divisions and housing sector development companies.

The Study also identified a need to establish an information system on cadastral, housing and land that updates the information and records data on land and housing. This operational and institutional reform program should be matched with further refinement and development of the legal framework and administrative procedure to facilitate the emergence of a formal market for land and housing. Suggested improvements to facilitate mortgage origination and collateral availability in Vietnam included: i) simplification of issuing procedures for land users who have no LUR or HOR certificate but who have occupied their properties for a long period without the lawful papers currently required under the land laws; ii) develop a mortgage registration system; and iii) ensure transparent provisions for dealing with a LUR that has been mortgaged and subsequently requires debt repayment through a foreclosure sale of the mortgage property. This is needed to ensure banks providing financial services have effective foreclosure rights.

The Study also identified the fact that urban development Masterplans should take into account the need for land and housing in terms of quantity, housing style, standards and location that is appropriate and suitable for low income people's financial capacity and their desired location. There is a need to consider the location of residential areas in relation to employment opportunities, and to assign appropriate areas of land for low income housing development.

3.3.5 Housing Finance Sector Development

The Study noted that Government housing initiatives were mostly on the supply side involving, amongst others: i) the sale of Government housing; ii) access to State land for housing development; iii) subsidies for infrastructure development; iv) subsidized housing for sale or rent to LIH and priority persons; v) land, house and rental price regulation; and vii) land and property tax exemptions. On the demand side, Government housing policy initiatives were limited to providing subsidized credit to the poor and to LIH.

In setting out the basis for the formulation of a housing sector development plan, the Study undertook a review of common aspects of successful housing policies elsewhere in throughout the world. These were summarized as follows:

- **Strengthen Housing Demand:** i) Improve property rights: bring cadastres up to date, insure effective property titling, provide prompt and fair arbitration procedures; ii) Develop mortgage credit: move away from "special circuits", remove obstacles to commercial lending for housing, link up to capital markets; and iii) Implement a system of well targeted subsidies: by firstly identifying groups in need of support; securing budget finance; separating credit from subsidies; linking subsidies directly to beneficiaries, and avoiding subsidized inefficiency and stagnation in privileged and special institutions.
- **Modernize Housing Supply:** i) Expand the supply of serviced urban land by clarifying and improving the division of labor between public and domestic sector operators; ii) Provide the regulatory framework for land development and real estate by means of clear and predictable land development rules, consistent construction and real estate codes, sound and stable national and local taxation; iii) Promote the emergence of competitive construction and real estate industries by upgrading codes, taxation, public procurement and tendering, contracting, technology.
- **Manage Housing Policy Effectively:** i) Develop the institutional framework for a national housing policy, by: a) developing timely and reliable real estate information systems; b) providing a stable legal, regulatory and enabling framework at the national level; and c) by ensuring autonomous and innovative local governments to ensure implementation of good housing policies.

The Study recognized that Government was addressing most of these aspects. However the Study identified a significant demand side policy gap in relation to development of mortgage credit finance. Satisfying the requirement for low income housing credit finance is beyond the reach of Government funding or ODA housing credit loan assistance. The solution lies in mobilizing domestic sector capital finance through facilitating the development of the formal housing finance market and the longer term development of a secondary mortgage market. This will require the Government to shift housing policy initiatives to the demand side of the housing sector through a strategy focused on facilitation of the housing finance sector.

The Study recommended this aspect of the housing sector as the focus of ADB intervention. It foresaw a potential ADB housing finance credit loan incorporate three main elements: i) loans to low income households for new housing; ii) loans to low income households for small home improvement, and self-build housing loans for the poorest households; and iii) partial contributions to short term construction finance for low income housing projects through a revolving fund with city government housing development investment fund organizations.

These various aspects of the Housing Finance Study were further explored and developed through the ensuing ADB Housing Finance PPTA and Project Loan (refer section 3.4).

3.4 ADB PROJECT HOUSING FINANCE PROJECT (HFP)

3.4.1 Introduction

The ADB Project Housing Finance Project (HFP) is designed to support the establishment of a sustainable housing finance market in Viet Nam, which would ultimately mobilize substantial capital for housing finance and facilitate the long-term establishment of a strong mortgage-based collateral market to provide housing loans to all sections of the population.

More specifically, the Project will assist approximately 137,000 urban low-income and poor persons improve their housing, health standards, and economic well-being by giving them access to affordable housing finance. For the poor households that cannot afford to buy a new house, the Project will provide market-based lending for housing improvement and own-build options through community-based financial institutions (CFIs). Estimates are that about one third (almost 44,000) of all potential project beneficiaries will be poor households as defined by official MOLISA criteria.

The Project's ultimate goal is to improve the quality of life for ULIPHs through improved housing. The specific objective of the Project is to promote the establishment in Viet Nam of a sustainable housing finance market accessible to ULIPHs.

Certain Project modifications coupled with an extended Loan processing period has meant that the initial disbursements originally intended to begin in 2003/04 were began in 2006. Nevertheless, the Loan effectiveness remains at mid 2008. Indications are that the HFP will not involve any specific application to Danang.

3.4.2 Components and Outputs

The HFP comprises three parts:

- **Mortgage Lending to Urban Low-Income Households:** housing mortgage loans to ULIHs through PCBs will be provided through two subprojects: (i) mortgage loans for housing purchase (up to VND100 million per housing unit cost); and (ii) mortgage loans for housing upgrade (up to VND20 million per housing project cost). It is anticipated that about 4,100 ULIHs will obtain loans to buy or build houses and about 14,600 will obtain loans to upgrade/improve existing houses.
- **Housing Microfinance to Urban Poor Households:** utilizing established microfinance community-based financial institutions (CFIs), housing microfinance loans to UPHs existing depositors will be provided through two subprojects: (i) loans for small home improvement (up to VND15 million per housing project cost); and (ii) loans for own-build housing (up to VND15 million housing project materials cost). At least 6,700 UPHs will obtain loans to upgrade/improve existing houses, and 2,100 will obtain loans to own-build new houses.
- **Institutional Strengthening and Capacity Building:** this component will support institutional strengthening and capacity building to develop the housing finance system in Viet Nam. The subcomponents involve: i) support for establishing an HFF that would become the apex institution for the housing finance sector, ii) a training and capacity building for HFF and PFIs, iii) a housing finance awareness and marketing program, and iv) establishment of a housing demand database for ULIPHs.

3.4.3 Cost Estimates

The total cost of the Project is estimated at U\$51.8 million equivalent, including all the investments in new and improved housing expected to be generated through the catalytic effect of the ADB-financed subloans. The cost estimates assume that the urban low income and poor households (ULIPH) receiving housing loans through the Project will invest an amount equal to at least 30% of the value of the total housing expenditure.

Initially it was proposed that ADB provide a loan of U\$30 million equivalent to finance about 57.9% of the total project cost, however this amount has reportedly been adjusted. Remaining project costs will be borne by the PFIs, Government as well as by the beneficiary households from their own resources. The government contribution arises from incremental administration costs associated with project management and operation of HFF.

3.4.4 Project Benefits

ULIPHs will be able to improve their houses with the available affordable long-term funding. This will: i) reduce their vulnerability to natural disasters by providing safer shelter; ii) increase the residential and household stability due to the possession of a valuable asset; iii) provide an alternative source of income in emergencies when the house is used as collateral to obtain additional credit; and (iv) reduce rent costs. Improved housing will create a healthier environment, particularly for women, children and students who spend much of their time in the house. The health of family members and the education performance of students will in turn improve. Work productivity can also increase for those households that use their own house as their workplace, as is common in Vietnam.

3.5 WORLD BANK (WB) VIETNAM URBANIZATION ISSUES REPORT³

3.5.1 Introduction

The report was prepared for the World Bank (WB) Vietnam and formed the basis WB Urban Assistance Strategy for Vietnam which was prepared in the following year (refer section 3.3). The report focuses on a wide range of issues related to growth, poverty alleviation, urban planning, and infrastructure needs. Following on a review and analysis of the urban sector in Vietnam, it puts forward a number of recommendations in response to various issues arising. This section briefly summarizes these key issues and recommendations, with emphasis on those of special relevance to the (LIHAS) Study.

3.5.2 Identified Urbanization Issues

- **Lack of Reliable Data:** there is a general lack of accurate and substantiated data on most developmental aspects throughout Vietnam, including that on population.
- **Rapid Economic Growth:** rapid economic growth in recent years has seen a dramatic reduction in the level of poverty throughout the country. Even taking into account unregistered migrants often omitted from official estimates, only about 15% of the population are currently below the poverty threshold.
- **Rapid Urbanization:** in line with economic growth, there has been a parallel trend of rapid urbanization of all major towns and cities. Estimates are that the urban population in the country which in 2004 was about 20 million (about 23% of the total population) will increase to around 40 million (45%) by 2020.

³ Henry Sharpe & Nguyen Quang. Vietnam: Urbanization Issues. July 2004.

- **Rural-Urban Migration:** unofficial migrants ⁴ are not counted in official data but are reported to account for 10% of the population of major cities: much more in some cities and districts. In Danang for example, estimates are that unrecorded migrants could increase official population forecasts by as much as 20%.
- **Housing Conditions:** in 2002, slums and temporary houses accommodated 24% of the urban population. This proportion was much higher in some cities and districts including Danang. Between 75 and 85% of new residential construction occurs in the informal sector without construction approval and frequently without land use certificates.
- **Economic Activity:** about 70% of GDP is generated in urban areas, mostly in the major cities. Relative urban affluence and domestic consumption are becoming significant factors in economic growth as the economy has diversified. The three national growth triangles including the major urban centers of Hanoi, Danang, and Ho Chi Minh City (HCMC) have been identified.
- **Government Policies:** present urban development policies address urbanization through demographics by designating an urban hierarchy described principally in terms of population. There are no policies that address urban issues in the context of national development or economic development.
- **Government Organization:** Government at the national, provincial and city levels is poorly equipped to competently manage integrated problems and issues. The division of government and administrative responsibilities places the majority of urban policy, urban infrastructure investment, planning, construction, and management in the MOC and related departments, while other ministries (and departments at the city and province level) are responsible for land management, transportation, finance and budget allocation, socio-economic planning and environment. There is negligible coordination between parallel ministries and departments in regard to urban issues. Government lacks a coherent urban policy to guide urban development and management and to coordinate decisions impacting on conditions in urban areas.
- **Urban Management:** the closely interrelated activities involved in governance, administration, construction, fiscal, maintenance, enforcement and planning in urban areas have to be carried out in a consistent, predictable and coordinated manner in response to changing situations and needs. The present hierarchy of government structures, independence of plans and decisions, limited local autonomy and poor coordination exacerbate the problems of poor urban management apparent at all levels. Strengthening and rationalizing urban management through both institutional and cultural change is the most significant task for urbanization.
- **Urban Planning:** plans for urban areas are prepared by different government agencies at different levels for socio-economic development, sector investments, and spatial design. The main planning functions are divided between ministries at the national level and departments at the province or city level. They are integrated in only the most rudimentary manner through sharing background information.
- **Service Levels** -Government policy sets unrealistically high service standards that bear little or no relation to practical realities of the situation on the ground and limited resources and capabilities available.
- **Infrastructure Needs:** as the rate of urbanization increases the demand for minimum standards of public service infrastructure will increase in urban centers throughout the country. Without increased levels of investment in urban infrastructure and services, both to catch up on backlogs and to meet future demands, environmental, health, education and general quality of life conditions are likely to deteriorate in urban areas, impacting mainly on the urban poor.

⁴ Class KT-3 and KT-4 migrants

3.5.3 Summary of Key Recommendations

In response to the (seven) key issues identified by the World Bank (WB), the Report made the following recommendations and observations. Although for clarity sake these were listed by issue, many recommendations are clearly interlinked and relate to more than a single issue.

Urban Planning

- **Cooperation and Integrated Planning:** cooperation between the various urban planning agencies and evolution of a truly integrated planning process that includes financial and budget considerations, are necessary to rationalize and coordinate urban planning and management in pursuit of a genuine urban policy.
- **Urban Management:** a key weakness of urban planning in Vietnam at present is poor urban management. Strengthening the planning capacity or the technical aspects of planning will not improve the situation without institutional changes. Successful urban management techniques are essential to make planning useful and should take priority over improved planning skills and practices.
- **Technical Specifications:** the rigid single purpose technical construction planning specifications that drive plan design, investment, and city classification are effectively reducing efficiency and distorting public and private investments. These considerations should only have a limited and guiding role in a reformed planning system that will allow greater flexibility and adaptability to local situations. For example, more flexible technical standards should allow infill development, urbanization of villages, or improvement to existing development without requiring maximum (standard) street widths, specified floor area ratios, or standardized floor area per occupant.
- **Financial Reality:** plans at all levels are made without apparent reference to financial reality or cost. For urban planning to be useful, financing and budgeting for state sector responsibilities and projects must be part of the planning process.
- **Decentralization of Planning:** physical plans, especially general Master Plans, are usually prepared by planning experts remote from the local situation. Decentralized planning with greater participation, local knowledge and management, and local approval will increase the relevance and implementation of urban plans.
- **World Bank Support:** the World Bank should consider comprehensive support to cities including local capacity building (training, administrative assistance, financial management, urban management, economic development guidance focusing on comparative advantage and decentralization) rather than limited sector support,

Proposed Planning Decree

- **Integrated Planning and Strategic Planning:** although the draft Planning Decree will improve construction planning, more significant changes are needed. Adoption of integrated planning is the fundamental step necessary to rationalize the planning system. Strategic planning and more flexible implementation mechanisms are necessary to successfully guide urbanization in a market economy and to address construction in the informal sector.
- **Regional Planning:** MOC should try to use regional planning to initiate a strategic approach to planning that will reduce the conflicts between government entities that occur with complexities of urban growth. For example, a strategic regional planning process could be used to reach agreement on the location of key facilities (e.g., solid waste, major transport facilities, new industrial complexes, etc.) on a case-by-case basis.

- **Market-Oriented Changes: in order to make** construction planning more flexible and responsive to managing development in a market-oriented land and urban development environment, the following elements are necessary: i) decentralization; ii) local technical skills to prepare plans and manage their implementation; iii) transparency and participation by all sectors of society and the economy; iv) stakeholder involvement; v) flexibility in plans to accommodate changing circumstances; vi) means of protecting the public interest; vii) means for provision of infrastructure in advance or simultaneously with development; and viii) a transition to performance standards rather than proscribed specific and rigid technical standards

Managing Peri-urban Growth

- **Urban Strategy:** Government needs to assess how it wants to manage peri-urban development and how to provide appropriate levels of urban services.
- **Land Conversion Practice:** land allocation practices under the Land Law and as governed by zoning regulations as part of construction planning do not always assign the same uses to a block of land. The two principal instruments for land conversion need to be integrated. A more transparent process of bidding for land should also be promoted.
- **Cumulative Impact Assessment:** the cumulative impacts of land use and land allocation decisions should be assessed for the provision of public service, social services, public infrastructure and environmental impacts.
- **Investment and Capital Appreciation:** land investment is both culturally and financially rewarding. Secure and high returns on alternative investments (e.g. development of a robust stock exchange and equitable taxation) will be necessary to keep capital from flowing into lower cost land at the urban fringe and the subsequent pressure for development of that land.
- **Enforcement and Management: improved** enforcement coupled with better management and administration will be necessary to reduce the amount of illegal development at the fringe of urban areas. The Report sets out recommendations in a number of specific areas, including the need for: i) procedures for converting rural land to urban land, including the envelopment of existing communities within larger city areas; ii) effective measures for demarcating and preserving infrastructure corridors within cities' financial constraints; iii) coordination of spatial planning and transport strategies; and iv) affordable housing for low-income workers employed in the peri-urban industrial zones⁵.

Regional Planning Opportunities

Recommendations in respect of regional planning opportunities referred to in the Paper were made primarily with reference to the Hanoi Capital Region, and included recommendations to: i) initiate steps for WB support of Hanoi Capital Region Planning (HCRP) Project (this project is currently underway with WB support); ii) use the Hanoi Steering Committee to build local coordination capacity and assist in developing a means to prioritize projects; and iii) prepare

⁵ The issue of affordable housing for low-income workers employed in the peri-urban industrial zones is particularly relevant to the LIHAS. The detailed recommendations in this respect were: i) recognition and reinforcement of the informal housing market; ii) recognition that the 75 -85% of housing constructed in the informal sector clearly points to the failures of the formal sector to meet housing needs and need to reduce bureaucratic and financial impediments to housing; iii) jobs/housing balance is improved when employee housing is built near industrial zones; iv) provision of alternatives that include transport to and from employment sites; and iv) development of a housing mortgage market that could make housing available to a wider segment of the population

Terms of Reference for ODA support of the HCRP Project at both the strategic level and in preparation for future financial support for regional infrastructure.

Training and Education for Urban Planning

- **Training Requirements:** donors should recognize the opportunities created by Government requests for assistance in modernizing urban planning and urban management practices. Training should be practical and should include major elements of urban management, coordination and integration, and strategic planning.
- **Urban Management:** there is a need to recognize that the fundamental weakness of the construction planning approach, including not only the limited relevance of some of the plans, but also the lack of implementation, plan management and enforcement. Strengthening the planning capacity or the technical aspect of planning will not improve the effectiveness of urban plans without simultaneous institutional changes and strengthening of urban management capacity at the local government level.
- **Strategic Planning:** training for the market economy should emphasize strategic planning, the establishment of goals and priorities and the adoption of flexible integrated and cross-sectoral strategies that can be modified to adapt to changing situations and opportunities to achieve the objectives and priorities.
- **City Development Strategies (CDS):** the CDS approach is an important training tool for the development of strategic planning through experiential learning.
- **Public Participation Training:** public participation requirements in the draft Planning Decree may generate an interest in public consultation training to which donors and the National Urban Rural Planning Institute (NIURP) should be prepared to respond.

Infrastructure Priorities, Costs, and Resources

- **Urban Development Priorities:** the current fragmentation of government decision-making and the policy of treating all sectors equitably make it difficult for Government to further define its priorities except on a case-by-case basis. The next generation of WB urban infrastructure projects should concentrate on transport, water, wastewater and drainage in the Special, Class I and II cities to support and manage growth, improve urban management, and assist in addressing urban poverty issues.
- **Data Deficiencies:** need to be rectified in order to usefully estimate the cumulative infrastructure cost and capital availability.
- **Technical Standards:** further use of technical standards that distinguish one class of city from another and frequently drive local investment projects should be discouraged.

3.5.4 Potential Urban Strategy Components

- **Expand Urban Infrastructure Project Lending:** focus urban infrastructure investment on the “repeater projects” that provide direct benefit, especially to the poor.
- **Urban Platform Model:** develop an “urban platform” model with selected city(ies) to provide WB and other donors support for basic infrastructure investment and management (including maintenance) coupled with incentives and support to stimulate integrated local management and provide a role model to other cities.
- **National Urban Policy and Strategy:** encourage and assist Government to develop a comprehensive and integrated national urban policy and strategy.

- **Decentralization:** work with Government to assist in the decentralization of responsibility and authority to cities, and in the commensurate development of local skills.
- **Focus Assistance on Largest Cities:** Government has asked the WB to focus attention on the largest and most rapidly urbanizing cities and has asked other donors to concentrate their assistance in medium and small cities. To have the most benefit, the WB should package its loans with local capacity building support (training, administrative assistance, economic development guidance focusing on comparative advantage).
- **Education & Training:** work to support education and training in urban management and modern integrated and strategic urban planning.
- **HCRP Project:** provide technical assistance for the HCRP Project.
- **Financial Mechanisms & Analysis:** work with Government to: i) develop national and sub-national financial mechanisms for infrastructure; ii) promote the systematic analysis of infrastructure costs; and iii) estimate the revenue necessary to meet Government's infrastructure objectives.

3.6 PROPOSED WORLD BANK URBAN DEVELOPMENT ASSISTANCE STRATEGY FOR VIETNAM⁶

3.6.1 Introduction

This Report follows on from and develops the themes and recommendations set out in the Urban Sector Assistance Report (refer section 3.5). It provides a comprehensive background to the urban sector in Vietnam, including a description of political, economic, administrative, demographic and socio-economic characteristics. It then goes on to summarize relevant guiding policies including that dealing with decentralization, and then develop the urban sector context further through a description of the main characteristics and issues arising in relation to: i) infrastructure, public services and housing needs and priorities in urban areas; ii) current urban management and planning, practices; and iii) municipal finance needs and resources. The Report concludes with a summary of a responsive WB Urban Development Assistance Strategy, with specific reference to ongoing and proposed programs and projects, as well as to Government requests for assistance. In view of the fact that the urban sector context is examined elsewhere in this (LIHAS) report, the following section deals only with a brief summary of the proposed WB Urban Development Assistance Strategy.

3.6.2 Proposed WB Assistance Program

Program Scope

For the past decade or so, the World Bank along with other donors have supported investment in basic urban infrastructure, helped develop central and local government capacity, and provided assistance to Government in the development of policies to address changes that are currently taking place throughout the urban sector. Recognizing the growing demands imposed by the continuing rapid rate of urbanization, much of it as a result of migration from rural areas, it is recommended that: i) the WB continue to provide significant investment lending support for urban development in Vietnam, focusing especially on the needs of the urban poor; and ii) this support should be built on previous successful interventions but also seek to develop new approaches to address emerging needs.

⁶ World Bank. Proposed Urban Development Assistance Strategy for Vietnam. Alan Coulthart, Nguyen Quang & Henry Sharpe. June 2005

Identified program and project interventions worth replicating and extending include those concerned with sanitation, wastewater collection and treatment, and solid waste management, all of which are growing public health and environmental priorities for Vietnam. In this regard work is already underway on the proposed Coastal Cities Environmental Sanitation Project.

The WB is also committed to developing what in Vietnam at least must be considered new approaches to urban development based on active beneficiary participation and the adoption of appropriate technical standards for infrastructure and public services provision, including roads. The application of appropriate standards, especially in relation to road construction, is one of the major issues arising from preliminary LIHAS research in Danang (refer Chapter 4). Apart from their relevance to ongoing projects such as the Danang Priority Infrastructure Investment Project (PIIP), these new approaches will provide useful guidance for the design and implementation of planned initiatives such as the National Urban Upgrading Program. Similarly, it is intended that the Urban Water Supply Development Project will demonstrate a successful and sustainable model for the provision of water supply in district towns where coverage remains very low.

There is also a need to work on developing new mechanisms involving financial intermediaries for speeding up project processing and reducing transaction costs, both for the WB and for borrowers. At present, due to its decentralized nature, the urban development sector does not appear to offer many opportunities for a sector-wide lending approach. However, the Report recommends that consideration should be given to developing national sub-sector investment programs covering, for example, environmental sanitation and urban upgrading. It is also seen as important that the WB assist Government in the development of new municipal finance mechanisms. In this regard, work has already started on developing a concept for a Municipal Infrastructure Development Fund.

Key Issues

Emerging concerns within the urban sector that the Bank needs to address include issue of urban transportation, especially the need to fully integrate land use and transportation planning, and to develop and promote improved public transportation systems as a means of reducing the adverse environmental impact caused by the increasing use of private motorized transport. The Hanoi Urban Transport Development Project due to begin in 2008 will begin to address such issues through the introduction of the first phase of a bus rapid transit system. A project to develop a feasible public transport strategy will be launched in HCMC, and following this similar initiatives will be needed in other major cities including Danang.

Although Bank projects to date have focused on specific urban sub-sectors, there is an increasing move towards lending programs targeting comprehensive city development. The ongoing Danang Priority Infrastructure Investment Project (PIIP) characterizes this approach (refer Chapter 5). Other similar projects may emerge from the planned work to develop City Development Strategies for Can Tho and Halong.

Summary of Existing/Proposed WB Urban Development & Housing Sector Investment and Technical Assistance Initiatives

Tables 3.1-3.3 provide an updated summary of the Bank's existing and proposed investment and technical assistance projects and programs in the urban development and housing sectors. Table 3.4 provides an update on the urban development topics for which Government has requested WB advice and assistance.

Table 3.1 World Bank. Basic Infrastructure Investment Projects. Vietnam (1997-2004)

Project	Approval Date	Amount (US\$ million)
Water Supply Project	June 1997	98.6
Urban Transport Project	Aug 1998	42.7
Three Cities Sanitation Project	May 1999	80.5
Ho Chi Minh City Environmental Sanitation Project	March 2001	166.3
Urban Upgrading Project	April 2004	222.5
Urban Water Supply Development Project	Dec 2004	112.6
Total		723.2

Table 3.2 World Bank. Analytical & Advisory Assistance. Urban Sector. Vietnam (1998-2003)

Project	Year
City Development Options for Haiphong: Charting a Path to the Year 2020	1998
A Tale of Two Cities in Vietnam: Towards a Strategy for Growth, Poverty and Environment in the Cities of Vietnam	1999
East Asia Cross Regional Study on Capital Markets Development at the Sub-National Level	1999
Private Solutions for Infrastructure: Opportunities for Vietnam	1999
Enhancing Access of the Urban Poor and Vulnerable Groups in Vietnam to Basic Infrastructure and Services- four studies	2002
Strategy for Urban Transport Development in Vietnam	2002
Small Towns Water Supply Study	2001
Benchmarking Study of Provincial Water Companies	2002
Developing methodologies and documentation for a demand responsive approach to providing water and sanitation services for district towns by competitively contracting the design, build and operation of facilities.	2003

Table 3.3 World Bank. Proposed Urban Development Investment Program. Vietnam (2006-2010)

Project	Proposed Start-Up	Current Status
Coastal Cities Environmental Sanitation	2006	Underway
Hanoi Urban Transport	2007	On schedule
Danang Priority Infrastructure Investment	2007	Refer section
Municipal Infrastructure Development Fund	2007	
Second Urban Water Supply Development	2008	
National Urban Upgrading Program	2009	
Environmental Sanitation Investment Program	2009	
Provincial Cities (Can Tho and Halong) Development	2010	
HCMC Urban Transport	2010	

Table 3.4 Government Requests Urban Development Topics requiring WB Advice & Assistance. Vietnam

Topic	Present Status
Regional Planning	Started in February 2005. Additional assistance likely to be required
Urban Development, Training and Education	Started in December 2004. Additional assistance likely to be required
Municipal Finance	Under way. Completed June 2005?
Strategic Urban Planning in a Mixed Economy	City Development Strategies being prepared in Nam Dinh and Dong Hoi with assistance from Swiss Development Cooperation. Scheduled to start in Can Tho and Halong with Cities Alliance assistance in April 2005
Assistance in drafting a new Water Supply Decree	
Assistance with Updating the Orientation Master Plan for Urban Development to 2020	
Peri-urban Development and Management	
Improved Urban Management	
Building Capacity for Wastewater Collection & Treatment, and Solid Waste Management, Policy, Education and Design	
Financing Urban Infrastructure Services. Cost Recovery Policy	

3.7 VIETNAM URBAN UPGRADING PROJECT

3.7.1 Introduction

The WB funded Vietnam Urban Upgrading Project (VUUP) Project is an ongoing multi-sectoral project scheduled to run from 2005 to 2012, being undertaken in four major cities of Vietnam- Ho Chi Minh City (HCMC) and Can Tho in the south and Haiphong and Nam Dinh in the north. All four cities have large numbers of poor and low-income households living in environmentally blighted communities with sub-standard infrastructure, services and housing. The VUUP will deliver direct benefits to an estimated 865,000 of these poor/low income residents and further indirect benefits to 1,070,000 residents. The total cost of the Project is about U\$273 million, about 90% of which is for civil works. The VUUP is derived from the WB (Vietnam) Country Assistance Strategy (CAS), which in turn is based on the Government's Comprehensive Poverty Reduction and Growth Strategy (CPRGS) (refer section 2.5.2).

3.7.2 Objectives

The objectives of the VUUP are to alleviate urban poverty by improving the living and environmental conditions of the urban poor using participatory planning methods, and by influencing existing planning processes to become more inclusive and pro-poor. These objectives will be achieved by: i) upgrading basic tertiary infrastructure and other services in low-income areas through partnerships between communities and local governments, and through capacity building for participatory planning and management; ii) providing and/or rehabilitating primary and secondary infrastructure networks to connect with the tertiary infrastructure in low-income areas; iii) providing affordable housing and/or serviced plots to low-income families that have to be resettled as a result of upgrading; iv) establishing a housing improvement loan program for low-income households in upgraded areas; and v) providing technical assistance to improve land administration processes in the project cities.

In addition the Project will provide important lessons and guidelines for future housing and infrastructure interventions targeting the urban poor (such as the PIIP) and as such will inform the National Urban Upgrading Program for Vietnam being developed by Government.

3.7.3 Project Components

For each city, there are six components. A separate component (#7) will finance the development of a National Urban Upgrading Program to be managed by MOC. .

- **Component #1: Tertiary Infrastructure Upgrading and Service Improvements:** low-income areas with deficient basic infrastructure and public services were identified in each city. In each of these areas, a multi-sectoral package of tertiary infrastructure and services improvements will be provided. This will include a combination of water supply, drainage, paved access roads and footpaths, electricity, sanitation services and solid waste management provided in a single package of upgrading works in line with each specific community's demands and priorities. Rehabilitation of markets, public toilets, health and education facilities was also included if identified as a community priority. Community committees were set up in each identified low-income area as the basis for community participation.
- **Component #2: Complementary Primary and Secondary Infrastructure:** the VUUP includes the improvement of any primary and/or secondary (or trunk) infrastructure needed to complement tertiary improvements at the community level. Investments mainly consist of improvements in drainage networks, pumping stations, road and bridge improvements, and water supply. These works are being carried out under separate contracts from the tertiary works and involve relevant city departments such as the DTUPWS and the city/provincial utility companies.
- **Component #3: Resettlement Housing:** although a key project principle is the application of appropriate design standards to minimize resettlement for both tertiary and trunk infrastructure, some measure of resettlement is unavoidable, mainly because many migrants have settled in and along canals and other rights of way, in situations which create health and safety hazards. It was estimated that more than 5,350 households will require resettlement. In accordance with the WB Policy on Involuntary Resettlement, one of the options to be provided is resettlement housing at government allocated sites. Appropriate resettlement sites were secured by the cities, and infrastructure is being provided under the Project to service these sites. In view of the fact that the poorest of the resettled households are unlikely to be able to afford serviced plots and build a new house on it, the Project will provide for core "starter" housing units. Apartments both for sale and rental will also be built for resettled households.
- **Component #4: Land and Housing Management :** technical assistance and training to local governments will be provided for strengthening the administration of land use certificates. Depending on the existing capacity of relevant departments, assistance will be provided for: i) establishment of a networked land administration and housing management information system; ii) completing cadastral maps necessary to accelerate the issuance of certificates; iii) supporting administrative/ organizational-restructuring; and iv) simplifying procedures for providing land use permits.
- **Component # 5: Housing Improvement Loan Program:** the objectives of this component are: i) to provide access to credit for poor households to improve their houses within the project areas; and ii) to strengthen the housing microfinance system to facilitate the provision of housing improvement loans to the urban poor. Prudent micro-credit principles will be applied to this component, and eligibility criteria and loan terms and conditions will be designed to ensure that low-income people are able to access the loans. A range of different implementation partner organizations representing mass organizations, commercial banks and microfinance institutions was considered for this component.
- **Component #6: Capacity Building:** this component will finance consulting services and goods/equipment for capacity building for technical assistance and training activities: i) at the city/district/ward levels for: a) participatory planning, design and implementation; and b)

strengthening the capacity of utility companies and district authorities to improve operations and maintenance of Project infrastructure / services; ii) for communities to organize more effectively to participate in project planning and design; and Information Education and Communication (IEC) campaigns particularly to promote better sanitation practices; and iii) for the PMU in: a) project management; b) procurement and contract management; c) financial management; d) audits; e) RAP and environmental monitoring; and f) monitoring and evaluation of the Project. Equipment to support the PMUs will also be financed.

- **Component #7: Development of a National Urban Upgrading Program:** the objectives of this component are: i) to develop a National Urban Upgrading Program (NUUP) that will apply the principles of urban upgrading adopted for VUUP to cities across Vietnam; and ii) to evaluate the progress and impact of VUUP on a continuous basis. This component will be managed by the MOC. The Project will provide for technical assistance and training to the MOC to support its management role in this component.

3.8 REPORT ON VIETNAM'S ECONOMY IN 2005⁷

3.8.1 Recent Housing Market Performance

Between 2001 and 2003, market prices climbed steadily due mainly to sustained economic growth, significant improvements in the standard of living, rapid urbanization and growth of the private sector. Speculation and an increase in real estate markets was stimulated by: i) various Government policy initiatives such as the reduction of land use transfer taxes and registration fees, and relaxation of rules governing the ownership rights of overseas Vietnamese; ii) relatively low interest rates; and iii) the continued development of public infrastructure and services. However, although prices have remained high since 2004, the real estate market has generally begun to stagnate. This slow-down has affected various market segments differently.

- **High-Grade Urban Residential Properties⁸ and Offices for Lease:** investment activity, project implementation and transactions continued virtually unaltered throughout 2005. Many new projects were approved by Government. These attracted considerable investment and were generally considered successful. However, indications are that foreign investors remain cautious in the longer term, mainly as a result of a continuation of cumbersome administrative procedures, and uncertainty over capital withdrawal, property rights, continued improvements in public infrastructure, utilities and transportation facilities, as well as the financing capabilities of potential customers.
- **Moderate Grade Residential Properties⁹:** in 2005, transactions on completed and near-completed projects continued but slowed down. At the same time there was a radically reduced level of interest in new projects. In Hanoi for example, the market for multi-storey residential buildings and sub-divided plots in new housing projects stagnated, there were fewer participants in land-use rights auctions and the advertised prices of housing projects began to fall. The numbers of transactions also fell and has remained limited. In Danang, transactions on land also fell from 2004 levels. There was sustained lack of interest in larger plots, even those in favourable locations (for example with sea views). No doubt this lack of interest has deepened in the wake of the recent (October 2006) typhoon.
- **Small Building Plots and Scattered Houses:** the price and numbers of transactions in real estate, particularly in suburban areas and older urban areas, decreased throughout 2005.

⁷ Vietnam's Economy in 2005. Central Institute for Economic Management (CIEM). Publishing House of Political Theory. Hanoi. 2006

⁸ CIEM classifies this category as houses and apartments with prices in excess of VND 10 million/m².

⁹ CIEM classifies this category as houses and apartments with prices ranging from VND 5- 10 million/m²

3.8.2 Key Issues

Prices have fallen by as much as 20-30 % in recent years, mainly as a result of over supply. There is a “wait and see” attitude on the part of both buyers and sellers. The delayed promulgation of certain laws further regulating development of the real estate market has also contributed to this uncertainty and resulted in a further decrease in demand. This trend has been exacerbated by the emergence of other investment opportunities for both domestic and foreign investors, for example in the stock market.

Developers currently face enormous difficulties in reducing land and housing prices, mainly due to: i) weaknesses and inefficiencies in the legal framework governing the real estate market; ii) delays in project implementation which impose additional interest rate burdens; iii) the increasing cost of land clearance and compensation for displacement; and iv) an increase in the cost of construction materials, labor and transportation.

3.8.3 Summary of Key Recommendations

Real estate policy initiatives should be aimed at more effectively utilizing land and resources, fostering production activities and improving living standards. Initiatives should include: i) development and promotion of a comprehensive, consistent and comprehensible legal system; ii) more effective measures to resolve capital-related issues for enterprises investing in real estate development, especially in the housing sector; iii) extending the current approach to municipal planning to encourage greater active community participation, particularly from investors; iv) greater collaboration with investors in the implementation of development projects, especially housing and public infrastructure; v) improved mechanisms for inter-agency cooperation and information-sharing especially between and within the construction, banking, finance and environmental sectors institutions; and iv) research and promulgation of new policies recognizing the different demands in different segments of the real estate market.

Pending further in-depth analysis, especially of low income households housing demand, the CIEM study makes no specific recommendations in respect of real estate markets at this stage.

HCMC Low Cost Housing Study¹⁰

The Study was prepared in 2002 for the HCMC Department of Urban Planning & Architecture (DUPA) as part of preparatory studies for the VUUP. The introduction to the Study directly linked the rapidly increasing demand for cost effective housing throughout the country (but especially in HCMC) to the country's opening up to the global economy, a fact which had brought about the increasing rate of population growth and rural- urban migration.

The Study noted that massive demand for low income housing especially in urban areas was in sharp contrast to Government's limited resources, and the fact that the formal housing market only partly addressed demand, in many cases failing to meet expectations, especially in terms of affordable housing solutions. These factors all pointed to the need for improved levels of cooperation and information sharing to address issues of urban poverty.

The Study undertook a review of six low cost housing projects in HCMC built in conformity with prevailing construction standards, and undertook detailed focus group discussions with families presently living in these projects. Based on these, the Study then listed some general findings aimed at providing a range of different housing typologies to meet variations in demand. Recommendations included the need to: i) provide a specific and well targeted definition of low cost housing, as well as related construction standards, institutions, financial mechanisms, procedures and incentives; ii) expand the range of construction materials available for low cost housing, at the same time making appropriate provisions to prevailing standards; and iii)

¹⁰ Analysis of Low Cost Housing Standards in Ho Chi Minh City; Villes en Transition (VeT), Vietnam. November 2002

develop a range of housing solutions for LIH in HCMC, which although not in conformity with all prevailing standards, nevertheless offer acceptable, innovative and affordable solutions.

The Study went on to document the fact that urban planning, design and implementation need to take full account of households' concerns, especially: i) the adverse social, economic and physical impact of resettlement on affected households; and ii) the need to consider employment and income generating activities.

The Study concludes with specific proposals, including the need for a public housing strategy focusing especially on poor and low income groups that would, amongst others, emphasize performance achievement rather than rigid technical solutions. The Study also made specific recommendations for the establishment of a specialized institution dedicated exclusively to all aspects of low cost housing. The Study also included technical proposals such as the need to optimize housing densities, to ensure diversity of housing solutions, and the requirement for the provision of basic infrastructure services in low cost housing areas as well as arrangements for improved operations and management of low cost housing areas.

3.9 CONCLUSIONS

The review of recent urban housing research, studies and project interventions being undertaken by multi and bi-lateral development agencies in the urban housing sector, indicates strong support for Government's CGPRS and the ongoing preparation of the National Upgrading Program, through a focus on poor and low income households, and an approach to housing provision based on: i) a broad interpretation of "housing" to include not only physical structures, but land tenure and all other relevant social and physical infrastructure, public services and community support systems; ii) to the extent possible, an in-situ, cost effective approach to upgrading existing settlements, involving minimal physical, social and economic disruption and the need for the resettlement of existing communities; iii) a demand-led approach to housing provision based on the maximum spread of benefit and on identified community and local administration development priorities, as well as on consideration of their willingness and ability to pay; and; iv) greater access by poor and low income families to finance to for house and plot purchase and for home improvements.

In addition, recent initiatives also show support for the move towards a more decentralized and democratic decision making process, through active participation by target communities in the project preparation, design and implementation process, and through greater delegation of post-project maintenance and operations responsibilities to community organizations. Further to these recommendations and overarching need identified in all documents is the need for institutional strengthening and capacity building at all levels throughout the housing sector. One key recommendation in this regard that has relevance to the present situation in Danang is to institutionalize the need for consistent and comprehensive data, information sharing and coordination in the housing sector through the formation of a dedicated housing agency.

4 DANANG URBAN DEVELOPMENT CONTEXT

4.1 INTRODUCTION

This Chapter provides a brief introductory overview of the urban development sector in Danang in terms of administrative, demographic, economic, and institutional aspects. It summarizes some of the important urban planning and development initiatives undertaken in recent years, and concludes with a summary of the ongoing Priority Infrastructure Investment Project (PIIP) that forms the reference framework for this (LIHAS) Study.

4.2 GENERAL OVERVIEW

4.2.1 Administrative Status and Location

In terms of its official administrative classification, Danang is one of five Class 1 cities in Vietnam at present¹. The City is located on the nation's central coast, in the central region of the country approximately mid-way between Hanoi and HCM City.

4.2.2 Population

According to official (DSO) estimates, as of 2005, Danang has a population of 782,000. DSO further forecasts that the city's population will grow by about 1.8% per annum to about 859,000 in 2010 and then to 1.040 million by 2020. However, official MOC population projections prepared in 1999 indicate a higher growth rate and a population in 2010 of 968,000 rising to about 1.425 million by 2020.

MOC projections reflect a body of opinion that believes DSO estimates underestimate real population growth, mainly because they fail to take into account the number of unregistered migrants. Indications are that Vietnam's urban population will double from 20 million to more than 40 million between 2000 and 2020. This is equivalent to a 3.5% annual compound growth rate. In view of the fact that most economic growth will take place in urban areas, Danang's annual growth rate is more likely to be between 3%-4%, rather than the 1.8% annual growth rate used in DSO projections.

Applying this higher growth rate assumption, and the fact that that unregistered immigrants in Danang could add as much as 20% to official estimates, alternative projections prepared by the WB suggest the population of Danang is presently close to 1.0 million; will reach about 1.2 million by 2010 and will rise to somewhere between 1.45 and 1.71 million by 2020. Discussions with senior officials in Danang held in the course of the Study, including the DPC Vice Chairman and departments and district heads, indicate that they are in broad agreement with these higher estimates on population growth².

4.2.3 Urban Population Density/Distribution

Danang City covers 1,255.53 km². The urbanized area of the City consists of six districts with a total area of about 244 kms², equivalent to less than 20% of the total land area. In 2005, the average population density of urban Danang was 27.8 persons/ha, which is very low by Asian standards. The districts with the highest populations and population densities were Thanh Khe District (176.5 persons/ha) and Hai Chau District (91.4persons/ha.) (refer to Table 4.1). The remaining rural districts of Danang, Hoa Vang and Hoang Sa, have a total land area of 1,012.35 km² and a combined (2005) population of 107,677, equivalent to a density of about 1 person/ha. This very low density reflects the mountainous and rural character of these outlying areas.

¹ The other Class 1 cities are Hanoi, Ho Chi Minh City (HCMC), Haiphong and Can Tho. All have provincial status.

² Meeting with DPC Vice Chairman, Department and District heads in DPC offices, Danang on 10.11.2006

Table 4.1 Danang Urban Districts Land Area, Population and Population Density (2005)

District	Land Area (km ²)	Population	Population Density (person/ha)
Hai Chau	21.09	192,884	91.4
Thanh Khe	9.27	163,679	176.5
Son Tra	60.88	116,999	19.2
Ngu Hanh Son	36.62	51,915	14.2
Lien Chien	83.02	82,363	9.9
Cam Le	33.25	65,506	19.7
Total/ Average	244.19	673,346	27.8

Source: Danang Statistical Yearbook, 2005.

Note: Cam Le District was formed in September 2005 and accounts for apparent discrepancies with pre-2005 Statistical Year Book data.

4.2.4 Economic Growth

Danang City (Province) together with Quang Nam Province and Thua Thien Hue Province make up the Danang Region. In 2003, the Region had a population of approximately 3.3 million. About 94% of all land in the region is classified as non-urban, and economic activity in the Quang Nam and Thua Thien Hue provinces is almost exclusively linked to agriculture and forestry, although there is growing development of the tourism sector.

Economic activity in the Region is mostly focused on Danang. The City has major seaport facilities, an international airport, and is the industrial centre of the region. Danang City (and to some extent Thua Thien Hue Province) is expected to benefit from opening up of the international East-West (E-W) trade corridor linking Myanmar, Thailand and Lao with the central coastal region of Vietnam. Development of the considerable trade and commerce opportunities offered by this E-W corridor could form the basis for Danang to become the major seaport and service centre serving this extensive region of South East Asia.

During the period 2001 to 2005, Danang's GDP expanded at an average annual rate of 13.6%, significantly higher than the national average annual GDP growth rate of around 7.1%. For the period 2006 to 2010, GDP growth in Danang is expected to increase still further to an average annual rate of 14.3%. Despite the sluggish international economy, much of the city's economic growth has been due to continued high level of export earnings.

Agricultural Output: Quang Nam and Thua Thien Hue provinces are essentially part of a wider food production region. In this regard, in 2003, agricultural output in Quang Nam and Thua Thien Hue averaged around VND 996,000/capita and VND 625,300/capita, respectively. By contrast, the per capita figures were much lower for Danang (VND 318,000/capita).

Industrial Output: Although Danang is the main industrial centre in the region, its industrial output in 2003 (VND 6.4 million/capita) was well below the levels reached in HCMC (VND 13.6 million/capita) and Hanoi (VND 8.4 million/capita), but still significantly higher than both Thua Thien Hue Province (VND 1.6 million/capita) and Quang Nam Province (VND 1.1 million).

4.3 INSTITUTIONAL ARRANGEMENTS

4.3.1 Local Administrative System

Vietnam's local administrative system is multi-layered, complex and ultimately, in spite of recent moves towards decentralization, still strongly centrally-controlled. Below the central government, there is a hierarchy of provincial and municipal governments. These are divided into districts (Quan in urban areas) which, in cities, are in turn subdivided into wards (Phuong). Each of these levels is administered by an elected People's Council which chooses its executive members to form a People's Committee. People's Committee members serve as the functional heads of government agencies at each level.

The urban governmental hierarchy extends downward from the ward level to two more quasi-official levels (Cum and To). The lowest level (To) functions as administrative unit for approximately 30 or 40 households. These households elect a leader to represent them at the Ward level People's Council. Thus Vietnam's administrative structure extends continuously from the central government down to household level, allowing, in theory, a functioning of a form of 'direct' democracy. This system is used for administering the national household registration system and, in the past, was used for the allocation of subsidized goods.

This hierarchy constitutes what can be described as a political and spatial component of Vietnam's urban administrative system. In practice, it works in combination with a parallel organizational structure emanating from central government ministries. This forms a 'vertical axis' of administration, and is the principal channel for delivering most urban social services and infrastructure, as these are organized by central government ministries and delivered through their representative branches at lower levels in the hierarchy (Leaf, 1999). For example, the MOC governs the activities of the DOC at the municipal (city or town) level which in turn oversees the operations of the Bureau of Construction housed within district government. The result of these parallel structures, commended by many researchers and professionals, is often considerable ambiguity in the division of responsibilities between central and municipal governments (Luan, 1996; Leaf, 1999)

4.3.2 Institutional Roles and Responsibilities

Urban management and administrative functions in Danang are exercised in line with the prevailing local administrative structure through Danang Peoples Committee (DPC). The functional responsibilities of key urban development sector agencies are described in Table 4.2 and in the following section along with other important urban sector institutions.

Table 4.2 Danang City: Functional Responsibilities of Key Urban Development Agencies

Department	Functions within Danang City
Construction (DOC)	<ul style="list-style-type: none"> • Coordinate inputs into Master Plan (MP) preparation • Prepare detailed Construction Plans within MP framework • Evaluate detailed plans for urban development projects • Issue planning certificates for development projects • Recommend urban development policies / projects • Assess and approve technical design of civil and construction works • Issue construction permits • Compile and maintain data on construction costs • Manage contractors and consultants
Transport Urban Public Works Service (DTUPWS)	<ul style="list-style-type: none"> • Prepare annual and five-year plans for the construction and repair of transport network, traffic facilities and transport units. • Manage construction of transport facilities, water supply, sanitation, solid waste and drainage systems, street lighting, and public parks/open spaces. • Operate and manage selected transport project management boards, maintenance organizations and SOE including bus and construction companies.
Natural Resources, Environment, Land & Housing (DONRE)	<ul style="list-style-type: none"> • Prepare long-term, five-year and annual plans for management of natural resources, the environment and housing land (land use plans), with inputs from districts and communes. • Land administration, including allocation and leasing. • Implement laws and regulations relating to land use, environment and natural resources. • Issue Certificate of Land Use Rights • Prepare cadastral maps • Prepare and maintain data on all land dealings including transfers and auctions of land rights.
Planning and Investment (DPI)	<ul style="list-style-type: none"> • Coordinate and prepare Socio-economic Plans • Monitor implementation of development projects and advise HPC • Issue certificate of Business Registration • Coordinate with other relevant HPC departments in overall planning and implementation • Evaluate development project including those with ODA funding

Figure 4.1 Danang City Administrative Structure

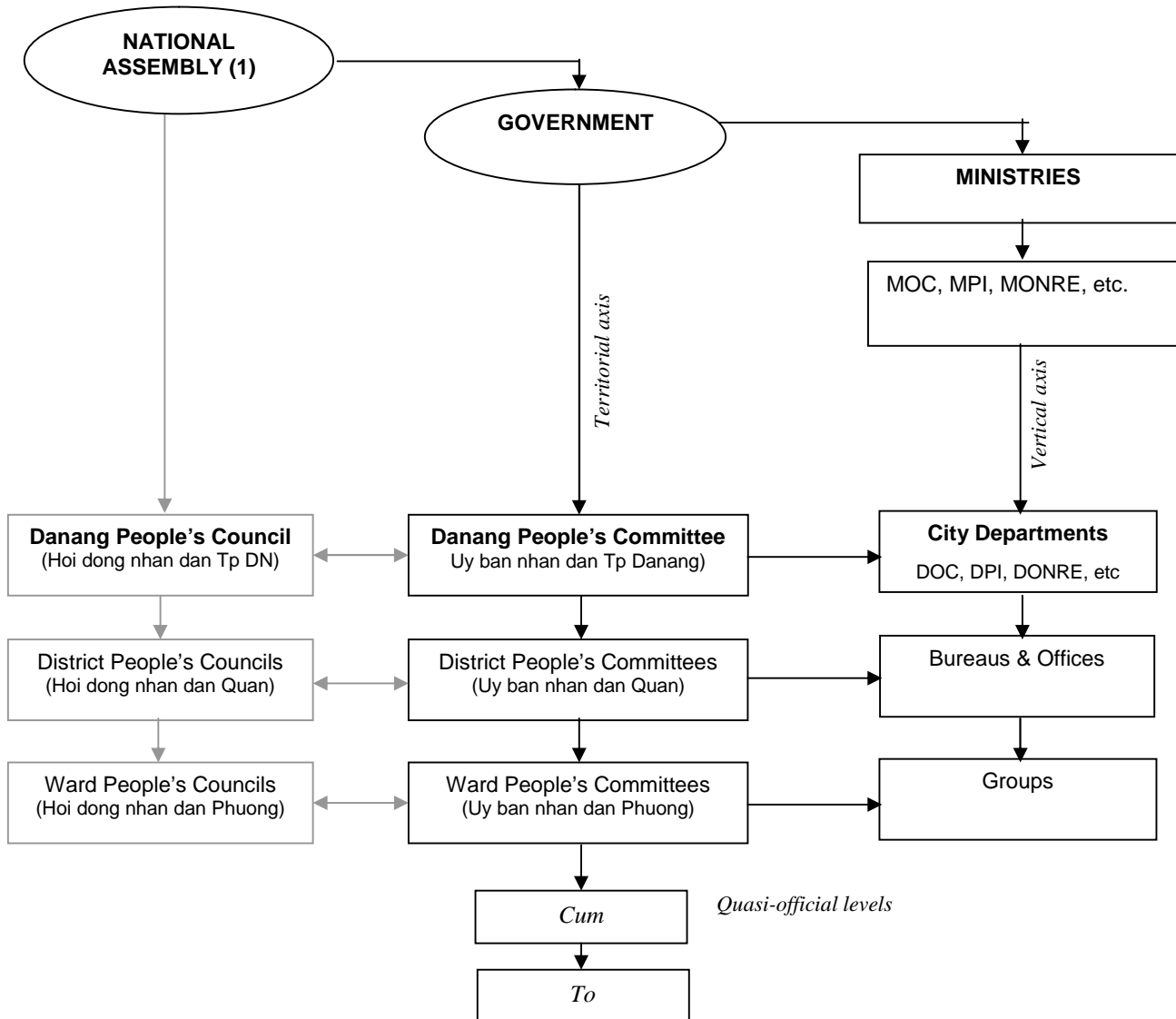
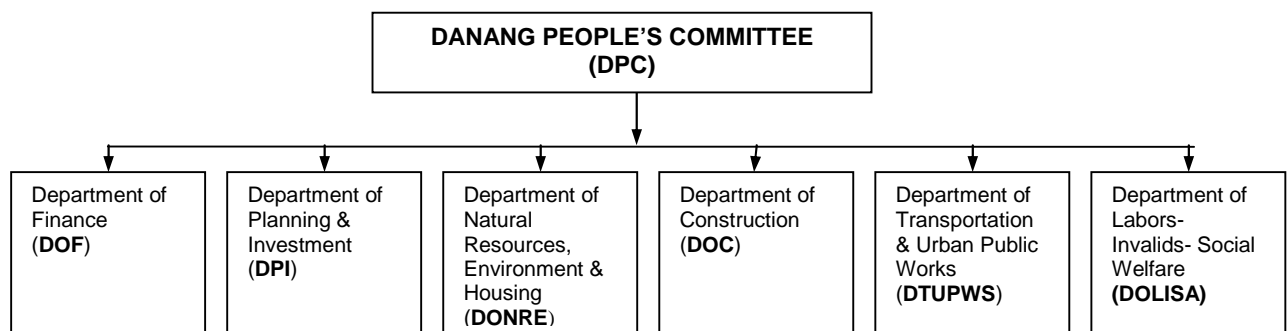


Figure 4.2 DPC Urban Development and Housing Management Institutions



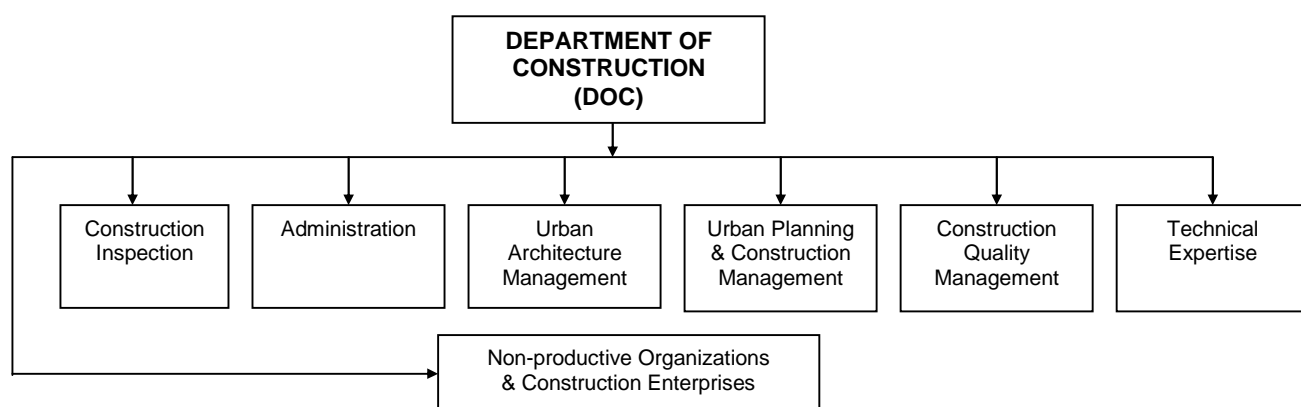
Department of Construction (DOC)

DOC's roles and responsibilities include: (i) managing general planning and construction engineering, (ii) construction quality control and (iii) in coordination with the Danang Urban Planning Institute (UPI), evaluating the engineering designs and construction costs of projects utilizing the state budget.

DOC is involved in spatial planning for Danang. Through coordination with NIURP and UPI, it is involved in the preparation of the City Master Plan for the period to 2020. It is also responsible for identifying new land for urban expansion around Danang and for the infrastructure and public service requirements needed to support Danang's future development (such as identifying major roads to serve places having tourist interest and infrastructure). DOC is involved with projects such as upgrading the Lien Cheo (CHECK) port, the relocation of the railway station and the upgrading of the international airport by 2010.

DOC has a total staff of 49 persons assigned across five Divisions, service units (such as the Institute of Construction Planning with 100 staff) and five Project Management Units (PMUs).

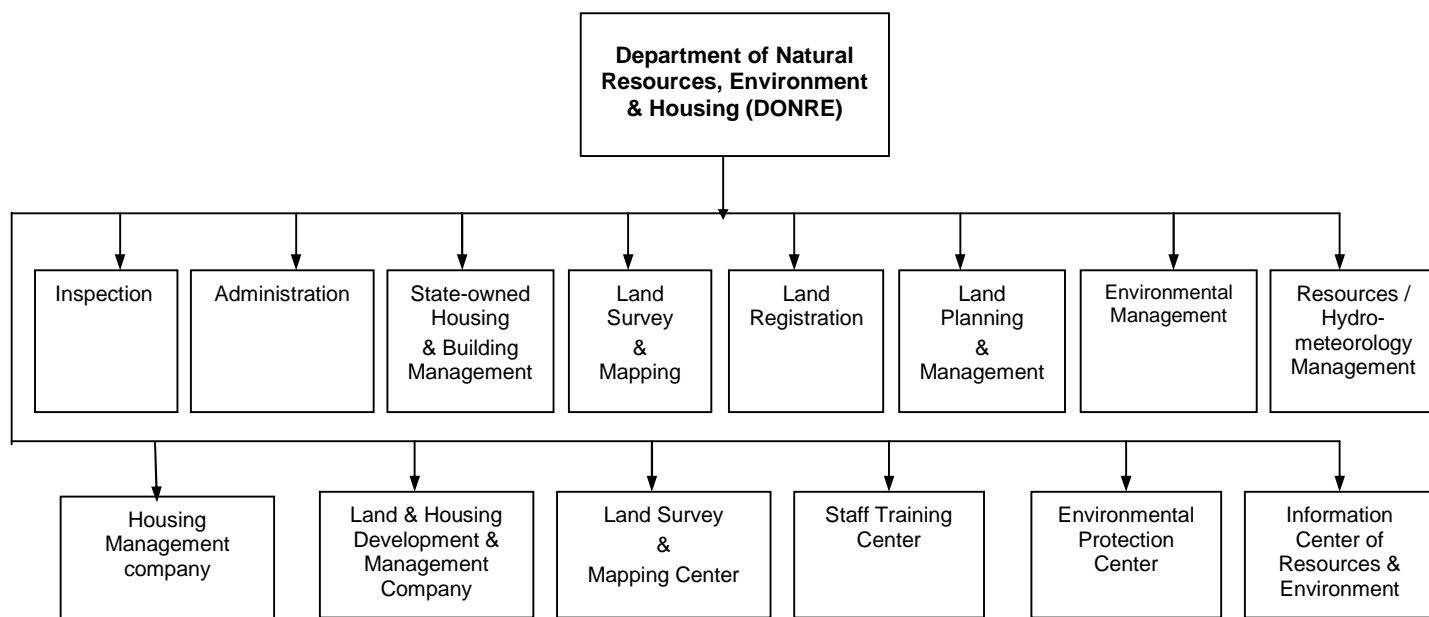
Figure 4.3 Danang DOC Organizational Structure



Department of Natural Resources, Environment & Housing (DONRE)

DONRE operates in coordination with DOC and DPI. Within Danang City, DONRE is responsible for (i) managing State land, water and mineral resources; (ii) environmental management and hydrometeorology; (iii) conducting land surveys and mapping activities; and (iv) managing housing and government offices, a function that it undertakes through the Housing Management Company (HMC).

Figure 4.4 Danang DONRE Organizational Structure



Danang Housing Management Company (DHMC)

Danang Housing Management Company (DHMC) was founded in 2004 from the housing management body of Land and Housing Management and Exploitation Company of DONRE. The main functions of DHMC include: (i) management of State-owned houses and buildings that are used as office spaces, production or trading activities in Danang; (ii) signing housing rental contracts with tenants and managing rental fees; (iii) maintaining or improving state-owned housing; (iv) executing procedures during Sale of state-owned housing and managing costs; and (v) proposing for readjustment, reclamation and reallocation of public buildings that are used for different purposes.

The total number of HMC's staffs is 47 people, wherein 18 technical staff work in Housing management office and 13 staff are involved in planning/technique management.

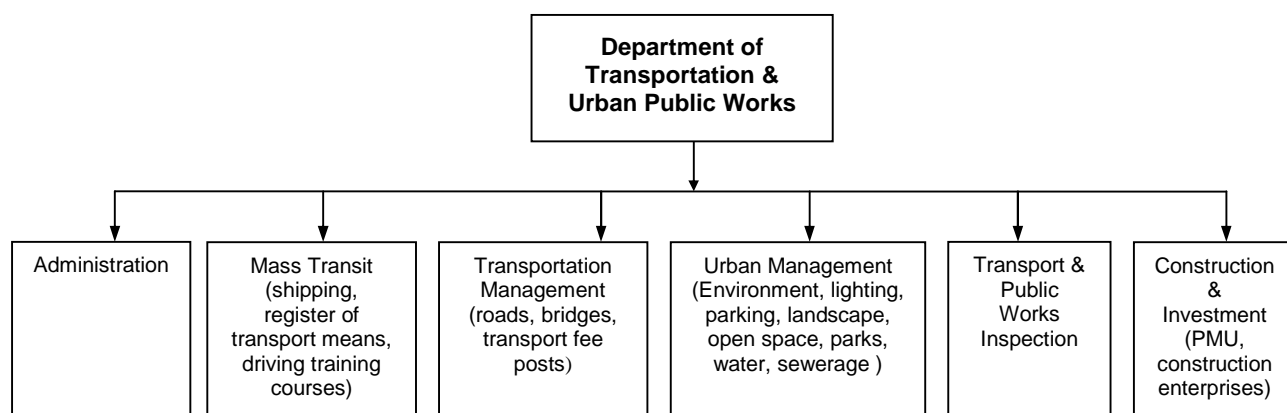
The housing management office plays a very important role in supervising HMC leaders and undertaking tasks such as:

- (i) Managing, conducting housing rental contracts and collecting rental fees of all kinds of state-owned building
- (ii) Directing and conducting procedures to receive state-owned buildings that state companies or state offices transferred to.
- (iii) Inventorying, measuring and preparing house and land profiles; completing procedures for submission to DPC for sale of State-owned houses following Ordinance 61/CP.
- (iv) Managing and dealing with housing disputes
- (v) Managing public apartment blocks
- (vi) Formulating content of regulations for apartment uses

Like their counterparts in other cities throughout the country, DHCM collects housing rental fees from the residents of public housing units. DHMC now is managing about 1,600 of these housing units in the City that generate rental revenue of about VND 2 billion every year. Of this amount, 35% is used for housing maintenance, 5% for administrative costs and the remainder (60%) is added as a contribution to the DPI Housing Development Fund. However, that portion of rental collections allocated for maintenance purposes is inadequate to meet the repair and maintenance requirements of State-owned housing and offices, many of which were built prior

to unification. As a result, most public housing units/buildings are in poor condition, with some in seriously dilapidated state.

Figure 4.5 DTPWS Organizational Structure



Department of Transportation and Public Works (DTPWS)

DTPWS, which is supervised by the MTPW and the DPC, guides the City in using and developing technical infrastructure. It implements and manages the construction of infrastructure projects such as major roads, water supply and sewer systems, waste disposal, and energy supply (excluding telecommunication projects).

Department of Labour, Invalids & Social Welfare (DOLISA)

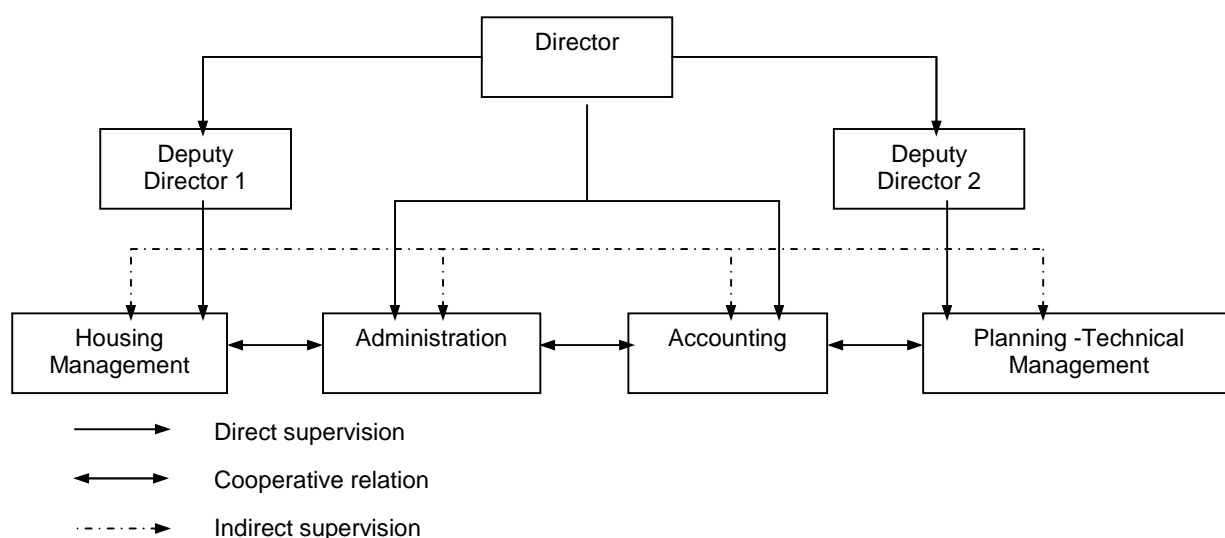
DOLISA is primarily concerned with issues of poverty reduction and employment creation. In particular, its responsibilities include the following: (i) coordination with District and Ward PCs in undertaking statistical social surveys; (ii) on the basis of these surveys, identifying poor and low income households or persons eligible for priority benefit from Government housing, job creation or training programs; (iii) proposing social welfare policies and programs to support the most vulnerable in society; and iv) provides advice to DPC in addressing social issues such as housing, occupation and social welfare.

Department of Planning and Investment (DPI)

Within the framework provided by the central Government through national planning and development objectives, DPI is involved in formalizing the Danang Socio-Economic Development Plan (SEDP) for approval by the DPC by incorporating in a coordinated manner the plans, programs and priorities of the people's councils and committees at all administrative levels within the City and all government departments, divisions, bureaus, and offices.

The DPI has 50 staff, including 40 professional staff and 10 in administration positions. In addition, there are approximately 20 persons involved in the Centre for Investment promotion.

Figure 4.6 Housing Management Company Organizational Structure



Department of Finance (DOF)

DOF is responsible for state management issues under the authority of the DPC. DOF advises the DPC on revenues and expenditures of the city, and provides advice on how to achieve and budget for SEDP objectives of the F5-year SEDP.

DOF is composed of one director, three vice-directors, six divisions and three companies. It has a total of about 70 staff.

Department of Industry (DOI)

DOI oversees the development of the industry sector in Danang. It is responsible for industry policy and for incentives available to appropriate industry categories. The Department provides assistance to new industry investors in terms of maneuvering through the administration maze, and supports other initiatives such as the establishment of the Promotion Centre for Industry and training for SMEs in product marketing.

Danang Industrial and Export Processing Zones Authority (DIEPZA)

DIEPZA is responsible for the planning, development and ongoing management of four existing Industrial Zones in Danang (with the Danang Industrial Zone management by a joint venture organization involving Vietnamese and Malaysian capital). The DIEPZA also facilitates enquiries that investors may have when visiting Danang to assess investment opportunities. It also arranges land clearance and resettlement of affected stakeholders of major projects.

Danang Urban Environment Company (URENCO)

The Danang Urban Environment Company (URENCO) has been involved in a number of projects that has capacity building component: the WB Sanitation and Drainage Project, AusAid Institutional Strengthening Project and a Solid Waste Treatment Plant (Spain). Projects considered for 2006-2010 include development of an incinerator for hospital waste, a treatment plant for dangerous materials and an integrated garbage treatment plant. Unfortunately, however, funds are yet to be committed.

Cooperatives Association of Danang City

By the end of 2004, there were already 108 existing cooperatives in Danang. These were all operating in a range of economic activities from farming to small enterprises in construction and services. It was anticipated that by the end of 2005, about 70 of these cooperatives would be members of the Association. The Association looks after the interests of members, promotes the role of cooperatives, provides services to members (such as training), and assists in developing policies and regulations governing cooperatives. The average capital of each cooperative is VND 1 billion. The largest ones have VND 7 billion and 3,000 jobs, while the smaller ones have VND 3 million and 10 jobs. Membership to the Association costs between VND30,000 to 50,000 per month, depending on size. The Association estimates that 8-10% of GDP is produced by cooperatives.

Government and State-Owned Enterprises

State-owned enterprises (SOEs) 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 type of housing (high-rise building for lease, apartment, single family houses for sale, etc). According to “Urban planning management office” of DOC, until the end of 2005, there are 380 housing projects in Danang City, wherein 374 projects belong to Government and state-owned enterprises, accounting for 98.4% of the total number of projects.

There are several SOEs in Danang City that play very important roles in housing construction and development of Danang:

- A corporation under DONRE named “Danang Housing Investment and Development Corporation is the developer of more than 43 housing projects of Danang
- Land development and management Corporation under DONRE (with 36 housing projects)
- Construction assembly and materials Corporation – under DOC (with 47 housing projects)

4.4 URBAN PLANNING AND DEVELOPMENT INITIATIVES

4.4.1 Danang Master Plan

Background

In line with the prevailing national planning system in Vietnam and with provisions of the Construction Law and supporting legislation, urban “Construction” or Master Plans comprise a General Plan for the entire urban area, and within this general framework, detailed district and local plans. The general Master Plan for Danang City for the period 2000-2020 was prepared mainly by the central National Institute of Urban and Regional Planning (NIURP) in Hanoi in 1999, and subsequently readjusted in 2003. A further readjustment of the Master Plan is proposed for 2007. In preparing the Master Plan, the NIURP reportedly collaborated with concerned local agencies such as DPI, DOC/PMO, UPI, DONRE, and DOLISA.

The Master Plan incorporates the classical characteristics of a static “Grand Vision” for the City. It is based entirely on physical planning considerations with only limited reference to the social and economic provisions of the SEDP. The Master Plan demonstrates little awareness of the need for a more strategic and integrated planning approach which sets goals and objectives to achieve a ‘vision’ for the city over time and which allows for modification of the plan as new issues and opportunities emerge.

The Construction Law makes only limited reference to land use. The main legal basis for land use planning is in fact the Land Law. As a result, the Danang Master Plan incorporates only limited reference to existing or proposed land use classifications, and gives no consistent or comprehensive detail of the type and density of land uses permitted. It is therefore an

inadequate land management tool providing only minimal guidance to local agencies such as the DOC/PMO and UPI responsible for preparing detailed district plans and land use zoning plans, and for exercising effective development control. There is clearly a need to update the existing and incomplete range of land use categories applied to the preparation of Master Plans.

Proposed Population Distribution and Density

Data derived from the Danang Statistical Yearbook and PIIP documents indicate that the Master Plan incorporates a spatial distribution strategy that involves increasing gross population densities throughout the City from 6.1 persons/ha in 2005 to 9.6 persons/ha in 2020, a 57% increase. The strategy will seek to limit the build up of population density in inner urban districts (Hai Chau and Thanh Khe) and direct more than 80% of all future population growth to outlying districts and suburban areas (refer to Table 4.3). As a result, densities are projected to double in Lien Chien District, triple in Cam Le and increase four times in Ngu Hanh Son. It is projected that, even in outlying areas, densities will increase by more than 50%.

The population densities proposed in the Master Plan for these outlying districts are extremely low by Asian standards: less than 60 persons/ha in all cases and as low as 3 persons/ha in suburban areas. Therefore, if implemented, this proposed spatial development strategy will have considerable implications in terms of the additional land area required (estimated at 20-30km²) for residential development, and the investment needed for site preparation and for extending infrastructure, roads and public services to more remotely low density housing areas. It will also have a potentially adverse impact on traditional settlements and agricultural lands in peripheral areas of the City. In line with WB findings³, it is recommended that this strategy be reconsidered so as to exploit more fully existing land, infrastructure and public service facilities already existing in inner urban areas.

**Table 4.3 Danang City Population Distribution by District 2005-2020
(Assuming Population of 1,300,000 in 2020)**

District	Area (km ²)	2005 Population		2020 Population		Population Increase (2005-2020)
		Total	Density (persons/ha)	Total	Density (persons/ha)	
Hai Chau and Thanh Khe	30.36	356,563	117.4	356,563	117.4	0
Son Tra	60.88	116,679	18.5	138,000	22.7	21,321
Ngu Hanh Son	36.52	51,915	13.8	201,469	55.2	149,554
Lien Chien	82.37	82,363	8.8	159,220	19.3	76,857
Cam Le	33.25	65,506	19.7	200,000	60.0	134,494
Other Suburban Areas	1008.75	107,997	1.5	244,748	2.3	136,751
Total/ Average	1,255.53	781,023	6.1	1,300,000	9.6	518,977

Source: Danang Statistical Yearbook, 2004 and PIIP documents,

Master Plan Resettlement Requirements

In the interim 6-7 years since preparation of the Master Plan, Danang has continued to grow and expand at a rapid pace. Much of this urbanization has occurred outside the provisions of the Master Plan. The reasons for this include are as follows: (i) in the first instance, the Master Plan was prepared without any direct and continuous reference to local conditions and opinion and (ii) the Master Plan's land use and zoning requirements coupled with lack of local enforcement capacity were inadequate to ensure conformity with the Plan's provisions. As a result, the current Master Plan (General Plan) bears little relevance to the present day pattern of urban land use development apparent in Danang.

³ Danang Urban Planning Issues Report. World Bank. David E. Dowall. June 2006

However, one aspect of the Master Plan that has been fairly and rigorously followed and reinterpreted at the district plan level has been the main road and highway network. In most instances, it appears that this network, which provides the developmental framework for the City, is being rigidly implemented on the basis of national road and highway design standards, with only minimal consideration of cost, projected traffic volumes and impact on existing development, much of which comprises low income settlement. This approach has a number of serious long term applications:

- **Loss of Livelihood:** In addition to the social disruption caused by implementation of the main road and highway construction program on the basis of excessive design standards, the program has resulted in the relocation and loss of livelihood for many households reliant on farming and fishing activities. Many of these households have been/or are scheduled to be resettled either in inappropriate urban areas (far from agricultural land or the sea), or in medium rise apartment buildings.
- **Inadequate Compensation:** Although compensation payments are made by Government to resettled households, these payments are generally inadequate in terms of the price these households have to pay for resettlement sites or apartments and/or the cost of new house construction. This situation is made worse by the loss of livelihood and the difficulty many households face in terms of accessing housing finance. As a result, there is deterioration in the quality of life of many resettled households. Many are forced into rental accommodation thereby putting an additional administrative burden on the City.
- **Drain on Limited Resources:** Although some measure of resettlement is inevitable in any ongoing urban development program, the disproportionate amount of resettlement in Danang forms a major component of the ongoing housing program and a considerable drain on the City's limited capital resources. Danang's ongoing housing program should be focused on real (as opposed to artificially created) housing demand such as that generated through the replacement of obsolete public housing, the formation of new households and the accommodation of urban migrants. The level of resettlement called for as a result of implementing the Master Plan's main highway/road construction program also appears in contravention of the provisions of the CGPRS (refer section 2.2).

Although the cost of compensation payments compared to the price of resettlement sites clearly brings a net revenue benefit to Government, there is a need to explore alternative approaches which will minimize the adverse social and economic impact of resettlement, the front-end capital costs of resettlement site development, and the longer term maintenance and repair costs of an excessive, and in many instances, underutilized main road network. The application of appropriate highway/road design standards commensurate with projected traffic volumes (possibly on an incrementally phased basis), coupled with more sensitive network alignments, would help reduce the need for resettlement and related land acquisition and development costs. Anticipating the low level of car ownership and application of appropriate road design standards in new development areas will also increase the proportion of revenue-generating marketable land available, increase residential densities and limit the need for extensive and costly urban sprawl.

Due to the fact that the main highway/road network incorporated in the Master Plan was designed largely without any consideration of present local conditions, the exact nature of disruption and relocation generated is hard to predict. Detailed resettlement requirements only begin to emerge when sections of the main highway/road network are set out on the ground as part of a defined project package. Each Project PMU responsible for civil works can then make a first hand assessment of the likely resettlement fall-out on a case-by-case basis, and calculate the number and socio-economic structure of affected households. This information is then transmitted to DOC which in turn makes the appropriate resettlement provisions. Given this ad-hoc approach, it is difficult to make any accurate forecast of resettlement requirements and incorporate these in any medium- to long-term housing program. This accounts for the scattered and fragmented location of resettlement sites throughout the City, and to some extent, the fact

that resettlement accommodation is sometimes inappropriate in relation to the real needs of resettled households. It also accounts for the fact that the DOC/PMO and UPI are continuously revising detailed plans to incorporate new resettlement sites.

4.4.2 Danang Socio-Economic Development Plan (SEDP) 2001-2005

Socio-economic and sector planning in Vietnam is guided by national development strategies, goals and objectives promulgated by the National Assembly. Socio-economic planning formally sets targets and coordinates actions at the national, provincial or district levels. It is undertaken at the central level by the MPI and provincial and city levels by the respective planning and investment departments (DPI).

In January 2005, as part of the preparation of the 2006-2010 SEDP, DPI Danang undertook an evaluation of the implementation of the 2001-2005 SEDP. It was concluded that, although in some instances, the planned output and productivity of Danang's economic sector were not met, generally the economy made significant achievements during 2001-2005 period (refer to Table 4.4).

Based on national standards, the number of poor households in Danang decreased from 7,500 2001 to zero in 2005. However, the applying the 2005 City (DOLISA) poverty definition (VND 300,000 per capita in urban areas and VND 200,000 per capita in rural areas) 18,755 or 12.3% of all households were still at or below the poverty threshold.

Table 4.4 Danang SEDP (2001-2005) Summary DPI Assessment of Targets and Achievements

Sector	2001-2005 SEDP Annual Growth Target	Actual Annual Growth (2001-2005)
GDP	13.0-14.0%	13.3%
Industry/Construction	19.0-20.0%	20.5%
Agriculture/Marine/Forestry	5.0-6.0%	6.1%
Services	12.0-13.0%	12.0%
Export Revenue	US\$ 1896.4 million	US\$ 1896.4 million
Investment Capital		VND 25,546.2 billion

Source: DPI

The DPI/SEDP evaluation also reported that total job growth over the five-year period involved the creation of almost 115,000 new jobs in Danang. However, a follow-up WB assessment pointed out that this figure appeared high in the light of estimates of population and labor force growth over the period.

Growth in the industrial output of FDI enterprises (16.5% pa) was lower than that achieved by both State enterprises (32.8% pa) and non-government enterprises (18.7% pa), a fact that pointed to a lack of investment interest, especially amongst foreign investors. Aside from external factors such as a general slow down in the market economy, this lack of investor interest in Danang was identified by DPI as one of the main reasons for the fact that the City has not yet realized its full economic development potential. Other key factors highlighted in this regard were: (i) the limited production, competitiveness and efficiency of the trade, services and tourism sectors; (ii) gaps in the range of industrial activity, including for example electronics and other hi-tech products; (iii) unresolved land, environmental, urban planning, housing, traffic management issues that act as disincentives to potential investors; (iv) the lack of skilled labour; (v) cumbersome public administration procedures; and (vi) the generally poor urban management capacity and lack of information and coordination.

The WB assessment of socio-economic trends in Danang highlighted a number of additional issues that need to be addressed. These included: (i) the demand for low income housing; (ii) the role of the informal (or household) sector and small enterprises in providing jobs; (iii) the extent and implications of rural-to-urban migration; and (iv) issues associated with

environmental management and protection. The WB also echoed the DPI concerns regarding the need to address constraints in institutional capacity, staffing capabilities and administrative structures.

4.4.3 Danang Socio-Economic Development Plan (SEDP) 2006-2010

The draft Danang SEDP (2006-2010)⁴ was prepared by the DPC and DPI with input from other departments. It includes an overview of Danang's economic situation, including opportunities and challenges, and objectives and targets for the Plan period (2006-2010). The City's "special attributes" identified in the SEDP which are expected to contribute to improved levels of economic growth include the city's premier administrative status, major tourism attractions and facilities in the region, and the emphasis being given to opening up the economy and markets.

However, the Plan recognizes that there are serious challenges that must be met. These include: (i) the present relatively low levels of economic development; (ii) dealing with an investment situation where demand is high but available funds are low; (iii) upgrading the City's urban management capacity; (iv) coping with rapid urbanization where infrastructure provision cannot match demand; and (v) dealing with mounting environmental problems associated with rapid City expansion.

The general SEDP objectives for the period include the need to make Danang: (i) a centre for industry, commerce and tourism; (ii) a transport hub for the distribution of goods and services to national and international markets; (iii) a centre for telecommunications, banking and finance; (iv) a centre for culture, sport, education and training in the Central region; and (vi) a strategic location for defense and security for the Central region and the nation.

Key targets highlighted in the Plan include: (i) promoting fast and achievable GDP growth; (ii) achieving GDP per capita of US\$ 2,000; (iii) achieving comprehensive urban development; (iv) promoting tourism as a leading sector in the economy by 2010; (v) achieving integration into the international economy; (vi) continuing financial reforms; (vii) developing new and expanded markets, including financial services and property; (ix) developing education and training, health, culture and communications; (x) improving the City's "5 NO" program; (xi) developing the City's "3 YES" program; and (xii) strengthening defense and security.

Key SEDP targets associated with achieving growth over Plan period 2006-2010 are identified as growth in: GDP of 14%-15%; industrial output of 22%-24%; services output of 12%-13%; agriculture/fishing/forestry output of 5%-6%; and export revenues of 23-25%. Total investment in the City is planned to double over the Plan period to around VND 17,000 billion p.a. by 2010. The SEDP envisages the creation of an average 32,800 new jobs each year over the five year period; however, as pointed out in the WB assessment, this projection is difficult to reconcile with the total SEDP estimated population growth over the period of around 62,600 (refer to Table 4.5).

The draft Plan indicates that the trend towards modernization will see a slight increase by 2010 in the contribution to GDP by the Service sector (from 46.2% in 2005 to 47.7% in 2010), a generally stable share to Industry/Construction (48.3% in 2005 and 48.7% in 2010) and a reduction in the share to Agriculture/Fisheries (from 5.5% in 2005 to 3.7% in 2010). Areas for development and improvement in each of these three key sectors are identified. In addition, the draft Plan identifies targets for specific activities, including targets for improved access to potable water, education and health facilities, among others.

The Plan also highlights factors that are expected to contribute to achieving the Plan's targets. These include: (i) the application of advanced technology; (ii) achieving productivity increases;

⁴ The WB assessment is based on a draft SEDP published in May 2005 which may since have been modified in the final version.

(iii) monitoring of enterprise growth; (iv) providing encouragement to export growth and opening new markets; (v) developing telecommunications; (vi) expanding tourism; and (vii) developing major road links.

The SEDP identifies the need to continue to work towards achievement of administrative reform, including: (i) comprehensive reform of state management from city to ward level; (ii) strengthening urban management capability and (iii) achieving improved procedures associated with attracting and implementing domestic and foreign investment. In particular, the attraction of additional levels of foreign investment is sought through: (i) reform of investment procedures; (ii) expansion in investment counterparts; (iii) consistent identification of priority areas for investment; and (iv) improving foreign investment approval procedures.

The 2006-2010 SEDP places more emphasis on development of the Service Sector, especially tourism, than the previous Plan. There is also more emphasis on the integration of infrastructure with urban spatial planning. And while the previous Plan focused on developing the industrial base to meet domestic and export markets, the new Plan also places emphasis on developing supporting industry and promotes the application of modern 'high' technology to new industrial developments.

DPI's approach to preparing the SEDP appears rigid and does not consider alternative future development scenarios and options. Furthermore, there seems to be little cross-referencing or integration between the SEDP and the Master Plan. In view of the fact that the prevailing general Plan was prepared in 2000 by the NIURP in Hanoi, this is perhaps not surprising but nevertheless points to a fundamental disconnect in the planning system. A previous WB mission⁵ suggested that one approach for addressing these issues would be for the DPI to move towards a more flexible and realistic strategic planning approach, involving collaboration with other concerned departments and agencies such as DOC and DONRE. This approach would assist in addressing problems of internal consistency as well as the lack of accurate data with good coverage. In addition to giving the SEDP more flexibility and potential application, this form of collaborative approach will assist in making detailed planning more responsive and realistic to demands. This approach would be based on and build upon the City Development Strategy (CDS) approach first introduced to the City through an ADB TA Project in 2002-2003.⁶

⁵ Richard Dowall. April 2006

⁶ ADB/ TA 6026-REG: Promoting Urban Poverty Reduction through Participation in the Cities Alliance.

Table 4.5 Danang 5-Year Socio-Economic Development Plan (May 2005 Draft): Selected Indicators

Indicators	Actual 2000	2001-2005					2006-2010				
		2001 (actual)	2002 (actual)	2003 (actual)	2004 (actual)	2005 (planned)	2006 (planned)	2007 (planned)	2008 (planned)	2009 (planned)	2010 (planned)
GDP (1994 PRICES) (Billion VND)	3,390.20	3,804.94	4,282.95	4,823.43	5,494.50	6,333.10	7,230	8,260	9,430	10,770	12,300
* Agriculture/Forestry/Fishing(Billion VND)	267.29	293.94	306.66	323.59	339.1800	351.100	370	390	415	425	430
* Industry/Construction (Billion VND)	1,347.94	1,585.06	1,877.39	2,253.84	2,798.31	3,270	3,730	4,370	5,110	6,000	7,000
* Services (Billion VND)	1,765.96	1,925.94	2,098.89	2,246.00	2,357.00	2,712.00	2,840	3,230	3,700	4,160	4,720
POPULATION (No.)	716,282	728,823	741,214	752,439	763,279	781,900	795,970	810,695	826,100	841,800	858,600
NEW JOBS CREATED (No.)	18,570	18,500	19,800	22,120	24,140	30,000	30,000	32,000	33,000	34,000	35,000
TOURISM											
* Tourist Nos.	393,720	423,290	557,410	517,530	649,110	758,870	880,000	1,000,000	1,200,000	1,600,000	2,000,000
* Tourism Turnover (Billion VND)	255.6	296.4	320.5	319.9	369.4	440.0	600.0	740.0	950.0	1,200.0	1,500.0
TOTAL INVESTMENT (Billion VND)	2,359.00	2,527.55	2,850.07	3,267.50	7,974.00	8,424.00	8,700.0	10,400.0	12,400.0	14,700.0	17,000.0
* FDI Investment (Billion VND)	198.00	172.00	153.00	200.00	250.00	390.00	425.00	575.0	700.0	764.0	800.0
* Non-State/Households (Billion VND)	509.00	517.00	550.00	580.00	692.00	850.0	869	1,251	1,450	1,541	1,800
* Other (Billion VND)	1,652.00	1,838.55	2,147.07	2,487.50	7,032.00	7,184.00	7,406.00	8,574.00	10,250.00	12,395.00	14,400.00

Source: DPI, May 2005

4.4.4 Danang Land Use Plan

The Land Use Plan for Danang which was originally prepared by DONRE in 1999 for a 10-year period was readjusted in 2003 for the period 2004-2010 to conform to SEDP provisions.

Land in Danang is under greater population pressure than the initial density figures suggest. Around 41% of all land area is mountainous forestry land, 24% consists of Hoang Sa islands claimed by Vietnam but currently occupied by China, and a further 13% is classified as unsuitable for reclamation or other land development purposes. Furthermore, the geography of Danang, hemmed in by mountains to the north and west and by Pacific Ocean to the east, means that there is a pressing need to ensure optimum use of all available land. Tables 4.6 and 4.7 set out existing land uses in Danang in 2003, from which it is apparent that the average urban density in 2003 was around 9,200 persons per sq. km.⁷

Table 4.6 Danang Existing Land Use (2003)

	Area (ha)	Percentage
Under 1993 Land Law		
Agricultural Land	11,722	9.34
Forestry Land	51,421	40.95
Special Used Land	38,569	30.72
Residential Land	3,079	2.45
Unused Land	20,762	16.54
Under 2003 Land Law		
Agricultural Land	63,143	50.29
Non - Agricultural Land*	44,295	35.28
Unused Land	18,115	14.43
Total Natural Area	125,553	100.00

(* Including 30,500 ha of Hoang Sa Island Province)

Source: PC / DONRE 2004

Table 4.7 Danang Non Agricultural Land Use (2003)

Types of land	Area (ha)	Percent
1. Residential Land	3,079.00	22.77
1.1 Residential Land in Rural Areas	1,152.00	8.52
1.2 Residential Land in Urban Areas	1,927.00	14.25
2. Special Used Land	6,934.07	51.28
2.1 Government Offices	96.63	0.71
2.2 Defense & Security	2,352.00	17.40
2.3 Commerce, Production & Trade	1,291.00	9.55
2.4 Land for Other Public Purposes (including roads and public utilities)	3,194.44	23.63
3. Water Surface	2,647.00	19.58
4. Land Used for Religious Purposes	55.93	0.41
5. Cemetery Land	805.00	5.95
Non-Agricultural Area	13,521.00	100.00

Source: DPC / DONRE 2004

Between 1997 and 2003, there was a considerable amount of land conversion predominantly of agricultural land to urban land use, including residential and commercial activities. The proportion of land

⁷ Estimate based on all urban residential land plus specially used land except that for defense purposes

for urban development increased by 17.2% over this period. This was far higher than the rate anticipated in the Land Use Plan: residential land alone increased by 393 ha more than planned. The amount of unused land also increased considerably, although this increase was mainly due to the re-zoning of land previously regarded as forestry land and previously included under the agricultural land category (refer to Table 4.8).

Table 4.8 Danang Land Use Conversion (1997-2003)

Land Use	Area (ha)			Percentage change		
	1997	2000	2003	1997-2000	2000-2003	1997-2003
1. Agricultural	74,660	64,239	63,143	-13.96	-1.71	-15.43
2. Non-agricultural	11,776	12,375	13,795	5.09	11.47	17.15
3. Unused land	7,902	18,510	18,115	134.24	-2.13	129.25
Total Natural Area	94,338	95,124	95,053	0.83	-0.07	0.76

Source: DPC 2004

Population growth projections incorporated in the Land Use Plan indicate a need for residential land for an additional 37,412 households by 2010 (refer to Table 4.9). This, together with lower densities in currently densely populated urban areas, will require the stock of residential land to increase by around 40% from 2003 levels. These increases will be met predominantly by conversion of agricultural land. Although there is a perceived need to limit the conversion of agricultural land for urban residential use, an increase in residential densities (and thus a decrease in the amount of additional land required) through the construction of apartments appears unpopular. A recent WB/PIIP mission's findings were that 80% of all households in Danang scheduled for resettlement indicated a preference for serviced plots over apartments.

Of the total planned area of 1,299ha, 945ha have been made available for enterprise development in five industrial zones across the City. The Vietnam Development Report (VDR) 2004 indicates that infrastructure construction and central area redevelopment over the last seven years has also caused the resettlement of about 20% of all households in the City. The VDR also indicates that with full implementation of the Master Plan, the percentage of households to be resettled will reach 33%.

Table 4.9 Danang Residential Land Demand Projections until 2010

Item	Unit	Urban	Rural
Population	people	746,800	187,000
Increase in population	people	149,648	31,713
New households	household	37,412	7,047
Land demand	hectares	924.85	284.62
<i>New land demand</i>	hectares	561.18	211.40
<i>Demand for standby resettlement</i>	hectares	363.67	73.22
Average allocated land	m ² /household	100-200	200-400

Source: DPC/DONRE 2004

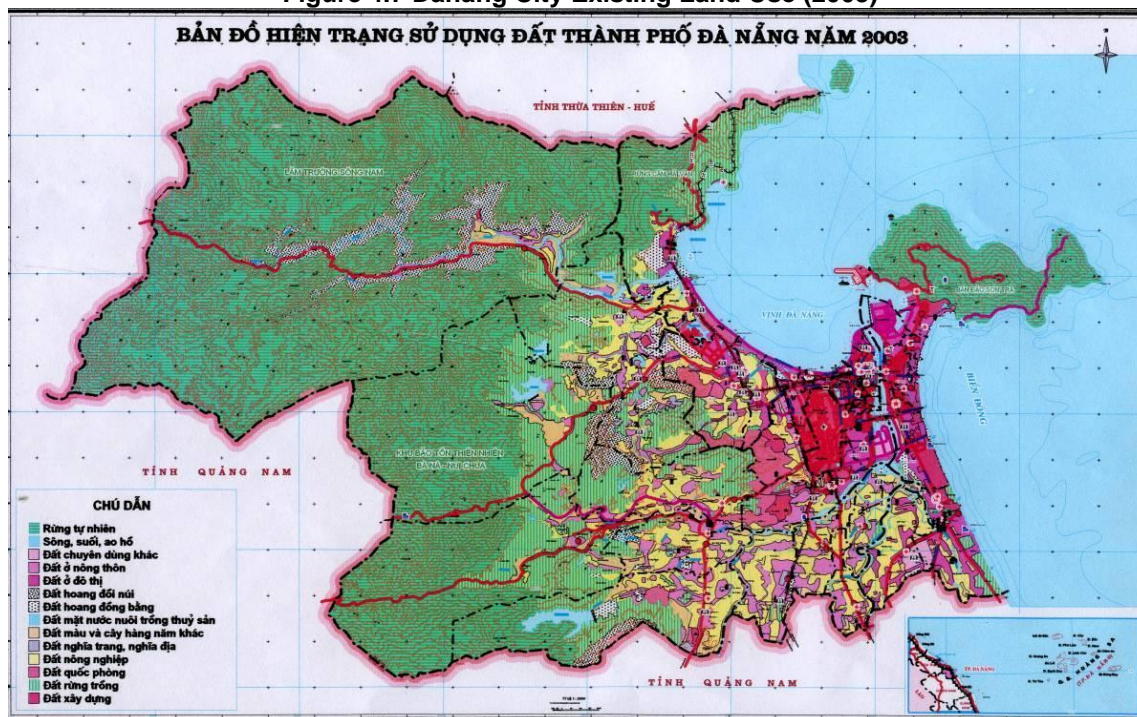
DONRE land use projections until 2010 show a dramatic increase in the amount of non-agricultural land. The lion's share of this increase will be for new residential land (1,256 ha.), land for non-agricultural production and businesses (3,047 ha.) and land for public purposes (2,421 ha.). Most of this area will be reclaimed from agricultural land. Losses in agricultural and forestry production are however expected to be compensated for by bringing unused land into either forestry or crop production (refer to Table 4.10).

Table 4.10 Danang Land Use Projections (2003-2010)

Land Use	Area (Ha)		Change 2003-2010	
	2003	2010	Area (ha)	%
1. Agricultural	63,143	69,427	6,284	9.95
2. Non-agricultural	13,795	51,315	37,520	271.99
3. Unused land	18,115	4,810	-13,304	-73.45
Total Natural Area	95,053	95,053		

Source: DPC/DONRE 2004

Figure 4.6 gives an indication of existing land use in 2003. The yellow colour indicating rice cultivation extends into all the urban districts apart from Thanh Khe and Son Tra. Rural residential land (dat o nong thon) is substantial and spread widely through rice growing areas outside the core. Urban residential land (dat o do thi) is concentrated in the core and along the two coastal strips around the north and south bays. The dark green colour with close contour lines indicates very clearly that most of the area is occupied by mountainous forested areas. It is clear that the urban area of the City is of limited extent; also, that there is a limited area of lower density land use deemed suitable by the authorities for conversion to higher value uses.

Figure 4.7 Danang City Existing Land Use (2003)

Source: Danang DONRE

4.4.5 Danang Land Redevelopment Strategy

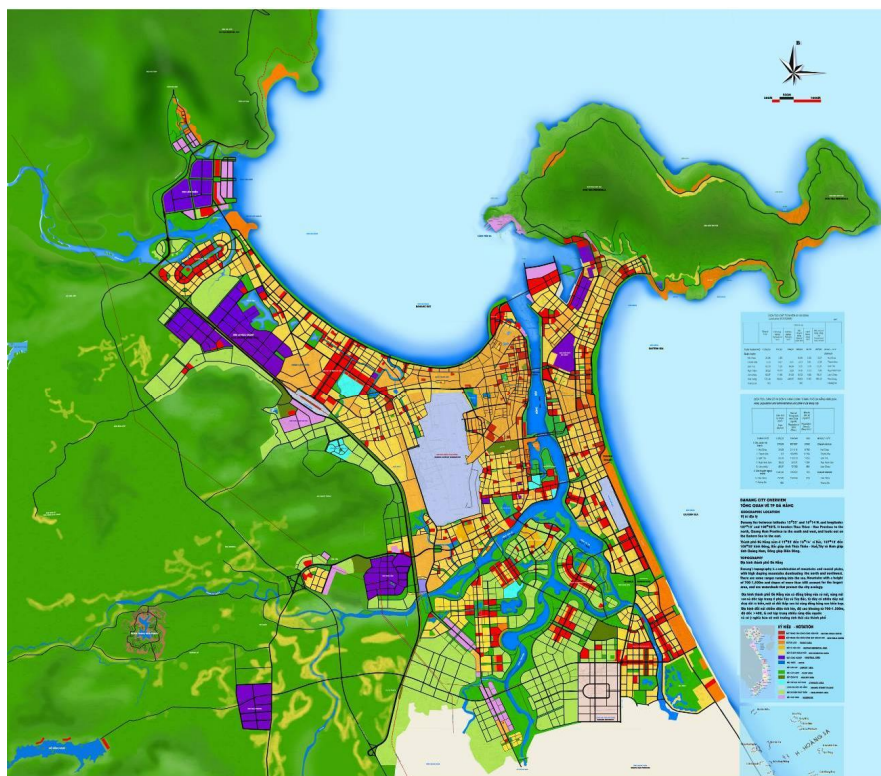
The City has reclaimed land for urban use from four major sources: the military, underused SOE land, agricultural land, and areas of poor relatively low density traditional housing. Once the land has been cleared and redeveloped through the provision roads and public services, prime plots are sold for commercial development, while others are utilized for the resettlement of displaced households. According to the VDR (2004), funds from the sale of commercial real estate are used for reinvestment in infrastructure and urban upgrading.

The ability, in the first instance, to acquire underutilized land held by SOEs and the military is central to the Land Redevelopment Strategy. Although the Land Law makes provision for the return of unused SOE land to the State, the mechanisms for returning this land or criteria for assessing which areas are not required are not defined. As a result, it is often difficult in practice to secure the return of such land.

Two factors have led to the successful return and utilization of land for urban development in Danang. First, as there is a lower demand for urban land than cities like Hanoi or HCMC, unsanctioned land is less entrenched and easier to secure. Second, the political power of the DPC has allowed them to secure the return of SOE (and unused military) land. Further analysis has also suggested that the administration's ability to mobilize public opinion combined with relatively transparent land redevelopment procedures⁸ have also been factors in the relative success of land recovery in Danang.

Given the fact that payment of compensation and the cost of developing resettlement sites inevitably diminish the amount of revenue gained from land redevelopment, there is a strong institutional incentive to control the use of land in existing residential areas. The relatively low demand for housing in Danang compared to that in other major cities, to some extent, also facilitates this process, notwithstanding the fact that development control guidelines, mechanisms and capacity are generally lacking. Another key difference between the urban development strategy in Danang and that in other cities is that the DPC has not generally involved the private sector in land development.

Figure 4.8 Danang Development Master Plan (2000-2020)



Source: Danang DOC

⁸ For example, well staffed resettlement boards and Provincial People's Committees (PPC) open door days every week (World Bank 2004)

4.4.6 Danang Budget Revenue 2001-2004⁹

Table 4.10 presents Danang City's budgetary revenues over the period 2001 to 2010. This gives an indication of the extent to which Danang is using the proceeds from land sales to finance its development expenditures¹⁰. In 2004, 'Land use fees and land rent' (which for the most part is revenue from selling development land) accounted for over 40% of all budget revenues, a tenfold increase since 2001. The dramatic increase in land use fees and rent accounted for around 81% of the increase in budget revenues between 2001-2002, 59% of the increase between 2002-2003 and 67% of the increase between 2003-2004. This level is far higher than the comparable cities such as Hai Phong and Can Tho. However, this does not represent a sustainable source of income for recurrent expenditures, or even for the type of major public expenditure likely to be required in the future. Nevertheless, this over-reliance on land use fees and rent is seen in some quarters as an incentive for the administration to convert too much land.

Table 4.11 Danang Budget Revenue 2001 -2004¹¹

Revenue Source	Budget Revenue -VND Billions (%)			
	2001	2002	2003	2004*
Trade Related Revenues				
Export and import duties	595.8 (28.12)	735.4 (29.21)	576.8 (14.60)	498.9 (9.85)
Value added tax on import	272.1 (12.84)	266.1 (10.57)	289.1(7.28)	336.5 (6.65)
Revenue differential duties on imports	7.6 (0.36)	3 (0.12)	0.2 (0.01)	...
Domestic Revenue	954.9 (45.07)	1267 (50.33)	2691.7(67.80)	3299.9 (65.17)
Revenue from central enterprises	235.9(11.13)	228(9.06)	312.2 (7.86)	502 (9.91)
Revenue from local state enterprises	46.7 (2.20)	45 (1.79)	58.4 (1.47)	50.2 (0.99)
Revenue from foreign invested enterprises	133.1 (6.28)	140 (5.56)	137.7 (3.47)	206.2 (4.07)
Tax on non state	114.3 (5.39)	130 (5.16)	177.8 (4.48)	197.9 (3.91)
Fee on registry	27.4 (1.29)	30 (1.19)	47.9 (1.21)	60.1 (1.19)
Tax on using agricultural land	2 (0.09)	1.3 (0.05)	...	0.347 (0.01)
Tax on income	15.4(0.73)	14 (0.56)	17.7 (0.45)	20.3 (0.40)
Tax on housing and land	9.7 (0.46)	10 (0.40)	11.6 (0.29)	11.5 (0.23)
Revenue from lottery offices	29.8 (1.41)	28 (1.11)	32.2 (0.81)	39.9 (0.79)
Fees	32.9 (1.55)	34.1 (1.35)	42.5 (1.07)	55.1 (1.09)
Revenue on Land Use, Rent	198.6 (9.37)	520.(20.67)	1369.5(34.50)	2098.5 (41.44)
Total Revenue	2118.8	2517.4	3969.9	5063.7

Source: DSO Danang statistical yearbook 2004 (*denotes an estimated value)

Table 4.12 shows the projected land development budget in Danang until 2010. Rents from land development alone are expected to be about VND 4,700 billion (nearly US\$ 298.5 million). Rents earned from the recovery and development of land vary depending on the kind of land converted and its location. For example, agricultural land is typically compensated at VND 25,000/m¹² and sold in peripheral districts such as Lien Chieu for on average VND 1,300,000/m². Reclaimed residential land in the same district is compensated at on average VND 700,000/m².

⁹ These figures differ from those obtained from the MoF and have been included as they contain a longer time series. In terms of proportion of contribution to the budget revenue, however, they differ little from the MoF statistics.

¹⁰ In the state budget law, cities under central control and provinces are allowed to retain 100% of revenues from land allocation fees and taxation on land. They thus constitute an important source of funds for local administrations.

¹¹ These figures differ from those obtained from the MoF and have been included as they contain a longer time series. In terms of proportion of contribution to the budget revenue, however, they differ little from the MoF statistics.

¹² This however varies greatly depending on under which legislation the compensation payment was granted and on the particular location of the recovered land.

From these figures, it is clear that most (93%) of forecast revenue raised from land is intended for reinvestment into further development and compensation payments. However, although a significant proportion is allocated elsewhere, it is not clear how much of this (if any) is earmarked for recurrent expenditures on operations and maintenance. It is clear however, that only a small proportion of revenue from land (2%) was from sustainable taxation sources. Property taxation is notable by its absence.

Table 4. 12 Danang Land Related Revenue and Expenditures (2004-2010)

Land Revenue Source		Billion VND	Percent Of Total Revenue	Expenditure on Land		Billion VND	Percent of Total Revenue
I	Allocation of Land	20900	81.77	I	Compensation for Planned Projects	16184	63.32
					<i>Agricultural land</i>	1452	5.68
					<i>Non-agricultural production land</i>	481	1.88
					<i>Other non-agricultural land:</i>	775	3.03
	<i>Residential land:</i>				<i>Residential land:</i>		
	<i>Hai Chau district</i>	5273	20.63		<i>Hai Chau district</i>	3955	15.47
	<i>Thanh Khe district</i>	3330	13.03		<i>Thanh Khe district</i>	2220	8.69
	<i>Son Tra district</i>	2491	9.75		<i>Son Tra district</i>	1744	6.82
	<i>Ngu Hanh Son district</i>	3056	11.96		<i>Ngu Hanh Son district</i>	1646	6.44
	<i>Lien Chieu district</i>	3558	13.92		<i>Lien Chieu district</i>	1916	7.50
	<i>Hoa Vang province</i>	3192	12.49		<i>Hoa Vang province</i>	1995	7.81
II	Allocation of land for non agricultural production and commercial/ business activities	4000	15.65	II	Building residential areas, infrastructure, public, cultural and welfare projects	7500	29.34
III	Leasing land for non agricultural production & business	160	0.63	III	Land administration	5	0.02
IV	Land tax & land transfer tax	500	1.96				
	Total Revenue	25560	100.00		Total Expenditure	23689	100.00

Source: DPC 2004

4.5 DANANG PRIORITY INFRASTRUCTURE INVESTMENT PROJECT (PIIP)

4.5.1 Introduction

In August 2004, in response to a request from the Government of Vietnam (GOV), the WB/IDA launched preparatory activities for the Priority Infrastructure Investment Project (PIIP) in Danang. The PIIP is a multi-sectoral infrastructure investment initiative aimed at poverty reduction and the promotion of economic growth. The Project reflects the national goals set out in the Comprehensive Poverty Reduction and Growth Strategy (CPRGS), and is in line with the overall development priorities of the City's Five-Year (2006-2010) Socio-Economic Development Plan (SEDP).

The (PIIP) Project objectives are to: (i) improve the living conditions and productivity of low income residents through better access to basic services; (ii) promote economic growth through strategic investments that enhance mobility and increase private sector participation in the City's economic

development and (iii) improve city- and district-level management through institutional and human resource development and capacity building.

4.5.2 Project Components

The PIIP Pre-feasibility Study (PFS) identifies four main (PIIP) Project components, as follows:

A: Urban Upgrading: this component comprises three main sub-projects:

- **On-Site Upgrading of Tertiary Infrastructure:** in 14 of the 25 low income areas (LIA) identified in the Danang Housing Program. The present estimated cost of this component is US\$17.9 million¹³ and there are more than 17,000 direct beneficiaries.
- **Microfinance for Housing Improvement:** US\$1.0 million has been allocated for this component at present. The proposed maximum loan size is VND 14 million to be repaid in monthly installments, with a maximum interest rate maximum 1 % per month and a loan period of 60 months. This component will be implemented by the Danang City Women's Union (WU).
- **Resettlement and Site Services:** This component will be focused on site preparation and the provision of services and resettlement housing in three sites (Thanh Khe Tay, Hoa Minh-Hoa Khanh and Hoa Quy). It is anticipated that the Project will result in about 1,800 displaced persons, 550 of whom shall need relocation. Approximately 83.8 ha will need to be acquired for the whole project and the project's total estimated compensation and resettlement cost is about US\$20.9 million. Infrastructure development on the three resettlement sites is estimated at about US\$2.75 million.

B: Environmental Sanitation: this comprises the following sub-projects:

- Environmental Improvement of Phu Loc River: including dredging, construction of embankments, maintenance of roads and waste water interceptors to linking to the Phu Loc Wastewater Treatment Plant (estimated cost is US\$4.48 million).
- Storm-water Drainage System: for frequently flooded areas in Lien Chieu, Son Tra and Ngu Hanh Son districts (estimated cost is US\$6.6 million).
- Additional Sewers: including secondary, tertiary and house connections, and interceptors to collect wastewater to the four existing waste water treatment plants (estimated cost is US\$ 1.5 million).
- New Waste Water Treatment Plants (WWTP): at Ngu Hanh Son (primary treatment) and Hoa Xuan (secondary treatment) (estimated cost is US\$ 9.3 million).
- Long Sea Outfall and Pumping Station: for Phu Loc WWTP (estimated cost is US\$ 2.8 millions)
- Primary and Secondary Mains Water Supply and Drainage: to support upgrading component A (estimated cost is US\$ 2.41 million).

The total estimated base cost for this component is US\$43.361 million, including US\$2.45 million for land acquisition and US\$3.16 million for consultancy services. Investment will be in three phases. (US\$10.7 million, US\$14.14 million and US\$18.52 million).

¹³ The recent WB mission (08-14.10.2006) considered the unit cost for this component to be over-estimated.

C: Urban Roads and Bridges: This component includes road construction (estimated base cost US\$45.5million) and land acquisition (estimated base cost US\$ 7.5 million). It also focuses on traffic management, road safety, non-motorized traffic considerations, and the provision for public transport at a later stage. At present, there is still a need to undertake traffic forecasts to facilitate the design and preliminary economic analysis of the proposed roads. Further topographical information for this component is also needed. The total estimated cost of this component is US\$ 58.3 million.

D: Capacity Building: This component will include urban planning, urban services management, land and housing management, municipal financial management, and housing policy for the poor implementation support. PHRD co-financing for this component is being sought. The total estimated cost of this component is US\$ 4.8 million.

4.5.3 Project Cost Summary

The total estimated PIIP base cost is US\$ 137.6 million. This will be invested in three phases (US\$ 21.27 million, US\$ 60.15 million and US\$ 56.2 million). The total estimated PIIP Project cost, including contingencies and taxes, is US\$ 166.0 million. This will be made up of an IDA contribution (US\$ 100.8 million); a PHRD grant (US\$4.75 million); and a Government contribution (US\$ 60.44 million), mainly for counterpart civil works funding (US\$ 20.0 million), land acquisition and resettlement (US\$19.05 million), taxes (US\$ 15.0 million), and contingencies (US\$ 5.0 million) (refer to Table 4.13).

Table 4.13 Danang PIIP Preliminary Project Cost Estimates

Component	Cost (US\$)
Civil works	100.212.533
Micro finance	1.000.000
Land Acquisition and compensation	19.052.827
Capacity Building	
+ Consultant services and training	4.750.000
+ Goods	860.000
+ Operating costs	88.760
Project Management	2.044.511
Consultant Services	9.621.229
Base cost	137.629.860
Contingencies	13.287.986
Total before taxes	150.917.846
Taxes 10%	15.091.785
Grand Total	166.009.631

Source: WB / PIIP Preparation Mission (08-14.10.2006) Aide Memoire.

4.5.4 Project Schedule

The Project Pre-feasibility Study was completed in October 2006, and the Consultants commissioned to undertake preparation of the Feasibility Study are scheduled to begin before the end of 2006 (refer to Table 4.13).

Table 4.14 Danang PIIP Action Plan (2006-07)

Action	Agreed Date
Government approval of Pre-feasibility Study	November 30, 2006
Mobilization of Feasibility Study Consultants	December 1, 2006
WB Project Appraisal	June 2007
WB/Government Project Negotiations	October 2007
WB Board presentation	Q3 FY08/ March 2008??

Source: WB / PIIP Preparation Mission (08-14.10.2006). Aide Memoire

5 DANANG HOUSING SECTOR

5.1 INTRODUCTION

The chapter will present an overview of the housing sector in Danang, followed by different initiatives in housing and residential development over the city. It then explains in further detail different types of housing provisions as well as the system of supply-transfer-use of housing units. The chapter concludes with an observation on the overall picture of housing development in Danang.

5.2 OVERVIEW OF HOUSING SECTOR

Danang, one of the big class 1 cities of Vietnam, has a relatively good housing condition as compared with other cities in the country. The expansion of housing stock is increasing very fast in recent years. According to the General Statistic Office, in 2004, average housing floor area per capita in Danang is 20.9m²/per while average housing floor area per household is about 95m²/hh, which is much increased as compared with respective 2002 figures of 18.4m²/per and 81.2m²/hh respectively. Table 5.1 shows housing standards of different localities in terms of average floor area per capita. It shows that people in Danang enjoy much better housing in terms of space as compared with Hanoi or HCM city and the whole country.

Table 5.1 Average Housing Floor Area Per Capita in Cities of Vietnam (2002 and 2005)

	Danang		Vietnam	Hanoi	HCM City	Middle region
	2005	2002	2002	2002	2002	2002
Average housing floor area per capita (m ² /per)	20.9	18.4	12.5	14.27	16.05	13.2

Housing Ownership

According to interviews made with senior officers of DONRE by the study team, the data in 2003 indicates that Danang has 123,287 housing units with a total of 6,780,785m² floor area; in which, 71,631 units (58%) with 5,372,775m² floor area are privately owned and 51,656 units (42%) with 1,408,010m² floor area are publicly owned.

Housing Condition

It is estimated by DONRE that about 65% of total housing stock are in permanent condition, 30% are semi-permanent and the rest of 5% are temporary structure. Table 5.2 shows housing condition of low-income group in Danang in 2004.

Table 5.2 Housing Condition of Low-Income Groups in Danang (2004)

District/	Number of Units and Condition					No Home
	Permanent	Semi-Permanent	Temporary			
			Condition 1	Condition 2	Condition 3	
1. Hai chau	437	1.882	304	110	3	768
2. Thanh 3. khe	244	2.598	255	125	33	415
4. Son tra	345	2.418	339	235	18	518
5. Ngu hanh Son	200	1.808	129	78	11	80
6. Lien chieu	338	2.194	229	102	6	119
7. Hoa vang	474	3.417	909	900	85	1.115
Total	2.038	14.317	2.165	1.550	156	3.015
	23,241 units					

The number of temporary housing has been reduced much in recent years, from 18.67% to 5%, after the administrative separation of Danang out of Quangnam-Danang region in 1997 and due to the city's beautification program which cleared up temporary houses along Han river and beach. However, Danang often experience natural calamities such as typhoons and damages from these natural calamities have added further to the amount of housing that needs immediate improvement.

The city government's several housing initiatives have further accelerated housing development in Danang. This includes the resettlement housing development as a consequence of the many urban development projects in accordance with the City Master Plan and the Priority Infrastructure Investment Plan, among others. In addition, the city's "three availabilities" program, which sees to it that jobs, housing and a civil lifestyle is available to each resident of Danang, further emphasizes the city government's determination in making housing available to every citizen. This program is integrated in the 5-year housing proposal that will be explained in detail in the succeeding section.

5.3 DANANG HOUSING DEVELOPMENT INITIATIVES

During the early half of this decade, a considerable volume of new public housing units have been developed in Danang for the purpose of resettlement of many urban development and urban beautification projects in Danang. To widen the scope of housing development beyond resettlement housing provision, the Danang City government launched the Housing Development Proposal 2005-2010. This is one of the "three availabilities" program committed by the city government: "housing availability-job availability-civil lifestyle availability." The housing proposal is setting up goals and an action plan to ensure that every household in Danang owns a house. The main content of the Danang Housing Development Proposal is to set up goals of housing development in the next 5 years from 2005 to 2010, targeted housing beneficiaries of the program: from low-, middle- to high-income households and for special groups, developing dormitories for students, and public guesthouses, among others; and general solutions to meet the goals. The proposal aims at developing housing for various groups. The proposal also aims to get people used to living in mid- or high-rise apartment buildings to save land for future developments.

5.3.1 Housing Development Proposal (2005-2010)

Housing Development Goals and Target Beneficiaries

The Housing Proposal for the period 2005 to 2010 provides for the construction of 25,721 housing units, equivalent to 1,154,000 m² floor area, to meet the demand generated by a wide range of potential beneficiaries including poor and officially designated priority households, households affected by resettlement, low income public servants, industrial workers, students and pupils and special category government officials and guests (refer to Table 5.3). The total estimated cost of the proposal is approximately VND 1.7 billion. This figure includes VND 1 billion for clearance, compensation and resettlement.

Table 5.3 DOC Housing Development Proposal (2005-2010)

Potential Beneficiaries	Housing Units No.	Dwelling Type/Area	Remarks
<i>Urban Poor & Priority HH</i>	2,621	New 5 storey apartment (50m ² /unit)	Approx. 1,414 apartment units built by October 2005 (refer to Table 5.4). But not clear how many of these allocated to and taken up by urban poor priority HH or to resettlement HH.
<i>Rural Poor & Priority HH</i>	2,100	Serviced plot+ 1 storey house (40m ²)	No indication available of provision to date.
Total Poor & Priority HH	4,721		All urban and rural estimates need to be reconciled with DOLISA estimates of urban poor/priority HH in June 2006 (refer Table 5.5).
Resettlement	6,000	New 5 or 7 storey apartment (50m ² /unit) or	Represents only approximately 10% of total estimated resettlement requirement to 2010. Comprises those HH unable to purchase standard resettlement units.
Public Servants	570	New 5 storey apartments (50m ² /unit)	Represents only 50% of total public servants housing need to 2010. Made up of lower paid public servants, but not clear at this stage whether they fall within LIH definition and thus within LIHAS.
	930	Serviced plot+ terrace(row) house (100-120m ² /unit)	
Industrial Workers	7,000	New dormitory type apartment (30-40m ² /unit)	Accommodation for 70,000 workers @ 10 workers per unit with shared bathroom/ kitchen facilities. Responsibility of private sector / investors but for present purposes included in LIHAS.
Students & Pupils	6,000	New dormitory type apartment (30-40m ² /unit)	Accommodation for 60,000 students & pupils @ 10 students per unit. Responsibility of DOE/University. Not included in LIHAS.
Public Guests	50	Detached house/villas (150-200m ² /unit)	Not included in LIHAS.
TOTAL	25,271		

Source: DOC

Table 5.4 Construction Progress of DOC Standard Apartment Units (as of October 2005)

Status	Apartment Blocks	No. of Units
Completed / in use:	8	405
Completed not in use	10	579
Under construction	7	430
Total (completed, not in use, under construction)	25	1,414

Source: DOC

Table 5.5 DOLISA: Danang Estimated Poor Households Population

	Poor HH	Poor HH (%)	Population	Population (%)	Remarks
Urban	16,341	13.69%	76,188	12.92%	
Rural	6,900	20.49%	28,716	19.77%	
Total	23,241	15.19%	104,904	690,612	Total population extrapolated from poor HH estimates

Note: Urban Poor <VND 300,000/person/month: Rural Poor: <VND 200,000/person/month

Source: DOLISA Survey April 2005

Poor & Priority Households

The DOC Housing Program was not designed to meet all of Danang's housing needs, but only that portion of total housing need commensurate with the City's available financial resources and its budgetary priorities during the period. In this regard, it is important to note that the DOLISA survey (October 2005) estimated that there was a total of more than 23,000 poor households in Danang (refer to Table 5.5). Even in 2005, before the devastating impact of Typhoon Xangsane (refer to Chapter 7), it is reasonable to assume that most, if not all, of these households had some form of housing need. However, the DOC Housing Program only makes provision for 4,721 housing units targeted towards the poor (and priority) household, a figure equivalent to about 20% of real housing need among the City's poor.

For the purpose of preparing its Housing Program, DOC reportedly based its definition of poor households on the DOLISA poverty threshold (i.e. <VND 300,000/person/month). Assuming the higher preliminary LIH definition adopted for the purpose of this (LIHAS) Study, it is apparent that LIH needs will be well in excess of that the DOC Housing Program provision.

By October 2005, DOC estimated that a total of 25 new apartment blocks comprising 1,414 units had been completed or were under construction (refer Table 5.4). However, there was no information available on the manner in which these apartment units had been allocated to the wide range of housing need included in the Housing Proposal; that is, what proportion of these completed units had been occupied by identified poor (or priority) households or households scheduled for resettlement. Anecdotal evidence gathered in the course of a LIHAS field visit indicated that in at least one instance, the occupation of completed apartment units had been delayed due to the inability of selected beneficiaries to afford the proposed rental and/or purchase price incurred as a result of an overrun on the estimated construction cost.

In June 2006, DOLISA estimated that a total of 2,931 LIH and priority households, as well as a further 2,032 HHs in both urban and rural areas of the City, were living in temporary housing (refer to Table 5.6). No definition of temporary housing was provided however. Through collaboration with DOC, it was determined that these HHs would be provided for through a series of housing initiatives involving either the renovation and repair of existing houses, the construction of a new house, or (in the case of urban HHs) resettlement to either a new apartment or serviced plot and house. It is unclear at present just how this estimate relates to the DOC Housing Proposal.

Resettlement

The DOC Housing Proposal includes a provision for 6,000 housing units allocated to households affected by the City's ongoing resettlement program. Estimates are that implementation of agreed commercial, industrial, road and infrastructure development projects in the City, in accordance with the provisions of the Master Plan, will result in the relocation and resettlement of up to 33% of all urban households. This estimate is borne out by the fact that the DOC estimates that the 6,000 resettlement units incorporated in the Housing Proposal represents only about 10% of the total estimated resettlement requirement in 2010. The Housing Proposal provision is based on the construction of rental apartments for those affected (resettled) HH unable to purchase land or apartments provided for under the normal resettlement policy carried out under the Resettlement Board, even assuming standard forms of compensation.

The total estimated resettlement requirement in 2010 is 60,000 HH. Thus, a further affected 54,000 HHs are not included in the Housing Proposal. Resettlement will be the outcome of a number of different DPC interventions which includes clearing operations for the: i) implementation of major road and infrastructure projects; ii) upgrading of low income areas (LIA) such as that being undertaken under the PIIP and iii) major commercial / industrial development projects, including

central area commercial (retail/office) accommodation, coastal tourism development projects (hotels and resorts) and more peripheral industrial zones (five of which have been built to date). Given the City's limited resources, stretched further by the need to respond to the impact of Typhoon Xangsane, and the provisions of the CGPRS, as well as the social and economic impact of resettlement on affected households, there is a need to review the present approach to wholesale resettlement being undertaken at present in the City.

Public Servants Accommodation

A total of 1,500 housing units are included in the Housing Program for public servants. This provision represents only 50% of the total requirement and is mainly for lower paid public servants. Minimum pay grades for public servants of between VND 500,000-600,000/month indicate that the supply of these units falls outside the scope of the LIHAS (Study). The DOC Housing Program includes 930 apartment units and 930 serviced plots with (terraced) housing units. The remaining 1,500 HH/units not included in the Program will be provided for by the private sector market.

Industrial Workers

The DOC Housing Program provides for 7,000 housing units to be provided for industrial workers, based on an assumption of an additional 70,000 workers in Danang up to 2010, and shared dormitory accommodation at 10 persons/unit. At present, commercial/industrial investors in Danang are not required to make any provision for their workforce (although there are indications that some do such as hotels and certain industrial enterprises). As a result, workers generally make their own arrangements for rental accommodation in the private sector, usually in close proximity to their place of work. This clearly generates additional income for homeowners, and there would appear to be some advantage in encouraging private homeowners in this regard. Given the anticipated growth of the labor market in Danang and the need to limit the drain on public resources, there is a need also to encourage potential investors to provide accommodation for their workers as an integral part of their investment proposals.

Students and Pupils

The Housing Program includes provision for 6,000 dormitory units for students and pupils. This is reportedly the responsibility of the appropriate education authority and for present purposes can be considered to lie outside the scope of the LIHAS.

Table 5.6 DOLISA Housing Need Estimates (June 2006)

	HH Type				Housing Need				Remarks
	Priority	LIH	Other	Total	House Renovation	New House	Move to Apartment	Serviced plot+ housing finance	
Urban	380	553	1955	2888	355	311	999	1233	
Rural	671	627	77	1375	671	704	0	0	Allocate all priority HH to house renovation. Others to new house
Total	1051	1180	2032	4263	1026	1015	999	1233	

Source: DOLISA Survey Documents

Planning and Construction Solutions

It is stated in the proposal that new housing developments should be well planned and programmed. In the course of housing provision, infrastructure and social services such as public service buildings, markets, education centers, parking areas, health care center, entertainments, elderly public houses, community's houses, and other public services must be planned and

provided. Various types of housing must be provided to meet diversified housing demands in terms of scale, area, level of comfort, financial resources of different subjects of housing. However, multi-storey apartment buildings are highly promoted in the Proposal.

Financial estimation for the Proposal is 1,693 billion VND. In which, concerned enterprises, investors that carry out the construction for workers' housing and students-pupils is 742 billion VND. The remaining amount of 950 billion VND is mobilized from Government and other economic sectors. The proposal is intended to be implemented in two phases: Phase 1 (2005 –2007) needs 509 billion VND while Phase 2 (2008-2010) needs another 1,184 billion VND.

Financial Resource Mobilization and Housing Support Policies

In the proposal, it is stated in very general terms that housing development fund is to be established for housing development and to support those who have difficulties in accommodation or for the low-income groups through loans. It is also stated that incentives for participation of all sectors, investors, enterprises, banks, community in housing provision is given, yet it is not clear what kind of incentives are already in place.

Other policies given in the proposal include:

- Provide policies of property's taxes, institutional framework and management solutions of land or housing transaction to protect from speculation.
- Mobilize financial investment nationally and internationally. Encourage joint-venture capital, capital loans from credit banks or organizations, encourage capital from money that the buyers paid in advance, and other legal financial sources following regulations.
- Mobilize capital from selling or renting State-owned houses, money that housing projects have to pay for land.
- Mobilize money from individuals or organizations' support.

Implementation Mechanism

It is mentioned in the proposal that DOC shall take the lead role in supervising the Housing development proposal and in collaborating with different departments, agencies and stakeholders to implement the proposal. DOC also has a task to monitor, synthesize and report to Danang PC every 6 months and deal with anticipated difficulties during project implementation.

Role of DOC : A permanent department of the project tasked to:

- Collaborate with related departments to finalize the detailed plan for Phase 1 and report to Danang PC before 10/10/2005.
- Help Danang PC in organizing, leading, guiding, managing the performance of the project and report the results regularly to Danang PC.

Role of DPI

- Collaborate with Department of Finance and related departments in proposing a plan on how to allocate Government's funds for housing program by phases.
- Propose mechanism and policies on how to mobilize private capital for housing investment with Government.

Role of Department of Finance

- Collaborate with DPI, city bank's branches, credit banks, to propose for regulation to establish housing development funds
- Propose mechanism for capital mobilization, regulation to support loans for priority groups of peoples

- Plans on how to supplement Government's capital into annual distribution estimation to invest in housing stock development.

Role of Labor and Social Welfare Service

- Collaborate with District PC in the conduct of survey, inventory, classification of different subjects of housing following regulated criteria, listing and report to Danang PC

Role of DONRE

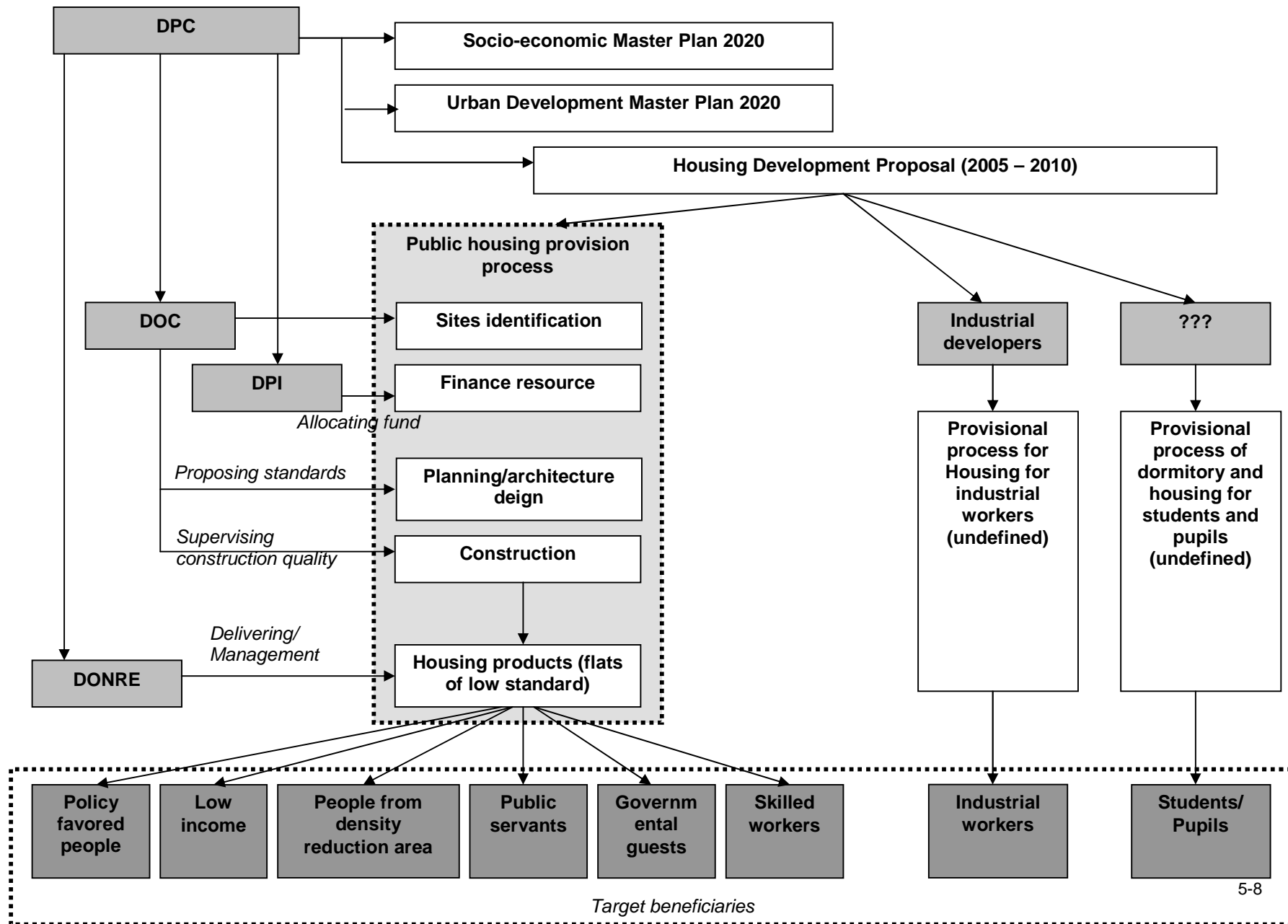
- Collaborate with related departments to propose policies, mechanism about land use, facilitating different economic sectors to involve in investing and developing housing stock, report to Danang PC for approval.

Role of External Relation Office

- Finding and receiving investments from foreign government organizations or NGOs for contribution to the national housing development fund.

Other agencies such as Internal Relation Office, Department of Industry, Industrial zone management board, District PCs and others need to collaborate with DOC in identifying realistic housing needs of various social groups. Figure 5.1 shows the organization for the Housing Development Proposal.

Figure 5.1 Organization for Housing Development Proposal



5.4 PUBLIC SECTOR HOUSING

This subsection provides a chronological description of the development of the public sector housing in Danang: from old public housing stock (before 1980), to public apartment blocks (1980-2005) and the new public housing stock for the Housing Development proposal (2005-2010). It also summarizes the housing programs' processes and housing management situations in Danang recently.

5.4.1 Old Public Housing Stock (before 1975)

Unlike Hanoi, where majority of the old public housing is in the form of uniform apartment blocks in neighborhood units called 'tieu khu' in Vietnamese and developed systematically by the State in the 1960s to the 1980s, in Danang, old public housing, or most of it, was not developed by the government, yet managed by it. They are houses or buildings constructed before 1975, taken over from the old regime, and distributed to public servants. These stock are basically low-rise, from 2 to 4 storeys, with very poor utility conditions. They used to be private houses, hotels, or buildings which functioned other than for mass housing. Therefore, their conditions are unsuitable as condominiums, since residents in these collective houses have to share common toilets and service spaces. There are 22 such buildings which are at present seriously dilapidated (Table 5.7).

Public housing stock is under the management of the Housing Management Company of DONRE. Like their counterparts in Hanoi and other cities in Vietnam, Danang's DONRE collects housing rental fees from the residents of these public housing units. However, only 35% of the collections are used for periodic maintenance of the buildings, which proved to be far from adequate. Therefore, most public housing units/buildings are in poor condition, with some already in seriously dilapidated state. In terms of actual use by residents, 203 households are not actually using their units: 99 have transferred to other units, 48 are leasing their units, 47 have allowed relatives or acquaintances to use them, and 9 have left their units vacant.

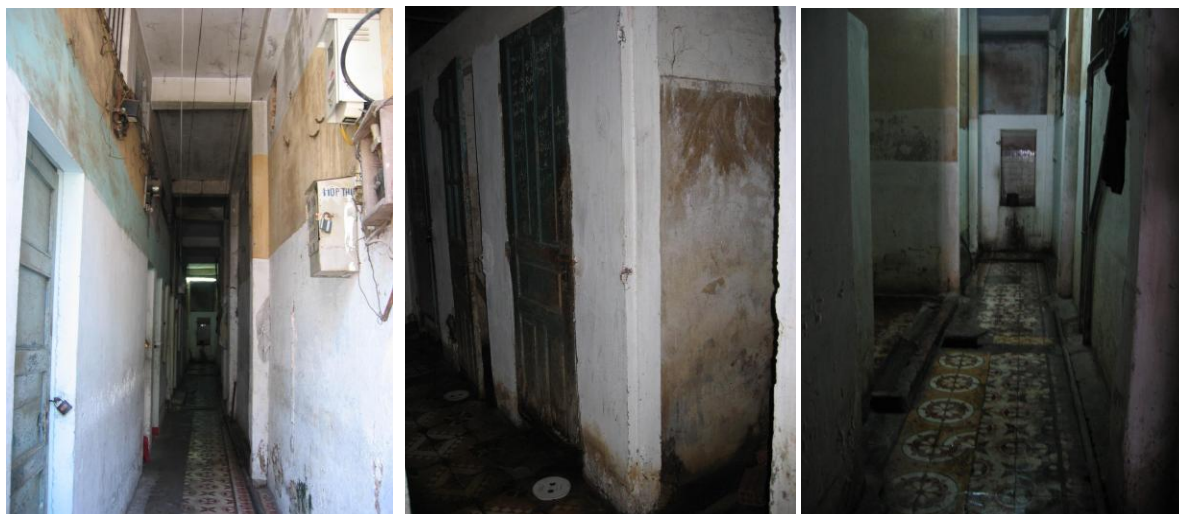
Table 5.7 Profile of the Most Dilapidated and Old Collective Buildings in Danang

No	Address	No of HH	Condition			Utility	Origin
			Height	Structure	Current Condition		
1	13 Nguyen Chi Thanh	38	3 – 2 storeys	Reinforced concrete frame and floor (RCFF), iron roof	Dilapidated	Private toilet	
2	69 Tran Phu	09	2	RCFF, iron roof	Dilapidated sewerage system		
3	18 Hung Vuong	20	4	RCFF			From old regime
4	392 Hung Vuong	10	4	RCFF, iron roof	Dilapidated roof	Shared toilet, water tap on 1F	Before 1975
5	25 Hung Vuong	11	5	RCFF	All dilapidated unsafe infrastructure system	Shared toilet, water tap on 1F	Before 1975
6	57 Hung Vuong	07	4	RCFF		Shared toilet, water tap on 1F	
7	104 Ly Thai To	04	2	Iron roof, wooden stairs, room extended	All dilapidated	Shared toilet, water tap on 1F	Before 1975
8	18 (22) Ly Thai To	07	4	RCFF			
9	44 Ly Thai To	06	3	RCFF	All dilapidated	Shared toilet, water tap on 1F	
10	83 Hai Phong	04	2	RCFF, iron roof			
11	59 Le Duan	37	2	RCFF, tile roof	Dilapidated structure and toilet	Shared toilet, water tap on 1F	Before 1975
12	230 Ong Ich Khiem	07	3	RCFF, RC roof	All dilapidated		Before 1975
13	110 Hoang Dieu	05	3	RCFF, RC roof	All dilapidated	Private toilet	Before 1975
14	K308 Hoang Dieu	05	2	RCFF, tile roof	Dilapidated toilets	Shared toilet,	Before 1975
15	110 Ly Thai To	06	3	RCFF, later with wood mezzanine	All dilapidated, dangerous	Shared toilet,	Before 1975
16	127/2 Ly Tu Trong	08	2	RCFF, iron roof	Temporary structure.		Before 1975, used to be rabbit cage
17	109 Thanh Thuy		2	RCFF, iron roof	Good structure, dilapidated roof.	Shared toilet, inner yard	Half built in 1979 and 1983
18	05 Ng Thai Hoc	03	2	Wooden floor, brick wall, tile roof	All dilapidated		
19	142 Ng Thi Minh Khai	13	2	RCFF, RC roof	Roof and shared toilet are dilapidated.	Shared toilet	Before 1975
20	52 Tran Quoc Toan	06	2	Half floor wooden, half concrete, iron roof	All buildings are degraded, dangerous.		
21	14 Ba Dinh	07	2	RCFF, RC roof	Rusty steel rods, dangerous.		
22	To 06 An Hai Tay	03	4	Brick wall, wooden floor and stair, iron roof	Dilapidated.		
Total		711					

(Source: DONRE-2005)

Danang Housing Management Company has proposed a policy to resettle households which are living in these 22 most dilapidated collective buildings to new resettlement sites. However, according to Mr Lam, vice director of HMC, consensus for resettlement was only obtained so far from tenants of only 4 buildings.

**Figure 5.2 Images of Old Public Housing in Danang
(Thai Phien collective housing, Thai Phien street)**



Common access corridor of the Thai phien collective house – without natural lighting and ventilation



Flat with modest condition



Common toilet, bathroom and water tank

5.4.2 Public Apartment Blocks (1980-2005)

Housing built from 1980-2000

Information about public housing stock built during the period 1980 to 2000 is not available. During the time the study team was working with DONRE and DOC, there was no data provided on the total number of apartment blocks or houses that were built by Government in this period of time. This did not mean that there was no public housing stock built during that period; instead, it indicated that the City government did not have detailed planning for developing this housing type at that time. In the same manner, there was not statistical data available on apartment blocks that were built by state companies or state offices for use of their employees from 1980 to 2000.

Housing built from 2000-2005

Since 2000 to 2005, 14 apartment blocks of about 1,991 new public housing units have been developed in Danang. The demand for these units initially arose due to the Danang City government's beautification program, whereby the banks of the Han River and the Thanh Binh beachfront were cleared of temporary

housing and slums and converted into public spaces and major landscaped promenades. The first aim of public housing construction was to provide resettlement housing for LIH and members of extended families affected by this program. The list of these public housing blocks is shown in Table 5.8.

Table 5.8 Profile of Public Apartment Blocks Built from 2000 to 2005

No.	Ward	Address (Name)	Year Started	Year Completed	Total Floor Area (m ²)	No. of Units
1	Xuan Ha	301 Tran Cao Van	2003	2004	11,020	108
2	My An	Bac My An				60
3	Thac gian	Le Dinh Ly				58
4	Man Thai	Man Thai			2,142	30
5	Khue Trung	Khue Trung	2002	2003	4,282	60
6	Binh Hien	Binh Hien				21
7	Thuan Phuoc	Thuan Phuoc	2000	2001	11,590	288
8	Hoa Minh	Hoa Minh	2001	2002	11,590	288
9		Thanh Loc Dan	2001	2001	11,590	396
10		Thanh Loc Dan C		2005		60
11		Hoa Cuong				72
12		Binh An		2005		156
13	Tho Quang	Tho Quang		2005		244
14		No 4 Nguyen Tri Phuong		2005		150
		Total				1,991

(Source: DOC-2006)

These public blocks were built by SOEs or PMUs supervised by DPC, DOC and DONRE. Again, all of these buildings were built under the Government budget. HMC (in DONRE) is responsible for managing this housing type.

Housing allocation to users of this stock (14 apartment blocks) is not very clear. A large number of units in Thanh Khe Dong, Thanh Khe Tay, Man Thai, Thuan Phuoc were allocated for resettled people. There are also groups of civil servants, policy favored, poor people who were approved by DPC which are target groups for housing provision. For example, DPC has developed new apartment blocks such as Vung Thung apartment block model A&B and Le Dinh Ly high quality apartment block which are built for middle- and high-income Government workers.

However, there are no clear set criteria on how to allocate the available new accommodation units among potential tenants. In Vung Thung model A, 80% of the tenants are group of civil servants and the remaining 20% are both resettled and poor people. This situation is also true for some other apartment blocks as Man Thai and Thuan Phuoc. Based on HIS survey, in 90% of new public apartment blocks, 52% of HHs living in new apartments are resettled HHs.

Tenure Situation: According to results of the HIS survey conducted in this Study, in new apartment blocks, only 5% of households have “red book” certificate of housing ownership, 23.9% have temporal certificate, 55.3% of them have housing allocation or house hire contract, and 6% do not have any legal documents of housing tenure.

Housing Conditions: According to HIS, the average living area per HH in this housing type is relatively low, about 3m² as compared with 193m²/HH of LIAs. Living area per person is only 8.25m², much lower than the average living area of 20-25m²/person in the whole Danang City. Therefore, 44% of HHs are unsatisfied with living space even though they live in new apartment blocks.

It can be stated that many apartment blocks built during early 2000-2001 have lower design standards than the newly-built housing blocks. For example, resettlement blocks as Thanh Khe Dong, Thanh Khe

Tay (in Thanh Loc Dan area) built in 2001 have 6 units per floor and are 3 storeys high. Units are 30m² and are occupied by families (who are fishing families) of up to 8 members. Units have running water, kitchens and individual toilets but are very narrow. Rents vary from 80,000VND/month for a third floor unit, 100,000 VND/month for a second floor unit, to 120,000 VND/month for a ground floor unit. Housing units were only built in 2001 but are already dilapidated; with little maintenance done on either the structures themselves or the infrastructure. The road running through the site is obviously not maintained since the construction of the site. Units were suffering from damp conditions and residents complained that there was no maintenance carried out.

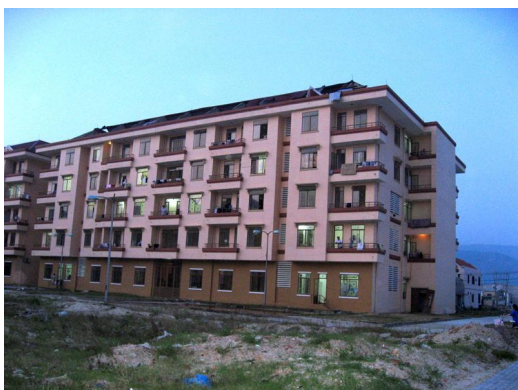
Newly-built apartment blocks provide higher design standards in comparison with old resettlement blocks like Vung Thung, Man Thai, Hoa Cuong, etc. The apartment blocks are 5 storeys high. Units are 50m² to 65m². The rental fee varies depending on location of units. Tenants have to pay an average of 3,000 VND to 5,000VND per 1m². In Vung Thung apartment block model A& B which is mainly provided for government workers in the policy-favored list, the floor areas vary from 69m² to 88m² with two to three rooms, private toilet, bathroom and kitchen. Le Dinh Ly high quality apartment block is built for middle- to high-income Government workers. The units' floor areas vary from 80m² to 100m² with two to three rooms, private toilet, bathroom, and kitchen.

Living Conditions: 100% of apartments have running water, electricity, drainage, and sewerage system. However, generally speaking, the drainage and sewerage systems were not comprehensively planned with buildings, road system and neighborhood. Solid waste collection is not efficient, particularly in resettlement sites.

Figure 5.3 Surrounding Conditions in Public Apartment Blocks



Surrounding environment of blocks was polluted by solid waste and sewerage



Vung Thung new apartment block with poor surrounding infrastructure



Sewerage system outside Vung Thung block

Living Environment: Living environment in new apartment sites is mostly affected by solid waste and sewerage water. HIS indicates that 22.5% of HHs is unsatisfied with neighborhood's environment, primarily due to environment pollution such as discarded waste, garbage and sewerage water of drainage.

In addition, one fourth of surveyed HHs feels bad and very bad about the security in their neighborhood. The main reasons cited are presence of criminal youth gangs and alcohol abuses. It implies that social issue is a critical issue facing newly accommodated people in the new apartment blocks, especially resettlement blocks.

Moreover, public facilities in new apartment sites are not fully taken into consideration. Most of them do not have kindergartens, common spaces or supermarkets. Residents also find it difficult to access public services such as medical centers, public transport or educational services. Only about 50% of HHs answered that they can access medical centers and primary schools located within walking distance (below 500m). About 90% of respondents rarely or never use bus services. One reason is local people are not familiar with using public transport. The other reason is that public transport, particularly bus service, has not been developed in the new urban developments in Danang.

Green parks or open spaces were not considered in the apartments' surrounding. A total of 62.5% of people living in new apartments expressed that they do not have within walking distance access to green parks from their homes. In most apartment sites, the area surrounding apartments have not been well planned for common and public uses and no facilities were installed such as public lights, benches, children playgrounds...

5.4.3 Sale of State-Owned Housing

The following action was to privatize public housing by selling state-owned flats or houses to existing tenants. Assignment, transfer of rental housing contracts and sale of the rented houses were also allowed. This was enforced by the promulgation of Ordinance 61/CP that stipulate the sale of public housing stocks. The so-called Danang Housing Management Company was then established in 2003, functioning as an organ to assist the DONRE to manage state-owned housing and buildings.

An example of sale of public housing is the case of an apartment block in 71 Thai Phien street. This stock has been designated for privatization and units of 40-50m² are being offered to occupants for between 17-23 million VND. The occupant has to pay 20% in advance and the rest would be paid back in 10 years.

According to Housing Management Company (HMC), from 1994 to 2000, a total of 3,921 housing units have been sold to the sitting tenants and 1,442 units remain as state owned. HMC plans to sell 50% of the remaining units in the next few years.

For apartment blocks built from 2000 to 2005, HMC's plan is to mostly put them out for lease.

Table 5.9 Situation of Sale of State-Owned Housing

	Sold in 1994 - 2005	For Sale	Not for Sale	Total
Old collective units	3,921	721		4,642
Public houses still owned by state			721	721
New apartment units			1,936	1,936

According to DONRE, revenue from the sale of public housing stock will flow to Housing Fund for further new housing construction.

Housing Maintenance: In fact, HMC has no detailed plans for housing maintenance or improvement of this housing type. Moreover, most of the people living in newly-built apartment blocks are poor or low-income people that a big number of households cannot pay for rental fees. Some low income people said that even City government gives them exemption of rental fee for the first three (3) but they still do not know how to pay for years after that because their income cannot afford them their basic needs, so much more for rental fees.

The money that HMC has collected from housing rental fees is therefore not sufficient for periodical maintenance works. Thus, it can be surmised that the current mechanism used by new public apartment stocks development will not be sustainable in the long-term.

5.4.4 New Public Housing Stock Built or Planned for Housing Development Proposal (2005-2010)

The housing development Proposal has provided the basis for new public housing provision in Danang. Low-cost public and resettlement housing are the priorities for development. After one year implementation, progress can be sum up as follows:

- 25 new apartment blocks constructed and under construction
- Completed and in use: 8 apartment buildings, total of 405 units
- Completed but not in use: 10 apartment buildings, total of 579 units
- Under construction: 7 apartment buildings, total of 430 units

These new public housing units are granted to poor resettlement households or their descendants, therefore conditions are very modest:

- 4-storey buildings with limited infrastructure (i.e. no social facilities like schools, markets or clinics)
- floor areas vary from 30m² to 48m² with one room, private toilet, bathroom, and kitchen.

Table 5.10 Profile of New Public Housing Projects in Danang

No.	Ward	Address (Name)	Year Started	Year Completed	No. of Units
1	Nai Hien Dong	Nai Hien Dong			180
2		Vung Thung		2005	180
3		Nai Hien Dong 2		Planned	479
4	Khue Trung	Khue Trung – Hoa Cuong		Planned	288
5	Hoa Cuong nam	Sport village		Planned	90
6	Tho Quang	Apt. building in aquaculture industrial zone Tho Quang		Planned	128
7	Phuoc My An khe	An cu 5		Planned	288
8		Phan Lang 2		Planned	300
9	Hoa Thuan	Hoa Thuan		Planned	54
10	Hoa Khanh	Apt. building in Hoa Khanh industrial zone		Planned	192
		Total			2179

(Source: DOC-2006)

Implementation: The DOC is the lead agency that implements the proposal in collaboration with other agencies. DOC is specifically in charge of developing and supervising technical matters related to housing design, unit cost, structural design, and construction quality. It is also in charge of finding sites for housing development. Actual construction is assigned to public enterprises under DPC, DOC, DONRE and other departments or PMUs. As for management mechanism, DONRE is in charge of preparing suitable land policies and incentives for housing development as well as managing public housing stock.

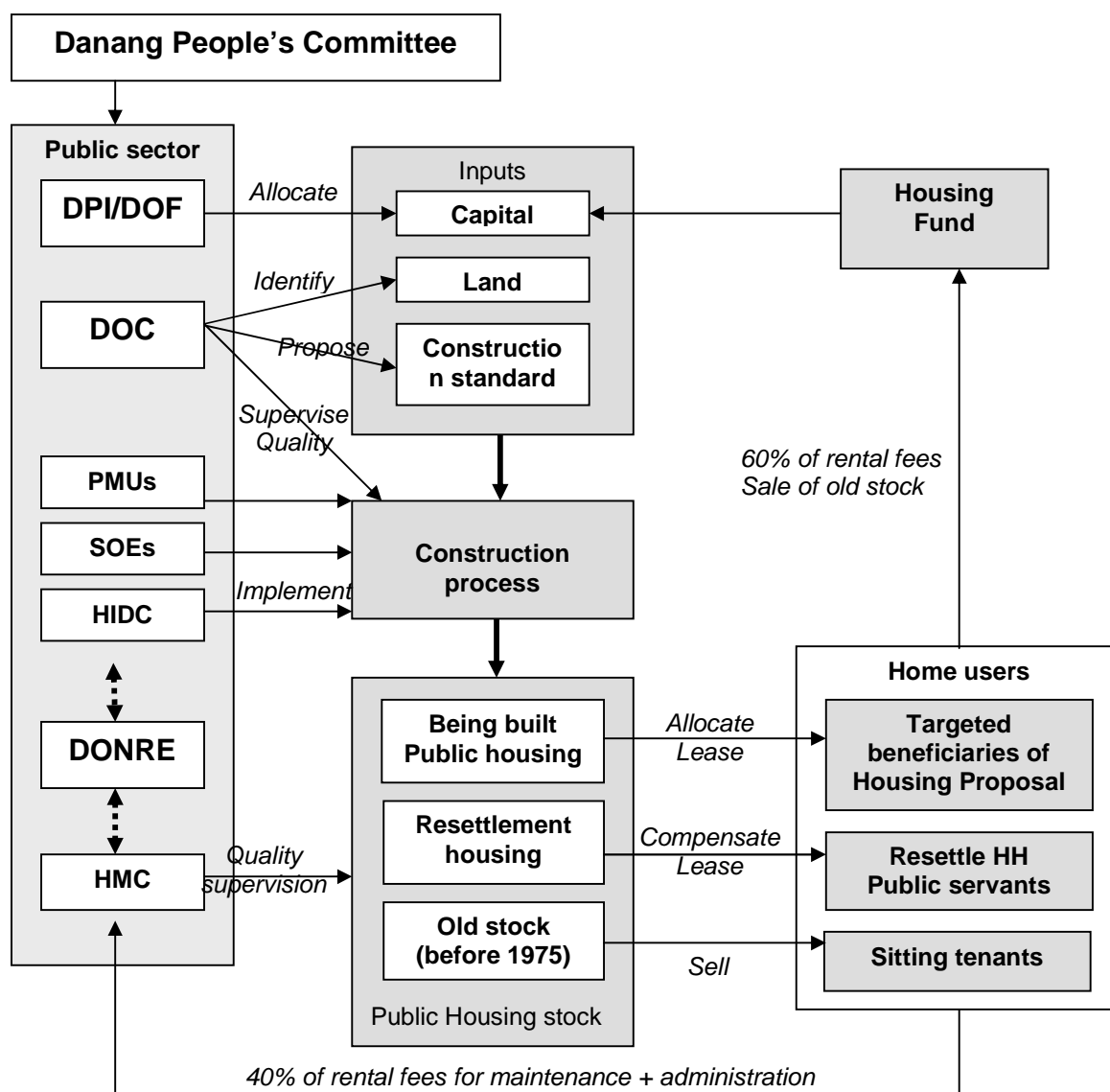
Notwithstanding the housing proposal's plan to mobilize capital for housing provision from various sources such as private sector, foreign investment and government budget, so far, capital is only coming from Government budget. And after 2 years of implementation, the Danang city government is now experiencing shortage of financial resources for housing provision. This situation has led to suspension of some housing projects. In parallel, DOC is now reconsidering design standards of typical units to reduce construction cost. This means that future public housing will have lower standards than what has already been built, which actually is already of low standard as far as users' satisfaction is concerned.

5.4.5 Conclusion

Based on the foregoing discussion, the overall structure of public housing provision can be conceptualized as shown in Figure 5.4 where all actors at the supply side of the structure of housing provision are agencies and organizations of the public sector and all inputs of the process including land, finance and technical standards are all provided for by the public sector. On the right side of the flow chart are main public housing consumers whose role is solely to consume without affordability. This structure signals the two fundamental problematic issues:

- Supply will never meet demands in terms of quantity and quality
- The system is financially unsustainable

Figure 5.4 Structure of Public Housing Provision in Danang



Other than this, there are many other issues that need to be considered:

First is the collaboration among various public departments. The mechanism of separating construction, management and maintenance roles among different departments is not effective. Moreover, the collaboration among related departments (DOC, DONRE, DOLISA, DPI) are not close enough. DOC is mainly in charge of construction mechanism while DONRE is responsible for management and maintenance. Therefore, after transferring the finished construction to DONRE and HMC, DOC is nearly out of charge and does not have full information about housing provision.

For DOLISA, there is no doubt that the HMC is faced with many difficulties in managing and maintaining the construction that they are not responsible in constructing, thus, they cannot guarantee quality. Moreover, the situation at present is that the newly constructed apartments which have just been transferred to DONRE were seriously damaged a recent natural calamity. This makes it difficult to separate the roles of DOC and DONRE in dealing with maintenance issue. As a result, the consequence, the tenants will be the ones affected by this issue construction quality and maintenance conditions.

5.5 COMMERCIAL RESIDENTIAL DEVELOPMENT

5.5.1 Urban Development Context

Besides the housing development proposal that provided for particular target groups, a large portion of housing and residential development in Danang are widely provided by market mechanism. These developments are going within the scope of general urban development dictated in the revised “Master Plan of Danang” approved in 1999.

According to the Revised Master Plan of Danang, it is projected that the population in 2010 is 968,000 and shall increase to 1.08 million by 2020. Therefore, estimated urban construction land in 2020 is 11,000ha, which is equivalent to 100m²/person (standard of class 1 cities). In the total urban land, civic land by 2020 accounts for 7,300ha, equivalent to 65m²/person. The civic land's expansion by 2020 is 3000ha in comparison with 2005. This implies huge development opportunities, particularly residential development and critical need for housing stock development to accommodate an increasing population.

Table 5.11 Estimation for Construction Land in Danang

Item		Unit	1998	2005	2010	2020	Standard for Class 1 city
1	Urban Population	1,000 pp	552	600	850	108	
2	Urban Construction Land	m2/per	85.4	85.4	91	100-105	100
		ha	4450	5124	7735	11000	
2.1	Civic Land	m2/per	37.1		60	65-70	54 -61
		ha	2047	4300	5100	7300	
2.2	Non-Civic Land	m2/per	48.3	50	31	30 -40	28-34
		ha	2666	3000	2635	3000	

(Source : Readjustment of Danang Master Plan –1999)

However, alternative projections by WB suggest the populations of Danang is presently close to 1.0 million, will reach about 1.2 million by 2010 and will rise to somewhere between 1.45 and 1.71 million by 2020. It indicates that the requirement for civic land expansion is much more than what is estimated in the Danang Master Plan. According to the estimated population made by WB, the projection of civic land by 2020 is about 9,425ha. This further emphasizes the scope of development in Danang in the next 5 and 15 years and predicting housing development needs and opportunities.

5.5.2 Overview of Commercial Residential Development

In parallel with public housing development activities, residential development practices in Danang are very energetic. According to DOC, detail planning has covered almost the whole city. At this moment,

there are about 380 residential development projects that have been ongoing and planned with various scales, totaling 9,604.2ha. Until 2005, 3,020ha of residential land has been developed (Table 12).

The most common way of housing development in Danang is through residential development project in which land is developed with basic infrastructure and utilities, then plotted into certain types of plots according to approved detail urban planning (scale 1/500) for housing construction. In general, developers have just provided infrastructure then transfer developed land to sub-developers or individuals for their housing construction activities. The transfer of land with infrastructure in projects is based on market mechanism.

There are three common types of land plotting: plot for townhouse (attached houses), villas (for detached houses) and condominiums (multi-storey buildings). The most popular is plot for townhouse or row house since it meets the lifestyle of Vietnamese people. Villas are only for the rich and the higher income-bracket in the market. The number of condominiums in Danang is not much as compared with row houses. They are often 4-5 storey buildings for resettlement. In Danang, there are no high-rise apartment buildings. It is indicated in the Housing development Proposal that there are 107 recently developed new residential area, totaling to 49,702 land plots for housing construction; in which only 593,196m² of land has been allocated for multi-storey buildings.

Table 5.12 Total Land for Housing Development

Schedule Figures	Before 2001	2001	2002	2003	2004	2005	Total
Total Land for Housing Development	7,606,024	7,412,941	15,497,096	15,413,987	35,240,668	14,870,689	96,041,405
In Which:							
By State Developers	400,939	0	158,900	0	176,200	0	736,039
By Private Developers	22,645	0	5,127	1,292,602	0	43,180	1,363,554
By Local Government's Developers	7,182,440	7,412,941	15,333,069	14,121,385	35,064,468	14,827,509	93,941,812
Progress of Housing Development, In Term of							
Developed Land Area							30,198,257
Number Of Projects	90	29	54	44	68	51	336
Number Of Developers	31	12	19	15	29	15	121
State Developers	1	0	2	0	2	0	7
Private Developers	29	12	1	3	0	1	6
Danang City's Developers	1	12	15	2	15	14	97

5.5.3 Developers of Residential Development Projects

Most of developers of residential development projects in Danang are from the public sector. The participation of private sector in Danang housing provision is still at a low level. Among 380 housing projects in Danang City, 374 projects, accounting for 98.4% of the total number of projects, are developed by SOEs or local SOEs or Management Units established by DPC, District PC or other departments. For example, the Danang Housing Investment and Development Corporation under DONRE has been developing more than 43 housing projects. Similarly, Land Development and Management Corporation under DONRE has been developing 36 housing projects. The Construction assembly and materials Corporation under DOC are responsible in 47 housing projects.

According to DOC, among the projects completed and ongoing in Danang at present, there are 7 developers of central SOEs; 47 local developers including local SOEs under DOC, DONRE, etc. and a number of Management Boards under the city or district level. There is a limited number of 4 private developers which operate 6 projects, among which is a foreign developer (Daewoo, Korea).

Table 5.13 Developers of Residential Development Projects

Name of Developer	Number of Projects	Total Projects' Area (1000m2)	Areas That The Construction Has Finished Or Undergoing (1000m2)
A	1	2	3
I. National State Enterprises	8	371.820	199.191
Company 532 - Ministry of Defense	1	200.000	100.000
Van Tuong Co.	2	80.920	37.223
University of education	1	0.206	0.113
Education publishing house	1	0.270	0.162
Zone 3 - Navy	1	4.119	2.883
Military headquarters	1	80.184	54.525
J258 regiment	1	6.121	4.285
II. Local state enterprises	366	47,378.413	28,146.195
Board of investment preparation	5	702.570	477.748
PMU of Bau Thac Gian – Vinh Trung	1	13.721	7.135
PMU of Danang City	4	317.490	168.270
PMU number 85	2	135.577	77.279
PMU Bach Dang Dong	30	1,567.527	1,018.892
PMU of investment and construction	3	84.623	57.544
PMU of investment and construction of TUP	11	183.699	112.038
PMU of rural transportation	1	447.930	264.279
PMU Thac Gian	6	76.093	47.939
PMU of urban development	21	6433.835	3,345.594
PMU of national road 1A	21	6244.865	3,996.714
PMU of national road 14B	2	339.245	237.472
PMU of Son Tra- Dien Ngoc	11	396.814	230.152
PMU of resettlement	28	2151.680	1,269.492
PMU of construction	1	10.831	6.607
PMU of civil & industrial construction	5	42.627	26.429
Financial department of Military provincial committee	1	1.039	0.655
Danang police	1	6.288	3.584
Water supply company	1	1.647	0.923
Danang Urban building company	4	1121.473	785.031
Housing investment and development company	43	3,757.630	2,217.002
Joint stock housing development company	1	1.194	0.824
Industrial zone's infrastructure development company	18	1967.174	1,377.022
Quang Nam urban & industrial development company	1	1.560	0.889
Market management Co	2	26.981	16.459
Land use and management Co	36	7023.921	4,425.070
Building materials Co	47	8914.065	5,883.283
Construction and infrastructure improvement Co	14	1741.359	1,166.711
Civil and industrial construction Co	1	10.5111	6.622
Electric and construction Co number 3	1	1.018	0.647
Electric and construction Co number 3	1	2.854	1.998
Joint stock TC&PT Danang FBS	1	2127.922	1.998
Danang textile Co	2	3.141	1.854
Danang car mechanic Co	1	137.5	83.875
Tourist department	1	109.725	68.030
Department of land & house	2	3.52	2.218
Middle part construction Cooperation	1	155.796	88.804
Urban & rural environmental planning center	1	319.953	179.174
Hoa Vang district PC	10	96.017	67.213
Hoa Cuong commune PC	1	3.032	1.789
Hoa Cuong 2 commune PC	1	0.495	0.342
Lien Chieu district PC	5	117.103	81.973
Ngu Hanh Son district PC	8	404.874	230.778
Son Tra district PC	1	77.824	47.473
Thanh Khe district PC	3	58.640	36.943
Hoa Tho commune PC	3	5.634	3.179
Urban institute	1	29.415	19.708
III. Private Enterprises	6	2,951.408	1,852.871
Pacific Company	1	59.590	36.350
579 Construction Company	1	389.892	241.733
Song Da Construction Company 19	3	2,478.177	1,561.251
Daewoo- South Korea	1	23.749	13.537
Total I + II + III	380	50,701.641	30,198.257

Investment Mechanism

Public Developers (both central and local) are provided with government budget or have access to capital at favorable interest rate to carry out projects of two types:

- (i) Resettlement residential projects targeting the relocated people due to various urban development in Danang. In general, the city compensates people with serviced land plot in concentrated resettlement neighborhoods. For families with overcrowded members and insufficient living space, they can also get one apartment in multi-storey buildings. It is intended for rent, yet no rent is collected so far.
- (ii) Commercial residential development: public developers are allocated with government budget to carry out developments for profits. After infrastructure provision, high-value land plots are on sale at market prices. In principle, profits are returned to government budget.

Private Developers based on approved detail urban planning, the city invites the participation of private sector in the following cases:

- (i) For projects that require large capital or projects at less lucrative locations, the city government sell or offers a long-term lease of project area to private developers with the condition that they must invest in accordance with approved city planning. Private developers must mobilize financial resource by themselves. They can develop infrastructure then sell land plots to sub-developers or individuals or carry out the investment up to housing construction and sell houses or flats to end users.
- (ii) For attractive projects that call many potential developers, the city organize auction for investment rights. Funds from the auction will be drawn to government budget. Projects of this type have small scale of some hundred square meters, very lucrative for high-bracket housing buyers.

In general, these types of residential development projects are providing land plots for housing construction, mostly row houses or detached houses. According to DOC, by the year 2005, there will be as many as 49,702 land plots for these types that would have been provided in many residential development projects in Danang; 30,933 plots have been allocated to resettlers in city's resettlement program and the remaining 18,769 plots are provided to the market.

By this way of development, housing is provided not as a product but a process by which housing consumers continue to invest in housing provision according to their financial capabilities and needs. In reality, the market of serviced land plots is serving the rich and the high-income groups in the society. As observed in Danang, land development speed has been accelerated much quicker than housing development. Many serviced sites are still lying idle and waiting for construction to begin.

Figure 5.5



5.6 RESETTLEMENT PROGRAM

The magnitude of resettlement in Danang at present due to development projects such as infrastructure, roads, commercial, and industrial projects identified in the Master Plan is estimated to account for approximately one third of all households, that is, about 60,000 households. Approximately 10% of this requirement is being provided for under the DOC Housing Proposal.

Legislative instruments determining certain aspects of compensation, recovery and the resettlement of households have been improved in recent years and brought closer to international standards. However, there is a considerable amount of latitude within this legislation and provincial authorities are able to develop their own resettlement policy and administrative framework.

Due to the extensive scale of the resettlement being undertaken in Danang at present, the manner in which it is carried out takes on much greater significance. The CGPRS incorporates a condition requiring minimal disruption and resettlement of existing communities, and further to this the Land Law stipulates a requirement that each PMU undertaking an investment project requiring the resettlement of households must ensure that they are no worse off in terms of housing conditions after resettlement than before. Evidence points to the fact that in many cases throughout the country and specifically in Danang this is not the case. Development agencies such as the WB and ADB have far more stringent requirements covering all aspects of the physical, social and economic condition of households affected by resettlement and the manner in which the process must be undertaken and compensation made. These requirements must be incorporated in a Resettlement Action Plan (RAP) that forms an integral part of the

overall project. A RAP is currently being undertaken for those households due for resettlement in the course of PIIP implementation.

Much of the resettlement generated by investment projects in Danang is catered for on site. Where land is available on site, the concerned (project) PMUs makes provision for serviced plots for housing or apartments (depending on the financial capacity and level of compensation of the households which are to be resettled). In the case where land for resettlement is not available on site, the PMUs are required to accommodate these households elsewhere.

To enable the coordination of different resettlement demands for land, and to ensure an adequate provision of serviced plots and houses/apartments for resettled households, the DPC has created two quasi-independent administrative bodies: these are the City Resettlement Board and three Compensation and Clearance Boards.

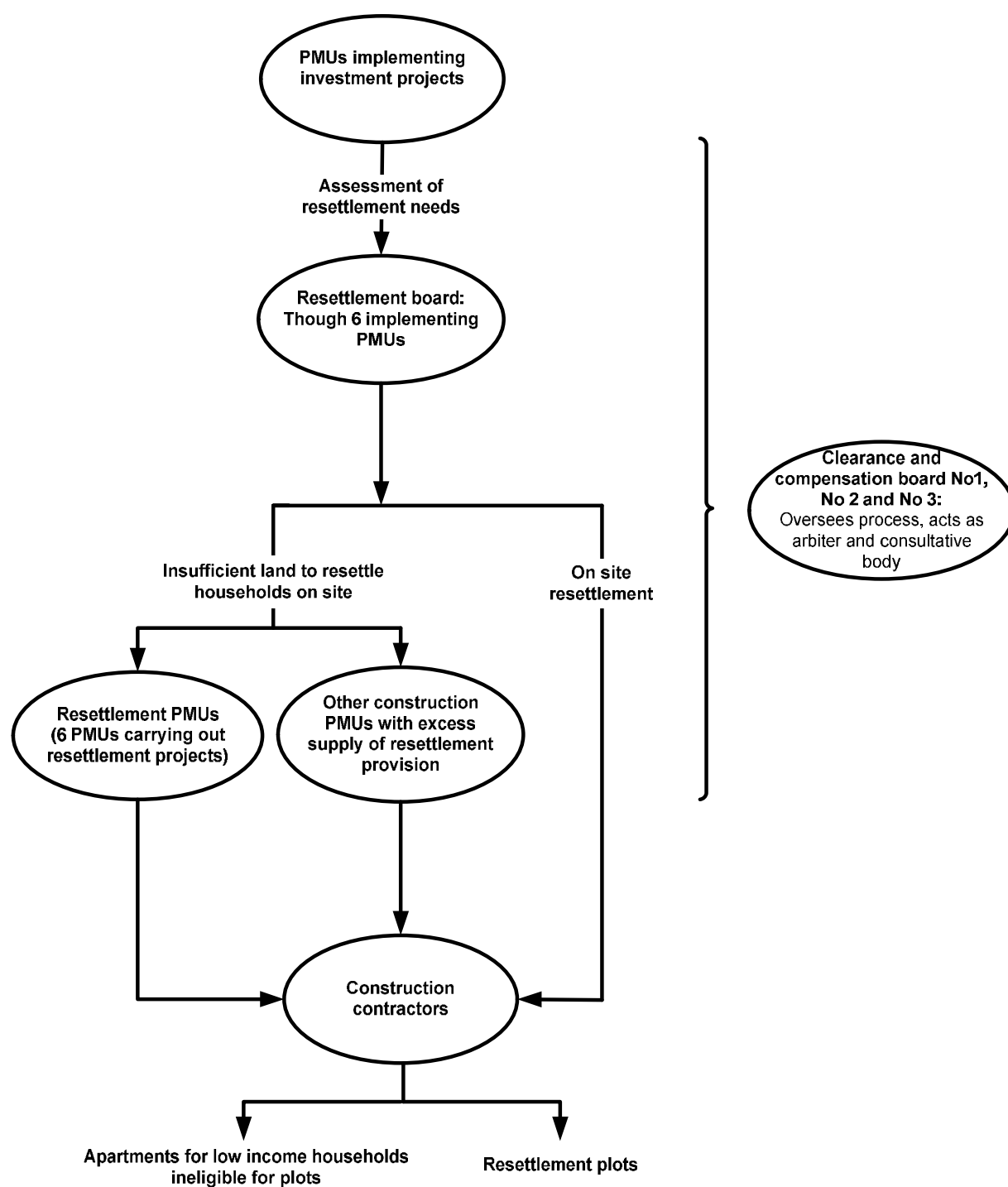
5.6.1 Management Mechanism for Resettlement

Resettlement Board: is contracted by an investment project (PMU) to make an assessment of resettlement and compensation requirements in a specific project. This assessment is undertaken by one of six component PMUs under the Resettlement Board. It is limited to a valuation based on location and housing condition, and does not take into consideration the social or economic impact of resettlement such as loss of livelihood, production potential or breakdown of family and kinship ties. If in the course of this valuation it is apparent that the requirement for resettlement sites is in excess of a project's resettlement capacity, the Resettlement Board acts to locate excess supply in other related projects through contact with its other component PMUs. In cases where any excess demand for resettlement provision cannot be found, the Board is contracted by the investment project PMU to develop resettlement sites elsewhere in the city. These sites are identified and planned by DOC (UPI) and authorized by DPC.

The Resettlement Board in Danang has been in operation since 2003, during which time it has dealt with the resettlement and compensation of 5,000 households that could not be accommodated on project sites. Most of these households have been resettled on serviced plots. However, about 1,000 very poor households not eligible for plots have been resettled in 20 apartment buildings constructed by PMUs under the Board.

Compensation and Clearance Boards: three Compensation and Clearance Boards under DPC, oversee the clearance and compensation process and act to resolve problems and complaints arising from resettlement compensation claims. They also act as a consultative body to advise on compensation and clearance issues.

Figure 5.6 Danang City Resettlement Process



5.6.2 Laws, Regulations, Policies on Land Clearance and Resettlement Implemented in Danang City

Recently, Danang City is conducting policies for land clearance and resettlement under the line of Government laws, decrees and DPC's decisions as:

Table 5.14 Laws, Regulations, Policies on Land Clearance and Resettlement in Vietnam and Danang City

Area	Type	No.	Date of Issue	Issuing Organization	Outline
Laws / Regulations and Policies on land clearance and resettlement					
Vietnam	Law	Land Law	2003/12/26	National Assembly	Basic law for land and land use management in the country.
	Decree	181/2004/ND-CP	2004/10/29	MONRE	Implementation regulations for Land Law.
	Decree	197/ND-CP	3-Dec-04	Central Govt.	Decreases the compensation, support, and resettlement when land is recovered by the State.
	Decree	198/2004/ND-CP	3-Dec-04	Central Govt.	Decreases the collection of land-use tax.
	Decree	188/2004/ND-CP	16-Nov-04	Central Govt.	Method to evaluate land price and land price framework.
	Decree	17/CP	4- May-01		Regulate the use and management of ODA
Danang	Decision	212/2004/QD-UB	28- Dec- 04	Danang PC	Decide land price in different areas in Danang city
	Decision	209/2004/QD-UB	28- Dec- 04	Danang PC	the compensation, support, and resettlement when land is recovered by the State in Danang
	Decision	5152/QD- UB	25- Jun- 05	Danang PC	Implementation policy on compensation, clearance and resettlement for project affected households in Danang

5.6.3 Housing Improvement and Resettlement in PIIP Project

1) Overall View

The PIIP project has four components, as follows: A: Urban Upgrading; B: Environment Sanitation; C: Urban Roads and Bridges; and D: Capacity Buildings.

In the first component of urban upgrading, housing issue is to deal with resettlement and site services for people affected by the project. According to a report on "Housing and Resettlement for People Affected by PIIP Project", the urban upgrading component (infrastructure upgrading level 1,2,3) for 14 LIAs requires a site to resettle 162 households.

Components B and C (Environment Sanitation and Urban Roads and Bridges) need to address larger scale resettlement. With these two components, the number of households that are resettled is 270 households.

In addition, the number of on-site resettlement households is 50 HHs.

Table 5.15 Number of Resettled Households by PIIP Components

No	PIIP Project's Component	No of Resettlement HHs	No of On- Site Resettlement HHsP
1	A : Urban upgrading	162	50
2	B : Environment Sanitation	115	
3	C : Urban Roads and Bridges	155	
4	Total	432	50

Table 5.16 Number of Resettled Households by Districts

No	Districts	No of Resettlement HHs	No of On-Site Resettlement HHs
1	Hai Chau	30	50
2	Thanh Khe	54	
3	Lien Chieu	109	
4	Son Tra	72	
5	Cam Le	12	
6	Ngu Hanh Son	130	
	Total	432	50

In urban upgrading component, a resettlement and site service is one sub-project. This focuses on site preparation, the provision of services and resettlement housing in three sites at Hoa Minh – Hoa Khanh (Lien Chieu district), Thanh Khe Tay (Thanh Khe district) and Hoa Quy (Ngu Hanh Son district).

2) Planning Principle for Resettlement Sites

Planning principle for these resettlement sites focuses on land use planning:

- (i) Residential land is divided into plots of 75m² on average; the minimum land size is 36m².
- (ii) Public buildings like primary school, health care center, etc. will not be built on resettlement site
- (iii) Using existing public facilities surrounded resettlement sites
- (iv) Land use structure: residential land is about 45% to 49%, transportation land varies from 36% to 40%, green and open space is 14% to 16%.

Table 5.17 Land Use Structure in Resettlement Sites

Resettlement Site		No Of Resettled HHs	Land For Residence (m ²)	Land For Transportation (m ²)	Land For Greenery And Public Construction	Total Resettlement Area (m ²)
1	Hoa Minh- Hoa Khanh	264	20,212 (48%)	15,461 (36%)	6,859 (16%)	42,532
2	Thanh Khe Tay	161	12,526 (45%)	11,419 (40%)	4,131 (15%)	28,076
3	Hoa Quy	296	28,724 (49%)	22,091 (37%)	8,200 (14%)	59,015
4	Total	721	61,462	48,971	19,190	129,623

It can be seen that the land allocated for transportation accounts for a very high percentage of total land. However, in reality, while many big roads in resettlement sites are not used effectively, residential land is limited.

3) Financial Mechanism for Land Compensation and Resettlement

Resettlers will be compensated for land and building with the prices regulated in recent Decision 209/2005/QD- UB. On average, each resettled household will be paid 60 million VND for LUR reclaim and 40 million for building. In total, they will be paid 100 million.

In the new resettlement sites, land price varies depending on the location of the sites. For example:

- in Hoa Minh-Hoa Khanh resettlement site, the land price is 941,221 VND/m²
- in Thanh Khe Tay, the land price is 1,400,287 VND/m²
- in Hoa Quy, the land price is 527,085 VND/m²

According to the land prices that are regulated, each resettled HH has to pay an average of 128 million VND for a land plot.

Government Support Policy: DPC has implemented Decision 54/2005/QD-UB (6/5/2005) that provides for Government to give credit of up to 100% of land use price for households which has under 70 million VND compensation.

For people who are compensated more than 70 million VND, they have the option to use the 70 million for building a new house, and the rest for new land purchase. If there is not enough money left for land purchase, the Government will provide credit. However, the PIIP report did not mention clearly the loan payback period of resettled households and whether they have to pay interest or not.

In fact, most of the resettled HHs are from low income groups, thus it will still be difficult for them to pay the loan as provided for in the PIIP.

Micro Finance for Housing Development: The interest rate is maximum of 1% per month which is still relatively high for low-income people in these current situations.

5.7 CONCLUSION

To conclude, this chapter has described the overall housing provision framework in Danang with different modes of provisions; different from each other in term of key actors, resources and target users. It can be summarized that housing in Danang is provided through three (3) main channels:

The first channel is through public housing provision, as reflected mainly in the Housing development Proposal. In this mechanism, the city government and its departments play major roles in the whole provision process as shown in Figure 5.7. Target beneficiaries of this public housing provision are resettlers, policy favorable people and those at the lower brackets of the housing market such as the low income, government officers, students, etc. Land and finance, the two most fundamental resources for housing provision, are all provided for by the Government. Even though it is stated in the Housing development proposal that the city government will issue policies to mobilize various resources for housing development, particularly for the participation of the private sector, so far, no private participation in this channel of public housing provision has been in existence.

As an expected consequence of such public housing provision, the government is always at the losing end and shall eventually experience shortage of financial resources just to keep the mechanism sustainable, especially so that the governments usually set very ambitious targets in their program. After 5 years of accelerated public housing development (2000- 2005) and one year of the promulgation of the Housing proposal, Danang city government is now experiencing shortage of funds to continue their program. Some projects are suspended for reconsideration on unit standards and construction costs, which is a very risky strategy since previous constructions already have relatively low quality. Further reducing cost, in fact, may all the more jeopardize the program's objective of providing sustainable housing in the future.

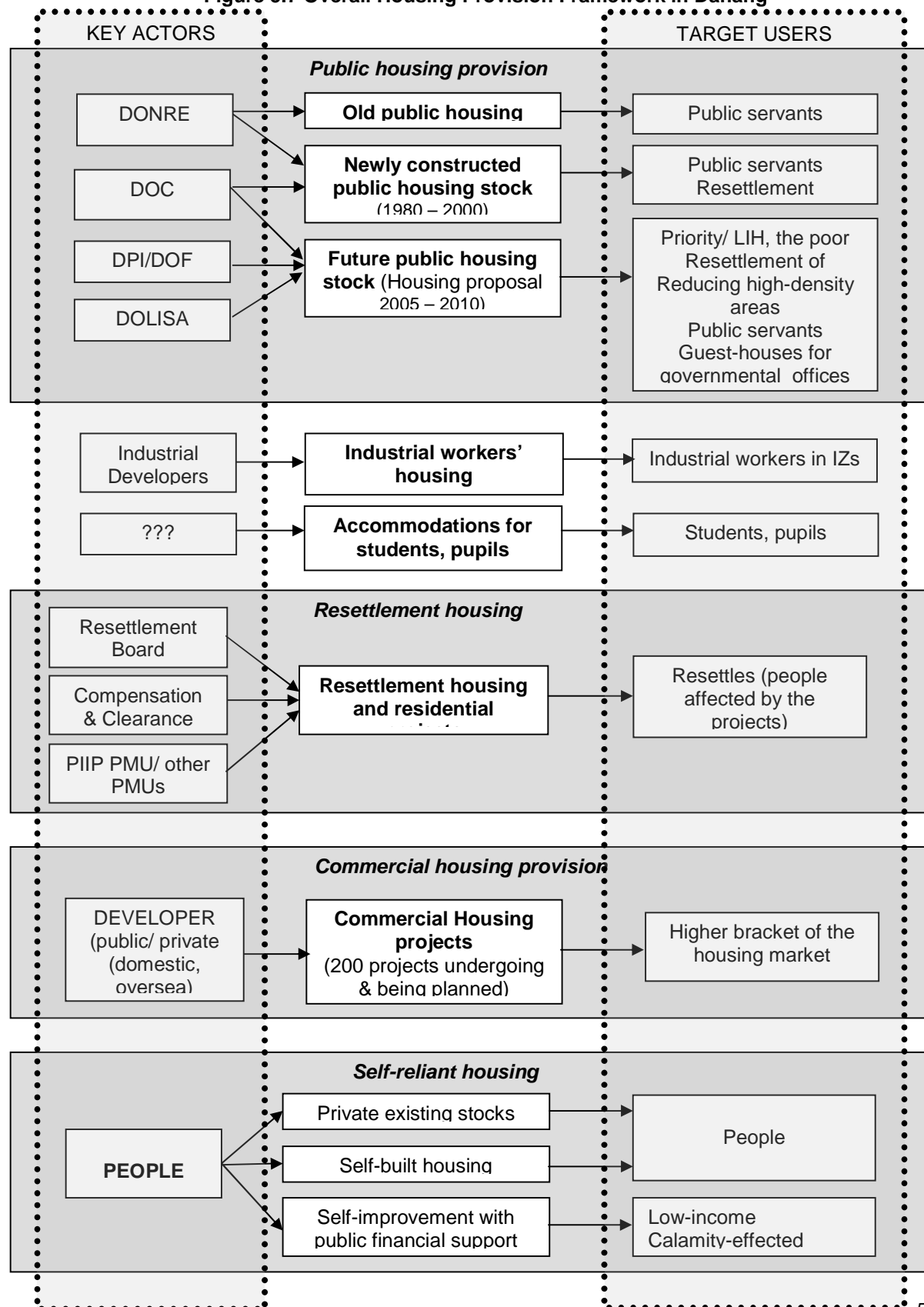
The second channel is resettlement housing provision. Resettlement housing provision is carried out on a project basis; targeting specific project-affected-people for resettlement. Resettlement housing development also use a part of projects' resources for its implementation. Danang has quasi-administrative organizations representing the government in resettlement housing provision: Resettlement board and 3 Compensation and clearance boards. They act in collaboration with concerned PMUs of each projects. If projects are initiated by the government, such as PIIP or other urban beautification, resources must come from the government and implementation must be the responsibility

of relevant government agencies such as PIIP PMU. If it is a commercial development project, the private developers are responsible in resource mobilization and implementation.

The third channel is commercial residential development providing housing and residential land to the market. This is based on the demand-supply market mechanism. In accordance with urban development plans, developers (each public or private) invest in undeveloped lands and turn them into land plots with infrastructure and put on sale to those who can afford to buy and build houses. It is obvious that this mechanism is provided for higher income-bracket consumers in the housing market.

Apart from these three clearly distinguishable channels of housing provision in Danang, there must be housing provision activities by the people: people make housing construction or improvement themselves by either their own initiative or some form of support. The poor and calamity-affected people in Danang can get financial support from the government for housing self-improvement. Unfortunately, there is no clear record of volume of such housing activities at any related city's departments.

Figure 5.7 Overall Housing Provision Framework in Danang



6 DANANG LOW INCOME HOUSING ASSESSMENT

6.1.1 INTRODUCTION

There are many possible definitions of low income households. This section reviews some of the definitions relevant to this study, looks at its relationship to definitions of poverty, and its interrelationship with the question of housing and acceptable housing standards. The section goes on to look at the characteristics of low income housing in Danang with regard to housing standards. The section goes on to present a series of more detailed case studies illustrating the characteristics and problems faced by low income households. Finally, the section reviews the situation as regards informal and illegal housing, its extent and its expansion in Danang.

6.1.2 Previous Definitions of Low Income Households

There is a lack of consistent definition of low income households, poor and low-income households are often referred to as the same general group. However, most approaches simply identify low income groups as those whose income is below the median or average. In the Vietnamese context three definitions specifically related to housing were encountered.

ADB Housing Finance Project

The first was developed in the context of the ADB housing finance project¹ preparation research, which sought to develop sustainable demand side financing mechanisms for low income housing. In the case of the ADB studies low-income households were defined as a separate group from the poor above the poverty line. These reports adopted three criteria for determining low income households:

- (i) Households with a relatively stable income;
- (ii) Households able to make savings for housing improvement; and,
- (iii) Households that have an income above the poverty threshold up to the average level of income.

These decision criteria resulted in a definition of low income households which explicitly excluded the poorest, addressing households between the 15th to the 65th income percentiles².

However, in the context of the present study such a definition of low income housing is inappropriate. Indeed, it is a definition which has been designed to target households which are deemed suitable candidates for the extension of loans³, and thus seeks to exclude the poor while including better off households who intuitively fall outside the low income bracket. As there is no bottom threshold for slum formation this definition was rejected.

VeT Low Cost Housing in Ho Chi Minh City⁴

¹ ADB 2001, ADB 2002 The Study was undertaken as the first part of the ADB funded "Low Income Housing and Secondary Towns Urban Development Needs Assessment" (ADB / TA 3487-VIE)

² Which were on average for urban areas between 750,000VND and 3,550,000VND income per household per month in 2002.

³ Albeit concessionary

⁴

The definition of low income households adopted by VeT in their 2002 report on low cost housing in Ho Chi Minh City also involves making a distinction between low income households and poor households. Poor households are identified using a single income criteria based upon the HCMC DoLISA poverty line at the time of VND 250,000/person/month, or VND 150,000/person/month for the rest of Vietnam. Low income households are defined as the group lying above the poverty line but below the average of VND 1,000,000/person/month, or VND 750,000/person/month in the rest of Vietnam.

This distinction between low income households and poor households was justified by suggestion that housing needs and affordability differs between these two groups.

In addition to this income criterion a number of additional criteria are suggested for consideration in the definition of low income households:

- (iv) Temporary residential status (either KT3 or KT4) and not eligible for formal bank loans
- (v) Low income households have unstable employment and irregular income between the poverty line of VND1,250,000/household/month and VND 3,500,000/household/month (based on an average household size of 4.5 persons)
- (vi) Other financial considerations, such as household assets and expenditure levels
- (vii) Household size
- (viii) Evolving household needs
- (ix) Household income generating activities, and the which these activities relate to housing conditions/location
- (x) A “healthy” low income household should be defined as one which is engaged in a strategy of progressively accumulating the financial wherewithal to gain access to better living conditions.

These criteria while representing important and comprehensive considerations fall short of the needs of this assessment in three important ways. Firstly, they are designed for HCMC and contain criteria which are not suitable for the Danang context (such as the residency status criterion). Secondly, the definition strays away from a strict definition of low income households into a definition into what are better described as design considerations. Thirdly, the criteria exclude poor households from the definition of low income households, for reasons given above an approach that will not be adopted in this study.

PIIP Project-Low Income Areas

The third definition considered of particular relevance to this report is that adopted for low income areas in the PIIP project incorporating spatial criteria into the definition of low income areas. The PIIP PFS and ADCOM report on low income areas in Danang identify low income areas in Danang suitable for in situ upgrading using 7 criteria:

- (xi) Being an area which has been inhabited consistently for 5-10 years but without official planning
- (xii) Containing at least 200 households amongst which at least 25 percent have an income of below 400,000 VND/person/month⁵
- (xiii) At least 50 percent of households have an average housing area of less than 13m²/person, and rates of slums and temporary housing is high
- (xiv) Poor road access (narrow, muddy and mainly pathways)

⁵ This criterion was amended slightly in the ADCOM study with the addition that low income areas should have a high rate of unemployment.

- (xv) Low proportion of households with clean water supplies
- (xvi) Poor drainage and environmental sanitation leading with a direct impact on people's health
- (xvii) Lack of non residential amenities (such as kindergartens, schools, clinics, markets, public space etc.)

Most of these criteria are concerned with identifying areas which have suitable size, vintage and environmental conditions for the project's proposed interventions. Criterion ii, however, identifies areas which have a high proportion of low income households. The threshold for low income households as defined here is an income of VND 400,000/person/month. This figure was arrived at through adjusting the DoLISA poverty line of VND 300,000/person/month to account for increases in the CPI for a basket of basic goods.

6.1.3 Definitions of Poverty

The definition of poverty is closely related to that of low income households. Authors point out that poverty has many different dimensions encompassing not only income, but also factors such as high susceptibility to shocks and limited ability to participate in decision making. Some of the most commonly used indicators of poverty in Vietnam are given below.

UNDP and NCSSH Human Development Index

The National Centre for Social Sciences and Humanities (NCSSH) computes a Human Development Index (HDI) at the provincial level. The HDI measures a country's achievements in three aspects of human development: longevity, knowledge, and a decent standard of living. Longevity is captured through life expectancy at birth, knowledge through a combination of the adult literacy rate and the combined primary, secondary and tertiary enrolment ratios, and the standard of living through the gross domestic product (GDP) per capita.

Millennium Development Goals and the Vietnam Development Goals

The Millennium Development Goals and their local equivalent in the Vietnam Development Goals (VDGs), give a series of indicators that are closely related to poverty and serve as targets to guide policy decisions. An even broader set of poverty related indicators has been developed to monitor and evaluate the implementation of the CPRGS.

In particular, the improvement of housing conditions are goals mentioned amongst the MDGs. These goals are included under target 11, to "improve the living standards of at least 100 million people living in slums by 2020" of goal 7, to "ensure environmental sustainability". However, this is not specifically included in the VDG, instead goal 7 includes 4 targets related to improving conditions in low income housing areas, these are:

- Target 2: Ensure that 60 percent of the rural population (80 percent of urban population) has access to clean and safe water by 2005 and 85 percent in 2010
- Target 3: Ensure there are no slums and temporary houses in all towns and cities by 2010
- Target 4: Ensure that all waste-water in towns and cities is treated by 2010
- Target 5: Ensure that all solid waste is collected and disposed of safely in all towns and cities by 2010
- Target 6: Air and water pollution must attain national standards by 2005

World Bank, UN Definition of Poverty

The World Bank, has adopted a criterion for extreme poverty of expenditure equal to or less than US\$ 1 per person per day at PPP⁶; 2 US dollars a day for moderate poverty.

MoLISA Poverty Line

MoLISA uses a measure of poverty based upon household income. The current definition of poverty adopted by MoLISA in Decision No 1143/2000/QĐ-LĐTBXH in 2000 was for households with less than VND150,000 person/month. This was updated in 2005 in Decision No 170/2005/QĐ-TTg of the Prime Minister in which adopted a higher income threshold of VND260,000 person/month for urban residents. These measures can differ between provinces as the authorities adjust the poverty threshold to reflect regional differences in purchasing power and budget. In the case of Danang the threshold was raised from VND150,000 person/month adopted between 2000 and 2003 to VND300,000 person/month in 2004.

The calculation of the poverty line involves some assessment of average household income, expenditure on a basket of goods including food, clothing, transportation, health, education and service charges, although there was no available information on how these were factored into a determination of the poverty line. The MoLISA/DoLISA poverty line, however, has no necessary connection with the actual level of income required to reach a certain minimum standard of living. This is because one of the key factors in determining the poverty line is the government budget available for supporting poor families. This definition of poverty is best regarded as a mechanism for targeting scarce government resources.

International Poverty Line

Probably the most objective method of calculating the poverty line, and the best basis upon which to formulate a definition of low income households is the method of determining the poverty threshold used by the General Statistics Office (GSO). The GSO use both income and expenditure measures to calculate the poverty rate. They define a threshold based on the cost of a consumption basket which includes food and non-food items, with food spending being large enough to secure 2100 calories/person/day. The food poverty line is the amount that allows households to satisfy this minimum calorific requirement. The general poverty line is this food poverty line plus the average non food expenditures of those people who are just able to meet this minimum calorific requirement⁷. Using the VNLSS 2002 data the national average poverty line was calculated as VND 1,915,000/person/year, or approximately VND 160,000/person/month.

⁶ Purchasing Power Parity - this adjusts the poverty line so it reflects purchasing power in terms of the price of local goods to allow cross country comparisons

⁷ The composition and price of the food basket is based upon the average food consumption patterns of the 3rd expenditure quintile (from the 40th to the 60th expenditure percentile). The choice of the third quintile was determined by an assessment of the expenditure quintile whose average food expenditure was closest to that required to achieve the minimum calorific requirement (the first and second quintiles' food expenditure falling below this, and that of the fourth and fifth quintiles exceeding the minimum calorific requirements). The price of this basket of food determines **the food poverty line**. Households, especially those in urban areas, have a number of other expenditures in addition to those on food such as clothing, services charges, health, shelter etc. To determine **the general poverty line** it is assumed that households balance food and other essential expenditures such that households that are meeting their minimum calorific requirements are also meeting minimum non food expenditure requirements. Thus average non food expenditure of the third quintile is taken to define the minimum requirement for non food expenditures.

Despite the clear objective reasoning lying behind the general international poverty line, it falls sort of the requirements of this study as it crucially assumes that households balance food and non food expenditures. However, there is evidence to suggest that households quite often fail to achieve a minimum standard of housing. This should not be surprising as real estate has an important asset and unlike other subsistence items, the price of housing does not reflect its use value (especially in urban areas where prices can be inflated). Indeed, poverty measures have generally been designed to measure rural poverty and as a consequence fail to give sufficient consideration to the characteristics of urban poverty. These subsistence-based measures⁸ are simply not designed to address the needs of urban dwellers.

In this study we attempt to derive an income threshold above the poverty line which will include expenditures implied by allowing for some minimum standard of housing and urban services in the basket of non food items. This gives rise to two key questions in the determination of the threshold for low income households:

- What is a minimum standard for housing?
- In terms of monetary value how much does this cost and can we estimate a value?

Section 6.1.5 addresses the first of these questions and it is not expected that the second can be answered until the completion of the second stage report.

6.1.4 Preliminary Definition of Low Income Households

In the absence of a better definition for low income households, as suggested above it has been decided in consultation with DPC to adopt a preliminary definition of low income households as those with an income of less than VND 400,000/person/month (the adjusted DoLISA figure). This preliminary definition was adopted for three reasons:

- It is a definition that has been previously used in the identification of low income areas by the PIIP project
- It sets no bottom limit to the definition of low income households, as there is no bottom income limit to slum formation
- It is above the established poverty rate and reinforces the need to apply an income threshold above the received poverty standard when identifying the target group of low income households.

It is important to note that this is a preliminary definition; in all likelihood it will be necessary to revise the threshold in the light of evidence on income and expenditures used to form a more robust definition in the subsequent stages of this report.

6.1.5 Minimum Housing Standards

In addition to a preliminary definition of poor housing conditions which should be regarded as substandard and suitable for upgrading includes:

- (i) Households which live in housing built in environmentally vulnerable areas, danger zones or locations which represent a serious public health or safety hazard (this condition

⁸ Differences in the poverty calculation for rural and urban areas tend to be based upon adjusting the price of a basket of goods for differences occurring between rural and urban areas, rather than adjusting the basket of goods themselves. Even if such an adjustment were made because of the asset value of housing households are unlikely to be able to balance their food and other consumption in the way assumed.

notwithstanding the fact that all of Danang is vulnerable to periodic damage from typhoons and flooding). This includes housing built in the following areas:

- Low-lying flood-prone areas
 - Steep or otherwise unstable slopes
 - Under or close to power transmission lines
 - Within or in close proximity to hazardous or polluting industrial activities, waste disposal sites
 - On or close to major highways and railways etc
- (ii) Households who live in poor quality housing that represents a potential health and/or safety hazard⁹. Such housing includes dwellings which:
- Are structurally unstable or non-weather proof;
 - Are built mostly of non durable materials such as temporary, salvaged, seriously degraded or potentially flammable materials;
 - Have inadequate ventilation and natural light.
- (iii) Households with over crowded conditions:
- Total floor space of less than per household.
 - Floor area less than 13m²/person.
 - More than a certain number of persons per room.
- (iv) Housing without direct access to minimum standards of basic public infrastructure and services:
- No clean water supply with easy access
 - Adequate sanitation
 - Adequate drainage
 - Adequate solid waste disposal
 - Minimum standard road/footpath access
- (v) Housing which does not have secure tenure (for more discussion of this please see section 6.3)
- Temporary housing
 - Housing in areas designated for redevelopment
 - Illegally constructed housing
 - Housing built in areas designated for other uses

All these indicators imply a range of different measures. In addition to seeking agreement on a definition of low income groups a definition of minimum standard housing and detailed list of indicator measures should be agreed.

In addition to these suggested criteria, in any future housing program priority will be given to households meeting any of the above eligibility criteria who are:

- Scheduled to be relocated as a result of road, public infrastructure & services or landscape/beautification projects proposed and/or endorsed by the DPC.

⁹ Dwellings defined as “temporary” will be a subset of this group

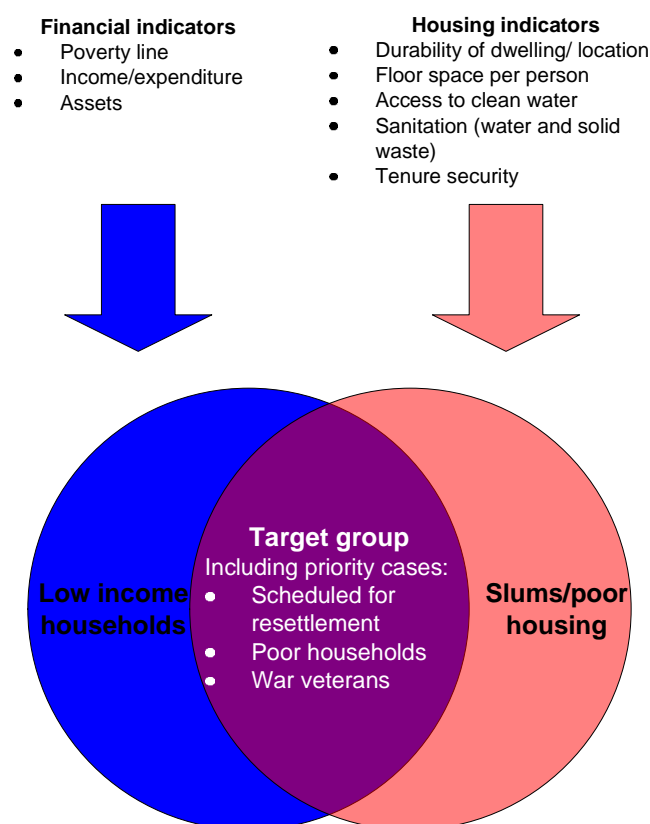
- Below poverty threshold (either using established government poverty levels e.g. using DoLISA's poverty line of 300,000 VND/person/month).
- War veterans or dependants (i.e. war widows & dependants).

6.1.6 The Use of Income and Housing Criteria to Identify Target Low Income Households

With these two sets of indicators we have a means of defining low income households based upon a minimum basket of goods including a certain minimum standard of housing and services, and criteria for determining poor housing. It is important to emphasize that these two indicator sets do not pick out the same groups. The assumption that households balance food and non food expenditures has been rejected as households are often forced to put up with housing that falls below a certain minimum standard. Equally, households may also choose not to spend money attaining a decent standard of housing even when they have adequate financial capacity, and fall outside the group of low income households. Finally, a household may not meet the minimum criteria for housing because of the area in which they live and this may have very little to do with income levels. These criteria are therefore distinct from income or expenditure criteria and are established separately through the criteria in section 6.1.4.

Figure 6.1 shows how both sets of indicators are necessary to identify the target group for any intervention as there is no necessary relationship between income level and housing quality.

Figure 6.1 Housing and income indicators - related conditions, functionally distinct indicators



6.2 CHARACTERISTICS OF LOW INCOME HOUSEHOLDS IN DANANG

Between the 27th of August and the 27th of September 2006 a detailed household survey (HIS) was conducted across the six districts of Danang's designated urban area. 2, 562 households were interviewed. The sample comprised of four parts¹⁰:

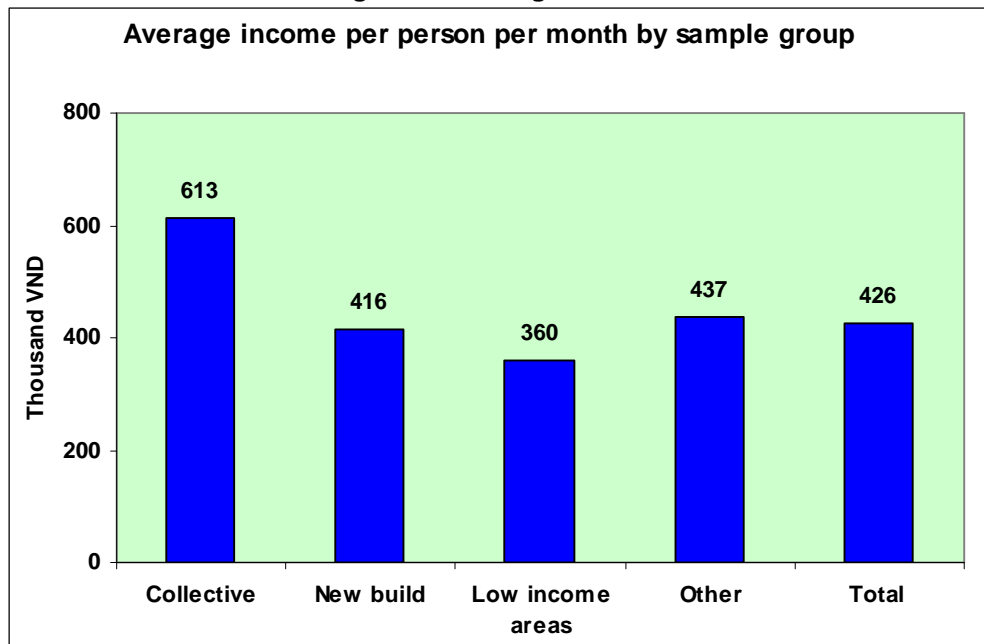
- 100 percent sample of households in collective (some formerly) state owned accommodation built before 1980.
- 100 percent sample of households living in newly built state accommodation constructed between 2000 and 2005
- 5 percent sample of households, selected randomly in the 25 low income areas identified in the PIIP.
- 0.5 percent sample of households, selected randomly in all urban wards in addition to households already selected.

Care should be taken with the interpretation of the survey data because the overall sample composition results in none of the sample groups being representative of Danang as a whole, nor is the sample representative of a particular geographical area such as a district or wards. Representative data, however, is available for each separate sample group and different income groups can still be usefully compared across the whole sample. As the purpose of this section is to assess the housing characteristics of low income households it has not been deemed necessary to adjust the current sample composition. However, the analysis to be conducted in the second stage of the report will probably necessitate the construction of a sample representative of the whole city from the data.

6.2.1 General Sample Characteristics

Although the sample can disaggregated in a number of ways the three most relevant to the purposes of the LIHAS are disaggregation by income, housing type and location. This section does not intend to conduct an analysis of housing characteristics by type or spatial location but where these aspects are important in explaining trends related to income this analysis will be presented. The second stage report is expected to contain a more comprehensive analysis of the data.

¹⁰ These sample groups are public housing, which falls into the collective (built before 1980) and new build (since 2005) categories, Low income areas (as identified in the PIIP project) and other designating the 0.5 percent sample outside other groups.

Figure 6.2 Average income

The average income per person of households living in collective buildings is considerably higher than for any of the other groups. Residents in newly built public housing receive on average around VND 200,000 less, the figure is similar for other sampled households, and households in low income areas receive on average over VND 250,000/person/month less in terms of income.

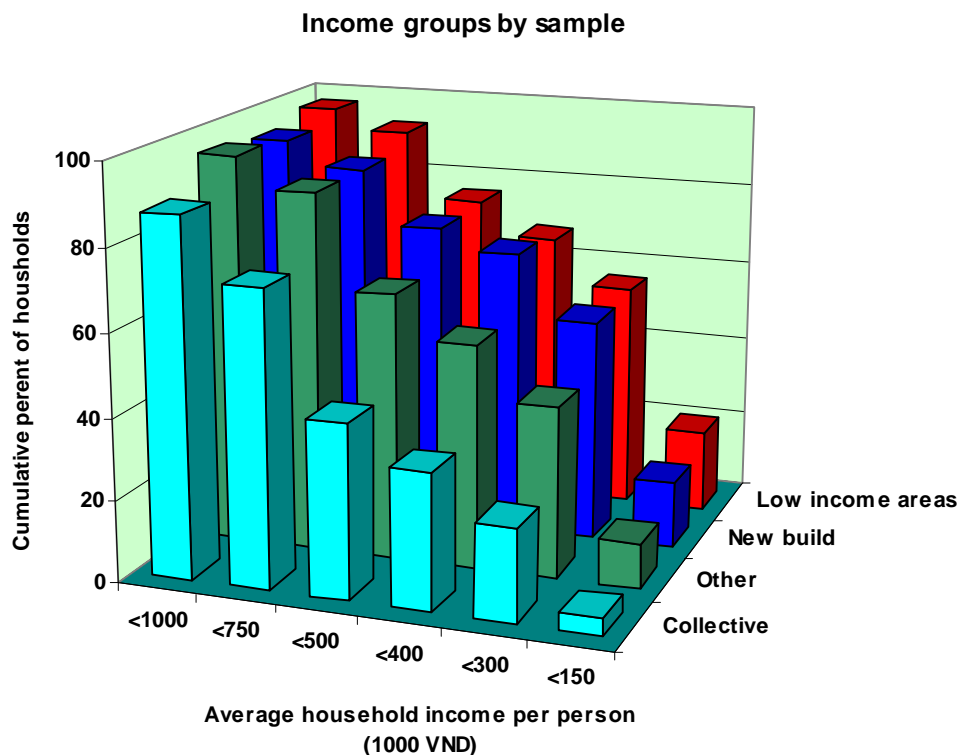
Table 6.1 and Figure 6.3 break this pattern down further by looking at the proportion of each sample group which falls into each income category. The collective housing residents are much less likely to be very poor, with very few households receiving less than VND 150,000/person/month and a high proportion of households with income of over VND 500,000/person/month. By contrast the more recently built public housing has a much higher proportion of households with an income of below VND 400,000 /person/month. The similarity in the income structure of public housing and other housing in the sample indicates that residents in both these areas are likely to have similar socio economic profiles. This similarity is not reflected in the average income statistic (figure XX), as there are a larger number of households with incomes in excess of VND1,000,000/person/month in collective housing.

Table 6.1 Income Levels by Housing Type (Percent of Sample for that Housing Type)

	Public housing			Low income areas	Other	Whole sample
	All public housing	Collective	New build			
<150	11.04	4.07	16.34	20.10	11.03	14.73
150-299	29.74	18.60	38.19	35.53	30.95	32.44
300-399	13.17	10.47	15.23	11.55	12.61	12.36
400-499	6.78	9.30	4.86	8.25	10.46	8.40
500-749	20.20	29.36	13.25	16.60	22.78	19.45
750 - 999	10.04	15.41	5.96	5.15	7.45	7.33
>1000	9.03	12.79	6.18	2.82	4.73	5.31

Figure 6.3 gives a better idea of the differences in income structure between different sample groups. In the figure the larger bars represent a higher proportion of households below a given level of income. Low income areas have the lowest income levels at all followed closely by new build apartments. Many apartment dwellers have been resettled from the development of areas of poor housing which may explain why the income profiles for these two groups are similar.

Figure 6.3 Cumulative Income Structure of Households



Although having the correct household registration does not seem to act as the constraint on population movement it once did, it continues to act as a barrier to new migrants, by allowing preferential access to services and amenities households with permanent registration (KT1 and KT2), temporary migrants are also unable to obtain bank credit. The majority of households in the sample had permanent registration in Danang, with only 11 percent reporting temporary registration and only 1 percent reporting that they were unregistered. However, as with all household surveys this probably under estimates the number of unregistered and temporary migrants living in the city. These migrants are often not part of a household unit and thus difficult to pick up in survey where the household is the designated unit of measurement.

It is also interesting to note that the lower income groups show a higher proportion of permanent registration, indicating that they have been resident in the same location for an extended period of time. Amongst higher level income groups there are generally a larger proportion of households with temporary registration. This is a similar finding to recent surveys performed in HCMC. In HCMC the reasons suggested for this pattern were that higher income households were better able to afford official (and unofficial) payments required to obtain temporary registration in a new location and hence a higher proportion of them actually had official registration. Poorer individuals and households who moved into the area were unable to obtain the requisite documentation and fell out

of the statistics¹¹. On the basis of the evidence available it is difficult to say whether or not a similar process is taking place in Danang.

Table 6.2 Proportion Bith Household Registration by Income (Percent)

	<300	<400	>400	Total
Permanent	89	89	88	89
Temporary	10	10	11	10
Unregistered	1	1	0	1

Another important factor as regards housing adequacy and provision is family size. Lower income households tend to have larger families as do households living outside public housing. In collective buildings this may simply indicate a size constraint in terms of the housing units provided and the demographic structure of the sample (households in collective housing tend to be older and have been there longer than any other group). In the case of new build housing an additional factor in this case may also be the fragmentation of extended households due to resettlement.

Table 6.3 Average family size by sample group and income

	<300	<400	>400	Average (housing group)
Public Housing	4.37	4.19	3.31	3.77
<i>Collective</i>	4.37	3.37	2.00	3.67
<i>New Build</i>	4.37	3.22	4.00	3.85
Low Income Areas	4.85	4.17	3.00	4.51
Other	5.06	4.06	4.09	4.55
Average (Income Group)	4.62	3.82	3.47	4.29

6.2.2 Characteristics of Low Income Housing: Location

The first housing indicator considered is for households which live in housing built in environmentally vulnerable areas, danger zones or locations which represent a serious public health or safety hazard (this condition notwithstanding the fact that all of Danang is vulnerable to periodic damage from typhoons and flooding).

The HIS survey collected a number of measures related to this indicator. At the most general level households were asked to rank their satisfaction with the safety of their dwellings. In total only 208 households answered that they were dissatisfied or very dissatisfied with the safety of their housing as regards common dangers. Marginally more poor and low income households expressed dissatisfaction (see Table 6.4).

Table 6.4 Satisfaction of Households with Safety of their Dwellings (Percent)

	< 300	<400	>400	Whole Sample
Very Dissatisfied	1	1	0	1
Dissatisfied	9	9	6	8
Neutral	36	36	34	35
Satisfied	50	51	56	53
Very Satisfied	4	4	3	4
Grand Total	100	100	100	100

¹¹ World Bank Urbanization strategy 2006

Of those households who expressed concern about the safety of their dwellings, severe weather and fire were concerns for all income groups. However, these were greater concerns amongst lower income groups.

Table 6.5 Reasons for Household Safety Concerns (Percent)

	< 300	<400	>400	Average (housing group)
Floods/Storms Typhoons	75.96	60.00	42.22	65.24
Fires	19.23	13.33	4.44	14.63
Traffic Accidents	0.00	6.67	11.11	3.66
Other	4.81	20.00	42.22	16.46

One of the specific environmental hazards encountered in Danang is flooding. Flooding is a problem for many households in the city, in the HIS sample nearly 21 percent of households reported that minor flooding occurred every time it rained heavily. That this is a problem for many areas of the city is indicated by their being no difference in the reported incidence of flooding between the poor, low income households and higher income groups.

Table 6.6 Frequency of Flooding (Percent)

	< 300	<400	>400	Average (housing group)
Every time it rains heavily	21.06	20.78	20.18	20.71
Sometimes when it rains heavily	12.33	12.34	13.93	12.78
Rarely	12.33	12.13	10.55	11.76
Never	54.27	54.74	55.33	54.75

Flooding, however, does not necessarily constitute a severe environmental hazard. To establish the severity of the flooding and whether households should be deemed as living in an environmentally sensitive area the HIS asked about the level of flooding. There was little correlation found between less severe forms of flooding and income as table XX suggested. The figures for more severe flooding suggest that lower income households are slightly more likely to live in areas which are more susceptible to severe flooding.

Table 6.7 Severity of Flooding (Percent of Households)

Normal Flooding				
	< 300	<400	>400	Whole Sample
Up to ankles	33.42	33.33	37.57	35.05
Up to knees	5.29	5.12	2.64	4.12
Up to waist	0.84	0.73	0.20	0.51
Most serious in last 3 years				
	< 300	<400	>400	Whole sample
Up to ankles	17.04	16.63	21.04	18.42
Up to knees	12.26	12.44	15.17	13.54
Up to waist	2.77	2.33	0.88	1.74
Above waist	1.60	1.40	0.39	0.99
Most Serious in the Past				
	< 300	<400	>400	Whole Sample
Up to ankles	13.18	13.11	18.59	15.33
Up to knees	11.67	12.18	16.05	13.74
Up to waist	2.94	2.79	1.57	2.30
Above waist	6.30	5.39	1.27	3.72

Flooding and assessments of safety do seem to have a marginal correlation with lower income levels. However, as these characteristics are likely to occur on the basis of area the correlation is small. A geographical disaggregation of the data which should be carried out in the second stage of this research would throw greater light on the suitability of locations for housing. Another question which emerges from this discussion is the need to establish acceptable levels of risk of flooding and other environmental damage which can be used to assess the suitability of housing locations.

6.2.3 Characteristics of Low Income Housing: Condition of Housing Structure and Durability

Poor quality housing that represents a potential health and/or safety hazard is identified by reference to the condition and durability of the housing structure. In order to address this indicator the HIS assessed the quality of the housing structure, the level and the frequency of maintenance as well as asking households for their own assessment of the condition of their dwelling.

Surveyors were asked to assess the structural quality of housing units into three different types reflecting the durability and suitability of the materials from which they were constructed, the quality of the construction and the location of the dwelling¹².

Table 6.8 Structural Quality of Housing (Percent)

Maintenance Condition by Group	<300	<400	>400	Whole Sample
Temporary house	5.0	4.6	3.4	4.2
Semi permanent	57.5	56.5	56.2	56.5
Permanent	36.8	38.2	40.0	38.7
Other	0.6	0.7	0.4	0.5

Table 6.9 shows that most households, about 57 percent, in the sample live in semi permanent housing, the number of households living in permanent housing was also relatively high accounting for around 39 percent of the whole sample. There is a slight correlation between income level and housing quality. Temporary housing accounting for a small but slightly larger percentage of housing amongst lower income groups. Conversely, a slightly larger proportion of the highest income group have permanent housing than the other groups.

One limitation of this indicator measure is that it does not necessarily capture the level of maintenance of the housing unit, even in the case where a unit is a permanent structure such as long standing collective housing, this says little about its actual maintenance conditions and by implication the living environment. To address this possibility the survey included specific questions on housing maintenance conditions. Households were asked to rank their satisfaction with the privacy, maintenance and design of their dwelling on a five point scale ranging from “highly dissatisfied” at 1 to “highly satisfied” 5, this table reports the average score for each assessment for each income category.

There is no systematic correlation between income level and assessments of these factors. Some general patterns do emerge suggesting that the housing quality of the lowest income group is worse than that of the top group. However, caution must be exercised when interpreting these indicators. They are not indicators based upon an objective assessment of housing quality and depend upon the judgment of households which is often based on limited experience, or without knowledge of best practice.

¹² This measurement cross cuts indicator three, as housing built in an unsustainable location meaning that they were not likely to last long e.g. in areas prone to severe flooding or on sloping land prone to land slides

Table 6.9 Respondents Assessment of Housing Structure (Average¹³)

	< 300	<400	>400	Whole Sample
Privacy	2.91	2.9	3	3
Design (structure)	2.65	2.61	2.8	2.7
Maintenance	2.85	2.84	2.93	2.9

The final indicator used to determine the adequacy of the structural conditions of housing was that of frequency of maintenance. While not a direct measure of housing condition, that frequent maintenance takes place implies that housing is maintained and thus in better condition.

Across the sample as a whole, households maintain their houses only infrequently, with only 2 percent performing maintenance every year. A large proportion of households across all groups also never maintain their dwellings. As with the other results, although no systematic correlation between income and housing maintenance occurs there are clear differences between low and high income groups. Higher income groups tend to engage in maintenance more frequently. Perhaps part of the reason for a lack of systematic correlation between these two variables could be that poorer housing requires more maintenance (for example, after every storm) and therefore frequency of maintenance may not be as unproblematic an indicator measure as assumed.

Table 6.10 Frequency of Maintenance (Percent)

	< 300	<400	>400	Whole Sample
Once a year	1.2	1.3	2.9	2.0
Twice a year	0.8	0.7	1.1	0.9
Occasionally	21.4	22.1	26.9	24.0
Never	76.6	75.8	69.1	73.1

In sum an assessment of the indicators of housing condition and durability included in the HIS suggest no so much that higher income groups have better housing, but that they are less likely to have poor, badly maintained housing.

6.2.4 Characteristics of Low Income Housing: Overcrowded Conditions

The third housing indicator suggested by our research was that of overcrowding. A number of measures of overcrowding can be derived from the HIS. However, here we focus on two floor area per person and number of people per room as measures of overcrowding.

Table 6.11 presents the average floor area per person by housing type and income as these are closely related to floor area per person. There is a close relationship between type of housing and income and floor area per person. In collective housing and new build housing the small floor areas reflect the small size of the units. Floor space per person in low income areas and elsewhere is around twice that in public housing for all income groups. Although the lions share of the variation is explained by the type of housing, income has a significant and systematic correlation with floor area per person, with higher income groups enjoying more room.

¹³ From a possible maximum of 5 and minimum of 1

Table 6.11 Frequency of Maintenance (Percent)

	< 300	<400	>400	Average (housing group)
Collective	8.0	8.2	11.8	10.6
New build	9.5	10.3	15.4	11.9
Low income areas	19.9	21.1	24.7	22.3
Other	16.6	17.1	25.9	21.2
Average (income group)	15.9	16.6	20.4	18.1

In terms of households reaching the minimum standards for floor space, as determined in the PIIP project at 13 sq. meters per person, there is also a clear correlation with income. Figure 6.4 breaks down the sample into 7 income groups of similar size, the correlation between income and minimum standard floor size is clearly visible here.

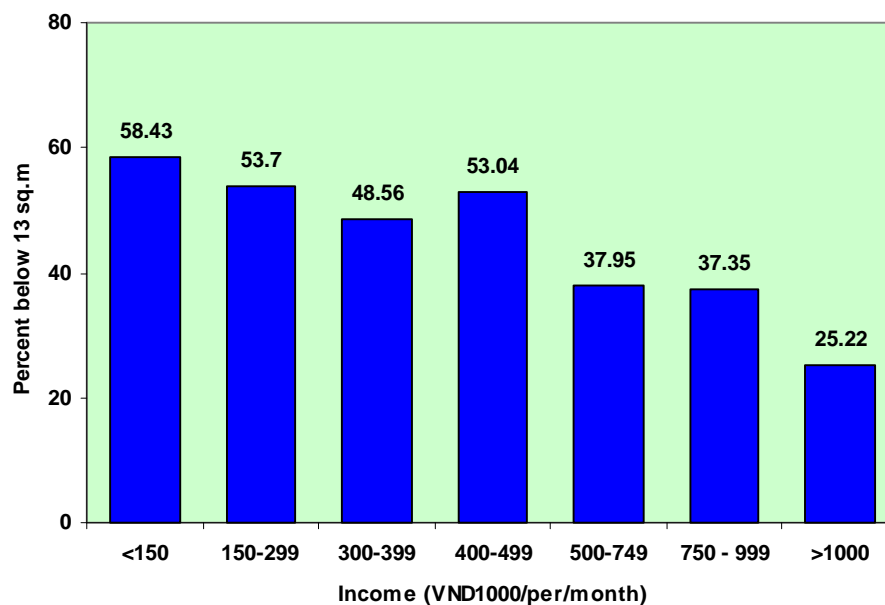
Figure 6.4 Percent of Households with Less Than 13 Sq. Meters Per Person by on Income Group

Table 6.12 gives some idea of just how little floor area per person many households have. Again the correlation between floor space and income is apparent, with over 40 percent of the highest income group with over 20sq. meters per person. It is also worth noting that across the whole sample a high proportion of households have less than the minimum standard floor space.

Table 6.12 Percent of Households by Income Group and Floor Area Per Person

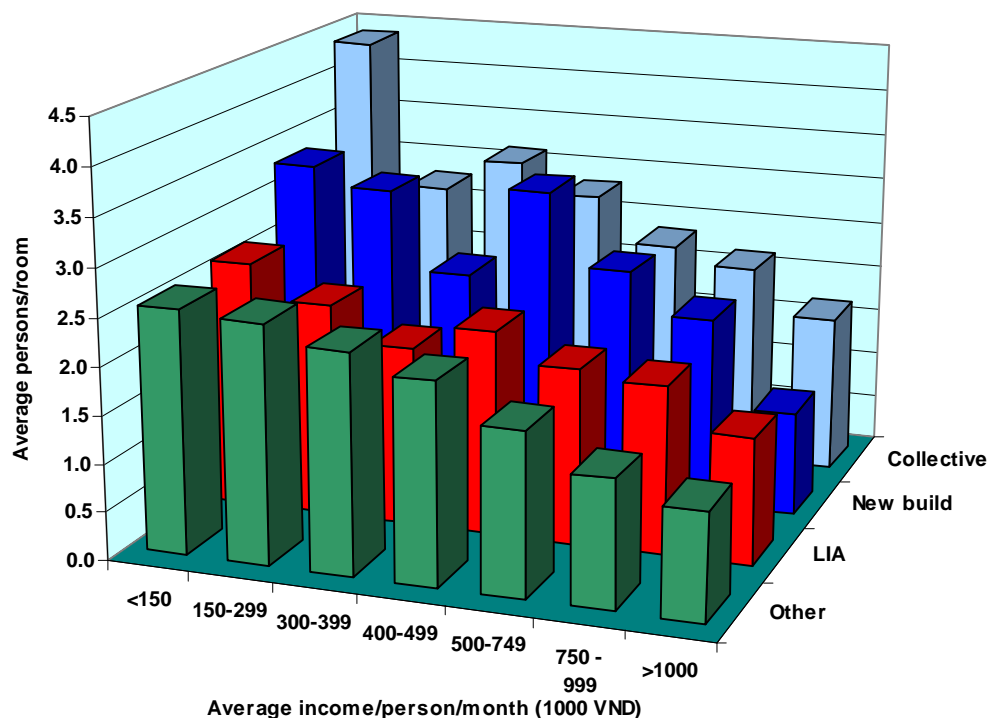
	< 300	<400	>400	Whole sample
<6m2	15.5	14.5	8.1	10.6
<13m2	63.7	61.6	42.5	37.5
<20m2	70.4	69.9	58.2	20.7
>20m2	29.6	30.1	41.8	31.2

Floor area is often difficult to judge and is time consuming to measure during a survey. An alternative 'quick and dirty' method of assessing how crowded dwellings are the use of persons per

room. Although this takes no account of room size it is much easier to measure. Figure XXX reports the results of a decomposition of the data set by income and housing type and average persons per room. This generally supports the evidence given by the assessment of floor area per person. Collective and new build public housing faring worst, and low income areas and housing elsewhere showing lower average numbers of people per room. Lower income groups also tend to have more people per room than higher income groups.

Figure 6.5 Average Persons Per Room by Income and Housing Type

Average people/room by sample and income



The HIS data on overcrowding shows that a large proportion of the sample live in overcrowded conditions (under 13 sq. meters per person), and a significant proportion live in very overcrowded conditions (under 6 sq. meters per person). Although housing type is the most important determinant of floor area and cross cuts that of income, income is nevertheless a contributory factor particularly outside public housing where space differentials between income groups are larger.

6.2.5 Characteristics of Low Income Housing: Minimum Standards of Public Services

Decent services and infrastructure are essential for a decent standard of housing. Access to a clean piped water supply, toilets and sewerage disposal systems, good drainage and frequent solid waste disposal are all necessary to meet the minimum standards suggested earlier in this section. The HIS provides a considerable amount of data on the public services and infrastructure.

Clean Water Supply Piped Water

In urban areas where other water supplies are limited or dangerously polluted access to clean piped water is essential. Table XX reports the percentage of households by income group and housing type that have a piped water supply. As with floor space the most significant determinant of access to clean water is type of housing. All households in new build housing have a piped water supply as do the majority of households in collective housing. Fewer households have piped water supplies in low income areas and elsewhere in the city, the figure for the whole sample, at 58 percent, is similar to that of 60 percent reported for the whole city. In collective housing there is a slight and inverse correlation between income and access to piped water, for which the reasons are unclear. Out with public housing the differentials associated with income level are much higher. For the whole sample around 12-15 percent less of lower income households have a piped water supply than higher income households.

Table 6.13 Percentage of Households with a Piped Water Supply by Housing Type and Income

	< 300	<400	>400	All Income Groups
Collective	92.31	92.11	88.26	89.40
New Build	100.00	100.00	100.00	100.00
Low Income Areas	25.35	26.92	38.76	30.64
Other	44.86	49.60	63.29	55.51
All House Types	50.04	53.00	65.72	58.00

Sewage and Toilets

The HIS gathered detailed information in the types of sanitary facilities available to households. Most households in the sample had private flushing toilets, and access to such facilities is not correlated to income group. Indeed, higher income households are less likely to have private and more likely to have shared flushing toilets. However, the proportion of households with not toilet facilities at all, although small, is higher amongst lower income groups.

Table 6.14 Toilet Facilities of Households by Income Group (Percent)

Toilet Facilities		<300	<400	>400	Whole sample
Flushing Toilet	Private	88.5	87.6	87.2	87.2
	Shared	6.1	6.8	9.9	8.2
Sulabh Toilet	Private	1.8	2.2	2.1	2.2
	Shared	0.5	0.5	0.1	0.3
Simple Toilet	Private	0.3	0.3	0.0	0.2
	Shared	0.1	0.1	0.0	0.0
No Toilet		2.7	2.5	0.8	1.8

The situation as regards the disposal of sewage shows a much more significant relationship between household income and treatment of sewage. Where as the figures for households having septic tanks differ little between income groups, low income groups have a lower rate of connection to the waste water system and a much higher reliance of other methods of sewage disposal.

Table 6.15 Sewage Disposal by Income Group (Percent)

Sewage	< 300	<400	>400	Whole Sample
Septic Tank	21.13	20.77	23.40	21.84
Connected to Waste Water System	53.70	55.51	60.96	57.72
Other	25.17	23.71	15.63	20.45

Solid Waste Collection

Solid waste collection is common in Danang, and households across all groups have access to solid waste collection facilities. However, most of those without access to solid waste disposal are amongst low income groups. This again probably reflects a spatial pattern to the provision of waste collection services.

Table 6.16 Households Having a Solid Waste Collection Service (Percent)

	<300	<400	>400	Whole Sample
Solid Waste Collection	88.56	89.00	96.66	92.03

Household Perception of Conditions

The HIS also included a number of attitudinal indicators to assess households overall perceptions of public service and infrastructure provision. Households were asked to rate the service on a scale from 1 to 5, Table 6.17 below reports the average score on a number of indicators for each income group. In general there is very little difference between the degree of satisfaction between low and higher income groups. This may be an indication of the subjective nature of attitudinal indicators, lower income households having lower expectations do not adjudge poor infrastructure provision and services as harshly as their higher income counterparts.

Table 6.17 Average Household Perception of Selected Service and Infrastructure Provision

	<300	<400	>400	Whole Sample
Drainage	3.14	3.16	3.15	3.15
Flooding	3.00	3.01	3.01	3.01
Sewerage	3.18	3.19	3.15	3.18
General Sanitation	3.14	3.16	3.15	3.16

These indicators do not show huge differences existing between poor, low income and other groups in the HIS sample. This maybe due to the spatial nature of these provisions along with, as yet, limited spatial segregation by income groups which means that these kind of service provisions cross cut income groups.

6.3 INFORMAL HOUSING IN DANANG

Security of tenure is one of the key conditions identified as a minimum standard for housing. This is because without security of tenure (whether it be for rented or owned property) there is no guarantee that households will have access to shelter over time. Households with secure tenure are often more likely to invest in improving their living environment, and are better able to access credit.

The administration of land is complicated by over lapping legal regimes following significant legislative changes since the first Land Law in 1993, incomplete implementation of land reforms and widespread informality in land tenure conventions leaving a complex and varied picture across the country. The 1992 constitution grants ownership rights for housing as well as land use rights over land. In addition the current Land Law stipulates that residential LURCs (or red books) are allocated to households for an indefinite period of time. These strong legal guarantees for land and housing tenure exist in parallel to informal and customary land tenure practices which are widespread.

In 2006 MoNRE estimated that only around 28 percent of residential land had formal legal title. As it is common practice not to register real estate transactions to avoid transfer taxes on land this probably overestimates the proportion of land with up to date legal title, many buyers being content not to register the change in ownership with the authorities. Although informal tenure limits

households access to credit as banks require LURCs as security before they will extend loans, what all this indicates is that holders of informal tenure rights do not suffer adversely. For example, a recent study by Kim (2004) found that in HCMC land with formal legal title only fetched a premium of around 7.2 percent and that ownership of current legal title would fetch a premium over other forms of legal documents. Legal housing tenure guaranteed by housing ownership certificates (HOC) are probably even less widespread with around 70 to 80 percent of construction in large urban centres being without permission and by implication, without formal legal tenure. However, as with land this, lack of legal title does not seem to adversely affect the value of housing nor the security of title.

Where tenure security is more tenuous is in areas where informal housing recently encroached on land designated for other uses, such as next to new roads, near waterways or railway lines and onto farm or garden land¹⁴. Settlements in these kinds of locations are probably better regarded as illegal (as opposed to much of the informally held real estate which often has some tacit approval of ward or other local level authorities). There is therefore a distinction to be made between illegal housing and informal housing. The former more likely to have only the most precarious tenure, the latter often relatively secure.

In Danang figures regarding the extent of informal and illegal real estate tenure are sketchy and are reportedly held at sub provincial levels of government, at land administration office¹⁵. Estimates encountered by the consultant varied, the Land Use Plan Readjustment of 2003 gives a figure of 96 percent for the issuance of LURCs. Research conducted for the PIIP report in 2006 found that amongst households scheduled for resettlement around 74 percent of households had legal title, whereas in the HIS sample this figure was significantly lower at about 45 percent of respondents¹⁶. The figure for owner occupiers was slightly higher at 58 percent, which together with temporary certificates reaches about 81 percent is similar to the PIIP figure of 78 percent. Danang's large scale resettlement and lower demand for land may both play roles in this comparatively high level of formal land tenure.

Table 6.18 Tenure Status of Households

Legal title papers	Households	
	PIIP	HIS
Red book or other current legal tenure document	74.3	43.8
No legal certification	18.6	16.1
Temporary certification	4.1	22.4
Others	3	17.7
Total	100	100

Source: PIIP survey of households to be resettled 2006, HIS Danang 2006

¹⁴ Although it is probable that a large proportion of this land conversion takes place with the tacit, or explicit consent of the local authorities.

¹⁵ Interviews with officials in DoNRE and DoC in Danang

¹⁶ This is in all likelihood due to the sample selection, which as we have stressed is not representative and over samples state owned accommodation.

Table 6.19 Tenure Status Amongst Households in Low Income Areas (Percent of Income Group Holding Papers)

	Red Book	Allocation Certificate	Temporary Papers	Rental Agreement	No Papers	Other
<500,000	2.6	3.23	0.57		6.58	2.33
500,000-<1,600,000	31.35	32.26	43.75	39.13	30.26	34.88
1,600,000 - <2,500,000	28.44	38.71	30.68	30.43	36.84	44.19
2,500,000 - 4,000,000	28.13	22.58	18.18	26.09	21.05	16.28
>4,000,000	9.48	3.28	6.82	4.35	5.26	2.33
Total	100	100	100	100	100	100

Source: PIIP survey of households to be resettled 2006

The HIS data shows little correlation between tenure status and income. In poor, low income and higher income groups most land/housing is owner occupied. Higher income groups, however, are more likely to rent housing reflecting the higher income levels in state owned housing and possibly higher geographical mobility amongst some groups.

Table 6.20 Tenure Status (Percent)

	<300	<400	>400	Whole Sample
Owner occupied	75.8	75.1	73.1	74.3
Rental - state	6.6	7.6	13.9	10.1
Rental - private	2.7	2.3	4.6	3.3
Collective ownership	0.7	0.6	0.4	0.5
Other	14.3	14.5	8.1	11.8

The relationship between income and possession of legal tenure documents is slight. Given the strength and extent of customary and informal tenure rights, it is not surprising that no correlation between income and the holding of formal tenure documents. Current legal certification is far from complete but this does not reinforce patterns of inequality.

Table 6.21 Possession of Legal Tenure Documents (Percent)

	<300	<400	>400	Whole Sample
Red Book Or Other Current Legal Tenure Document	42.0	41.7	46.3	43.8
No Legal Certification	16.8	18.3	14.3	16.1
Temporary Certification	21.6	19.0	24.7	22.4
Others	19.6	21.0	14.7	17.7

Although informality and the slow progress of title issuance is clearly an issue in Vietnam all indications are that Danang is progressing more rapidly than other large cities. Moreover, it is clearly not closely associated with income levels in any of the survey data available. However, there is no available data on the extent of illegally constructed housing. Given this gap in the data it is not possible to comment its extent or rate of expansion.

6.4 CASE STUDIES OF LOW INCOME HOUSING IN DANANG

This section contains details of a series of detailed case studies conducted by the LIHAS team in Danang between the 9th and the 12th October 2006. The case studies cover the range of different state housing provision in Danang but also seek to focus on lower, disadvantaged income groups. These case studies are included to illustrate the kinds of conditions low income groups are living in

Danang, it also serves to amplify the difficulties faced by low income residents already encountered in the report.

Case Study 1: Thanh Khe Dong Apartment Blocks

The low income apartment blocks at Thanh Khe Dong were built for resettled low income households. Most households were resettled to make way for road construction and for the development of lots adjacent to the road reservation. This premium land is designated for private sale. The apartment blocks have 6 units per floor and are 3 stories high. Units are 30 m² and are occupied by families of up to 8 members. The main income source of most families in the area is fishing, although some households engage in small trading and households who have a unit on the ground floor can have shops selling small sundry items. Units have running water, kitchens and individual toilets. Rents vary depending on their location from VND 80,000 month for a third floor unit, VND 100,000 month for a second floor unit, to VND 120,000 month for a ground floor unit. Utility fees are around VND 50,000 month for electricity, VND 30,000 month for water and VND 5,000 month for the disposal of solid waste (solid waste is collected two-three times a week).

Figure 6.6



Thanh Khe Dong apartment blocks, which are seriously downgraded and have little maintenance

This housing only been in place since 2001 but was dilapidated, there seems to have been little maintenance either to the structures themselves or the infrastructure. The road running through the site had rather obviously not been maintained since the construction of the site. Units were suffering from damp and residents complained that they there was no maintenance carried out.

Figure 6.7



The surrounding environment of blocks was polluted by solid waste and sewerage

Case Study 2: Resettlement Apartments at Vung Thung, Son Tra District

These apartment buildings were completed in 2005. Units are 45 m² and resettled families have to pay from VND 3,000 to 5,000 m²/month for rental. The rents vary depending on location of units. After the typhoon, aluminum roofs of apartments were serious damaged.

Figure 6.8



Vung Thung apartment buildings

Figure 6.9



Inside the apartments



The sewerage system outside the apartment

The resettlement site also contained a number of self built houses and a large amount of temporary housing made from corrugated steel sheeting. The temporary housing is for low income households for whom resettlement plots/housing is yet to be made available.

Figure 6.10



Temporary housing nearby new Vung Thung apartments

Case Study 3: Collective Building Built in 1979 Thai Phien Street, Hai Chau

Collective building was constructed for government employees in 1979, it is situated at number 71 Thai Phien street, Phuoc Ninh ward - Hai Chau district. The four storey apartment block consists of 80 units of 40-50 m² in size. Units have several rooms, a toilet and kitchen. In general, communal areas were kept clean. The block is managed by the leader of the administrative unit (To). Rents vary between VND 115,000 to VND 135,000 month. The building was providing accommodation for a range of income groups from middle income households to very poor households. The buildings were in serious need of maintenance corrosion of concrete reinforcing was leading to serious structural degradation, damp problems and there were additional problems with drainage on the ground floor. The apartment block has been designated for privatization and units are being offered to occupants for between VND 17-23 million each.

Figure 6.11



Collective building number 71 Thai Phien street

Mrs Nga a former state employee has retired due to ill health. Her husband sells lottery tickets to supplement the income they received from her pension of VND 800,000/month. She also raises pigs in the kitchen/toilet area of the apartment to earn a little extra money to support her family. They have two teenage children who live with them. The unit is in need of maintenance the

guttering is seriously damaged, the ceiling and walls suffer from serious damp and the family blames health problems on their degraded living conditions. Mrs Nga reports that they have not been able to pay rent since 1995 due to their low income. Now with the sale of the apartments Mrs Nga has been asked to pay 10 years in back rent at VND 115,000/month (amounting to approximately 14 million VND) before she can become eligible to buy the apartment. She has been asked to pay it by the end of the year and to borrow the money from family, friends or private sources if she cannot afford to pay herself. If she is unable to pay by the end of the year she does not know what will happen. Mrs Nga said due to her years of public service, she would be able to get a discount to purchase her house. In total, she has to pay VND 23 million for buying the house and has to pay 20% in advance. Credit would be extended to her to cover the balance and paid back over a 10 year period. She has no way of raising money to enable her to buy the house and she expects to get help from social welfare organizations.

Figure 6.12



Raising pigs in the kitchen/toilet area of the apartment



Using firewood for cooking in Mrs Nga' flat

Case Study 4: Collective Building Built in Before 1975 in Le Duan Street, Thanh Khe

This collective housing was built for US military before 1975 at 59 Le Duan street. The two story block of single room apartments was allocated to government employees, mainly health care workers, after reunification in 1975. Units are around 13 m², have electricity and kitchen facilities, but shared toilet facilities which are degraded, and running water is only available if people have provided facilities themselves. The access to the ground floor units was also unpaved. Some units were overcrowded one catering for a family of 8. As with other collective housing these units were poorly maintained, the structure had also been considerably modified with extensions of differing vintages and purposes on three of the sides. Single story shops and stalls, built 'lean to' fashion, using the apartment block's wall as rear supporting wall faced the street and at the northern end of the building there was accommodation in a number very poor units which were clearly part of a later extension. The poor state of the building was compounded by the recent typhoon which had blown a portion of the roof off.

Figure 6.13



Collective housing at 59 Le Duan street

Ms Hang is a single retired health care worker who had been living in these apartments since 1981. She is receiving a pension of VND 800,000 /month and paid VND 33,000/month in rent. Ms Hang complained that the shared toilet facilities were very poor, that the units were not maintained by the government and that her unit suffered from damp. One of Ms Hang's main worries was about where she may live in the future. The units had been designated for redevelopment and the residents for resettlement. However, it was not clear when this would happen and in the meantime this meant that any renovation or maintenance of the buildings would take place very unlikely.

Figure 6.14



Ms Hang's unit of 13m²



Ms Hang's kitchen of 1.5 m²



Shared kitchen, toilet facilities are in poor condition

Case Study 5: Collective Building Built in Before 1975 in Nguyen Chi Thanh Street, Thanh Khe

This collective housing at 13 Nguyen Chi Thanh street was built by a private company before 1975 but came into the governments possession post 1975 and allocated to civil servants. The building is a 3 storey apartment block containing 40 units of 20 m². The exterior of the building is dilapidated and ramshackle. Tenants efforts to supply running water by the informal connection of pipes to the mains is also visible at the front of the building. Residents on the first floor have separate

kitchen/toilet units available but on other floors facilities are shared up until last year rents were completely subsidized by the government. However, with the formation of the Housing Management Company residents now had to pay rents of VND 70,000/month. The apartment building is in need of maintenance and damp is a problem. The area is scheduled for redevelopment and the residents will be resettled. However, the plan has yet to be realized due to financial constraints faced by the city.

Figure 6.15



Collective housing in 13 Nguyen Chi Thanh street



Informal connection of water pipes

Mrs Huong has lived in the apartment with her husband for 20 years. They have two daughters. She used to work for a Chemical SOE and insurance company receiving around VND 2 million /month but was made redundant from the under regulation 41 receiving VND 13 million redundancy payment. Currently Mrs Huong is not employed. Her husband works for Danang planning department under DoC, he receives around 2 million VND/per month.

Figure 6.16



Shared corridor in the building



Mrs Huang's unit of 20m2

Mrs Huang said that she would prefer a resettlement plot for her family if they could afford it but was worried that it may be beyond their means. She did not wish to move into another apartment building because of concerns about cleanliness in common spaces and privacy. Private ownership was also preferred as home ownership meant that they would be able to pass on the house to their children. Mrs Huang however, still had reservations about private apartment ownership much preferring a house. She would also be prepared to live in the suburbs such as Cam Le district if it meant private house ownership.

Case Study 6: Man Thai Village Son Tra

Man Thai village (To 1) is an area of low income housing on the coast between Son Tra – Dien Ngoc in Son Tra district. Most of the dwellings are traditional houses (Nha cap bon – 'temporary houses') in long standing fishing village. Mr Hung lives in a traditional style house on the edge of the village. He has occupied his plot of 280m² since 1960 and it is the home to his family of 8 people. They pay around VND 130,000/month for electricity, and water is taken from a well nearby. Waste water goes into a septic tank and solid waste is collected for a fee of VND 8,000/month. At present the family's main income stream is from fishing, they can earn up to 1 million in a good month but catches can be variable and it depends on the season. The house is also used as a shop to sell small sundry items but the income from this is very small.

Figure 6.17



Man Thai village after the typhoon

Mr Hung's house is within 30m of the new road and is designated for resettlement but they are unsure when this will take place. He is concerned about his future resettlement as he does not want to be resettled a long distance from sea. He also worries that the compensation he will receive for his land and house will be low and that any resettlement plot he is offered will be very expensive.

Figure 6.18



Mr Hung's house has been designated for resettlement

House was collapsed by the typhoon

Case Study 7: New apartment blocks for Low Income Households on Son Tra Peninsula

Mr B works for the Son Tra –Dien Ngoc PMU under DTPWS, developing the road along the coast towards Hoi An. This development will require the resettlement of a considerable number of households who previously lived near the coast and engaged in fishing. The first apartment blocks designated for low income households have just been finished on Son Tra peninsula. The units were initially intended for resettled households who did not have land holdings sufficient to entitle them to resettlement plots. The completed buildings contain 69 units, of which there are three types 34m², 64m² and 96m². However, as is often the case, contractors put in low bids and incrementally raise the price of contracts as the project commences. In this case the total investment cost was much more than anticipated, and by the time the building was finished it had reached VND 1.6 million/m², and a total price of VND 8.2 billion for the 69 units. This in turn implied a much higher rental fee for the apartments than was initially anticipated at between VND 3,000 – 5,000/m²/month and too expensive for low income households. At present the building is sheltering families who had

their houses destroyed by the recent typhoon and some of the shop units are occupied by a government PMU. How the building will be used in the future is unclear, more affordable housing will also be needed for low income groups.

Figure 6.19



Son Tra – Dien Ngoc apartment building which is built the same as Vung Thung model

Case Study 8: Housing on Resettlement Site Destroyed by Typhoon

Mr Phong is 67 years old, his family were moved from their farm in Xuan Thieu to make way for the extension of Hoa Khanh industrial zone. Now the family of six live on a resettlement site in Hoa Hiep Nam in the north of Danang. Mr Phong is now unemployed as he has lost his agricultural land. He relies on his two grown up sons who live with him and work in Hoa Khanh industrial zone in a timber processing factory. Their house was almost completely destroyed during the recent typhoon.

Figure 6.20



Mr Phong's house was completely destroyed during the recent hurricane

Before resettlement they had 100m² of residential land. In total they received VND 30 million in compensation and were offered a resettlement plot of 100m² on the new site at a concessional price of VND 63 million. They were able to borrow the balance from the government to cover the cost of the plot and are required to pay it back over the next 10 years. In addition to money borrowed from the government they also had to borrow money to build their house from relatives. Their new house was just completed one month before the typhoon destroyed it. Now Mr Phong

does not know what to do, the government have promised VND 5 million to help rebuild damaged homes, they have so far only received VND 1 million of this and do not know when they will get the rest. They are unable to borrow any more money and they have no way to rebuild their house.

Figure 6.21



Xuan Thieu low income resettlement area



New road in Xuan Thieu resettlement area

6.5 CONCLUSION

In this section we have sought to determine criteria both for low income households and to determine a minimum standards of housing. As a preliminary measure, we have agreed a definition of low income households as those with incomes of less than VND 400,000/person/month, however this maybe revised when a reasonable calculation of expenditures necessary to achieve an acceptable standard of living (including housing) is reached.

Using this preliminary definition we have undertaken a review of the key characteristics of low income housing in Danang in line with the criteria for minimum standard housing. This examination suggests that although the very worst housing conditions are concentrated amongst low income and poor households, for many indicators there is very little difference between low and high income groups. Factors such as infrastructure provision, security of tenure and location, are all aspects of housing which have a spatial aspect and cross cut income groups. This in part represents the fact that spatial segregation by these income groups does not yet seem to be occurring. Where income seems a more important greater determinant of housing condition is for goods which can be supplied on a house by house basis, such as water, maintenance, floor space. Even in these cases income is of only secondary importance to housing type, collective housing, new build housing and low income areas all have particular characteristics which are of greater importance in determining housing conditions than income. A spatial dissaggregation of data which could be carried out as part of the second stage would allow more light to be thrown on the relationship between housing, income and location in Danang.

Finally, the section discussed looked at informality in the housing sector and the relationship between this and income. Little information was available on the extent of the informal sector and its rate of expansion. Work in the second stage of the study should help uncover more information on this.

7 REPORT ON TYPHOON XANGSANE IMPACT & NEEDS

7.1 INTRODUCTION

Typhoon Xangsane hit Danang Province on September 30, 2006. The storm passed through the Danang City with winds gusting at over 120 km/hour and heavy rainfall totaling 200-250 mm. It resulted in considerable loss of human life, injuries, and damage to property, including housing, infrastructure and public services. .

Any comprehensive and up-to-date assessment of housing conditions in Danang City such as that being undertaken in the (LIHAS) Study, needs to take into account the impact of Typhoon Xangsane, as well as the possibility of any similar natural disasters in the future. This Chapter therefore is a brief summary of the Damage and Needs Assessment Report¹ prepared in the immediate aftermath of the typhoon by a Joint Assessment Team that visited the Province². In line with the scope of the (LIHAS) Study, and without in anyway minimizing the profound and potentially long-lasting psychological, social, economic devastation caused by the storm, and the implications of these on the health, welfare and education of affected residents, this brief summary focuses primarily on the longer term housing sector implications.

7.2 TYPHOON IMPACT

Typhoon Xangsane impacted on as many as 1.3 million people in the central provinces of Vietnam. Danang City was the most badly affected area. Although more than 15,000 people were evacuated prior to the typhoon, 26 people were killed and 1207 people injured. More than 9900 houses were completely destroyed, almost 25,850 houses totally unroofed and more than 47000 houses partly unroofed (refer Table 5.1). In addition, 1395 classrooms were badly affected and 320 fishing boats destroyed. Further to this the typhoon destroyed much of the existing transportation, telecommunications, electricity and irrigation systems.

The total damage was estimated at VND 5,290 billion (US\$330.6 million). Local government financial resources available to meet this cost were of course limited, and international and national financial support was needed. The local authorities were active in providing early warning and evacuation to safe shelters prior to the storm and addressing many of peoples' immediate needs in the aftermath. These needs included temporary shelter for those whose homes were destroyed and some financial support to those having to rebuild. Emergency food supplies were provided to most affected areas.

7.3 IDENTIFIED NEEDS

Shelter

Many typhoon victims were able to salvage little or nothing from what remained of their housing. However, their attempts at reconstructing or repair their houses were hampered by the scarcity and

¹ Joint Rapid Assessment on Damage & Needs in Danang City, Vietnam Caused by Typhoon Xangsane . October 8th 2006. Reported the Joint Assessment Team made up of representatives from Red Cross, Save the Children US, Save the Children UK, Oxfam Hong Kong, CECI, Plan International, Samaritans' Purse, Unicef, and National Disaster Management Committee.

² The Joint Assessment Team visited four districts of Danang: Hoa Vang, Lien Chieu, Ngu Hanh Son and Son Tra.

rapid rise in cost of essential construction materials such as roofing sheets, nails, and cement in the aftermath of the storm. This made it difficult or, in the case of poorer households without any savings or alternative assets, impossible for many families to rebuild their damaged or destroyed homes. In addition to the cost of materials, those households suffering extensive damage but without able-bodied and skilled or semi-skilled household members, were also hampered by the scarcity and high cost of construction workers. This inflation of the prices of many construction goods and services took place despite the local government's efforts to subsidize and control the situation. Price speculation also affected other essential supplies such as gas, fuel, oil, candles and clothing.

The Report recommended that Danang City be immediately given emergency support in the funding of essential construction materials needed for the reconstruction and repair of housing, and of essential public service facilities such as schools, hospitals, health and social centers. However, consideration also needs to be given to the application of appropriate standards for the design and construction of housing and public buildings that will help lessen the impact of any future storm or natural disaster; also to setting up of a contingency fund for use in such a situation in the future.

Water/Sanitation

The primary need with regards to water supply was the restoration of electrical power to all housing areas, hospitals, schools, and other public facilities in order to operate the pumps, gain access to groundwater and tap into a secure water source. The need for testing of certain community wells was also noted in the Report, as cases of conjunctivitis and diarrhea were noted in certain areas. The removal of solid waste was also seen as a priority, as the build up of uncollected garbage in many areas immediately after the storm adversely affected drainage run off and increased the vulnerability of the community to disease.

Other Identified Needs

- **Food Security and Livelihood:** food shortages and price rises, combined with the loss of livelihood, meant that it was difficult for people to receive proper nutrition and adequate food. In addition to an emergency response and support (financial and in kind) for farmers and fishermen, the Report recommended that a priority was to begin land clearance and preparations for winter crops.
- **Health:** Several health care facilities have been damaged throughout the province and it has become difficult for people to receive proper care. The Report recommended rehabilitation of health care facilities as a priority, as well as support for the provision of essential medical supplies.
- **Education:** extensive damage to many schools and kindergartens means that resumption of classes could be delayed. This will undoubtedly affect the standard of education, and the danger is that families who had trouble supporting their children to attend school will be further discouraged from enrolling their children. The Report recommended assistance for these families, as well as rehabilitation of school buildings and replacement of equipment and supplies as a matter of priority.
- **Child Protection:** the Report recommended that children in needs of special protection be identified and provided support from social services (social workers from CPFC and DOLISA) to ensure that their physical and emotional needs are met.

7.4 CONCLUSIONS

The Report made a number of recommendations in respect of long-term and short-term needs in Danang City. After the immediate concerns of food and security, the greatest need appeared to be shelter. The rapidly escalating prices and scarcity of construction materials immediately after the storm had a major impact on the ability of households, especially poorer households, to reconstruct or rehabilitate their housing, a fact which in turn placed a continuing burden on local authorities for emergency or temporary shelter support.

Shelter also had a broad affect on other issues, such as health and hygiene, particularly for children and other vulnerable groups. The rehabilitation of schools, kindergartens, social protection centers, and medical clinics was therefore seen as extremely important. Re-establishment of electricity was also considered a priority in the immediate aftermath of the storm in order to provide clean water and increase hygiene and sanitation.

The Report prioritized the following needs identified immediately after the storm as follows:

- (i) Food and nutrition
- (ii) Price control and availability of construction and repair materials
- (iii) Repair of schools and health facilities
- (iv) Improved sanitation and reduction of environmental pollution
- (v) Capital support for the recovery of damaged industries and income generation.

Early warning coupled with rapid and effective Government action, including evacuation, helped save lives, and minimize injury and the loss of property caused by the typhoon. Nevertheless there is still a need to further train and prepare government officials and the general public to improve their levels of readiness and to prepare the groundwork for a systematic response to future natural disasters such as typhoons.

Danang faces severe financial constraints in terms of any major public investment in typhoon/flood protection works against what is reportedly a 10-20 year major typhoon occurrence: protection has to be far more generic. The death, injury and loss of/damage to property caused by the typhoon, as well as resulting longer term psychological, social and economic impact of these, could possibly be considerably reduced if public facilities and housing, especially low cost housing for the poor and low income groups, were sensitively sited in less vulnerable locations, and designed and built to appropriate construction standards and specifications. This may be a relatively simple development control issue in relation to formal construction activities, However, the real challenge will be how to sensitively intervene in the informal construction activities without stifling self-help initiative and without raising construction costs to unaffordable levels. These aspects need further investigation and research, but need to form an integral part of any comprehensive housing program for the City, especially in relation to housing provision for poor and low income households.

Table 7.1 Danang City: Housing Damage

District	Degree of damage									
	Completely destroyed		Partial collapse		Roof blown off		Roof partly blown off		Total	
	General	Priority HH*	General	Priority HH	General	Priority HH	General	Priority HH	General	Priority HH
Hai Chau	58	9	183	0	3422	54	10183	6	13846	69
Thanh Khe	254	50	250		617	269			13444	569
Son Tra	1700	114			4457	382	8269		14426	496
Ngu Hanh Son	556	120	573	130	1964	424	4864	758	7957	1432
Lien Chieu	2043	243			5004	633	8564	1122	15611	1998
Cam Le	1288	1050	1574	439	5104	2577	6725	1236	14691	13308
Hoa Vang	2627	110	3968	567	6217	420	6135	1196	21196	2293
Total	8526	1696	6548	1136	26785	4759	44740	4318	101171	20165

Note: * the poor and other households identified as priority households in the housing programme

Source: DPC, DoC, DoLISA report on typhoon damage

8 KEY ISSUES

8.1 FRAGMENTED URBAN PLANNING SYSTEM

Urban planning and development in Danang is presently constrained by national legislation that requires physical (spatial), socio-economic and sectoral planning to be undertaken as separate activities by different agencies at different levels within government often at different times and sometimes even for different planning horizons. As a result, there is only limited linkage between the SEDP (prepared by MPI/DPI) and what should be a responsive Masterplan to reflect the land use implications of planned economic development. Even in terms of physical planning, responsibilities are spread between central and local government institutions (i.e. MOC (NIURP)/DOC (UPI)) for the preparation of general and detailed development (Master) plans, and MONRE/DONRE for land use planning. This artificial separation of what are inter-dependent streams of the urban planning and development process, coupled with a general lack of inter-agency coordination and information sharing, limits the opportunities for a well coordinated approach to urban planning. In terms of the Danang housing sector, this approach constrains preparation of a comprehensive and integrated housing program, incorporating consideration of all physical, social and economic aspects of LIH housing, and responding to existing conditions, while anticipating future housing demand within the context of clearly defined public investment priorities.

8.2 LACK OF URBAN PLANNING AND MANAGEMENT GUIDANCE

The current Danang Master Plan prepared originally in 1999 by NIURP and adjusted in 2003 in accordance with official instructions does not include any comprehensive land use zoning classification, but only a broad indication and target percentage area allocation for selected land uses. In addition, the Master Plan offers only limited indication on how to prioritize and phase public investments, and how to manage development in order to meet its stated targets. These shortcomings, coupled with the capacity constraints of regulating authorities make effective development control difficult. In some instances this can result in a failure by developers/investors to follow approved general and detailed plans. This potentially undermines the credibility of the entire planning process and the institutions responsible for it. A further critical omission in the present planning system is that plans at all levels are prepared without any indication of funding arrangements and how these relate to municipal budgetary constraints. For urban planning to be of practical use, financing and budgeting arrangements and responsibilities need to be clearly spelt out.

8.3 INAPPROPRIATE PLANNING AND DESIGN STANDARDS

At present, planning and design standards applied in the implementation of the Danang Masterplan are based on pre-defined technical specifications and dimensions determined by central government ministries and set out in such documents as the MOC Vietnam Building Code (VBC). These standards are neither comprehensive nor consistent. Many provisions are very general in nature while others involve rigidly prescribed standards. A special area of concern in this regard is the rigid interpretation of the Masterplan main road and highway network without any assessment of existing or likely future traffic volume. This approach has spawned a massive City-funded road construction program which has necessitated the disruption and relocation of many existing communities, and left extensive stretches of underutilized paved main road network in many parts of the City. This program represents a considerable public investment and drain on local government resources, as well as a hefty longer term maintenance obligation. Given its limited financial resources and concerns regarding the post-typhoon reconstruction and rehabilitation effort, DPC needs to reexamine its investment priorities and the manner in which it seeks to implement the provisions of the Masterplan.

8.4 INAPPROPRIATE ROAD DESIGNS IN RESIDENTIAL AREAS

Indications are that in addition to the main highway/road network, new LIH residential areas (including resettlement areas) are also often designed on the basis of inappropriate standard road designs, applied without consideration of traffic forecasts. In some instances, the area of on-site road reservations is equivalent to as much as 40% of total land area. (Study field visits revealed the construction of 2 lane dual carriageway main access roads in a LIH resettlement area with little or no car ownership). Again a more systematic and flexible approach needs to be adopted which will allow road construction to proceed on the basis of projected traffic volumes and anticipated levels of vehicle ownership, which in LIH housing areas will be very low for the foreseeable future. Such an approach will: i) allow an increase the proportion of on-site revenue-generating and marketable land; ii) reduce maintenance costs; and iii) offer the possibility of increased residential densities thereby limiting the costly expansion of urban Danang into adjacent rural agricultural lands.

8.5 HOUSING SUPPLY V DEMAND

Public sector housing initiatives to date are mainly centrally regulated and focused on supply side interventions such as the sale of government housing and the design and construction of standard house/apartment units for poor or low income households, and for households affected by resettlement. There has been only a limited attempt to match the supply of standard house/apartment units to real demand through an understanding of the defining household characteristics of intended beneficiaries. Especially important in this regard is affordability. In many cases, inappropriate unit design and inadequate supervision leads to unaffordable costs and prices beyond the reach of intended beneficiaries. As a result, such units are instead sold to other buyers with the requisite purchasing power often outside the targeted income range, thus creating leakage from the intended LIH market.

8.6 HOUSING INVESTMENT PRIORITIES

Although some measure of resettlement is inevitable in any ongoing urban development program, the disproportionate amount of resettlement in Danang, estimated to be as much as one third of all households¹, forms a dominant component of the ongoing housing program and a considerable drain on the City's limited resources². Danang's housing program needs to be focused more on the demand generated through (amongst others) the: i) replacement of obsolete public housing; ii) continued upgrading of low income housing areas and selected public housing; and iii) provision of innovative housing solutions for newly formed (LIH) households and migrants to prevent the future formation of new slums and squatter areas. A new priority concerned with rehabilitation and resettlement of LIHs adversely affected by Typhoon Xangsane has also emerged.

8.7 LOSS OF EMPLOYMENT & LIVELIHOOD OPPORTUNITY

In addition to considerations of affordability, the implementation of major road, infrastructure, commercial and industrial development projects requiring resettlement, has resulted in considerable social upheaval and loss of employment and livelihood opportunities. This has come about as a result of the inadequate consideration given to the location and design of resettlement accommodation. Many resettlement sites are located in areas remote from centers of employment and commercial activity. The impact of this socio-economic disruption is especially severe on households reliant on farming and fishing activities, many of who have been/or are scheduled to be resettled in locations far from agricultural land or the sea, and/or otherwise in inappropriate apartment units.

¹ Vietnam Development Report. 2004

² This level of resettlement is also inconsistent with CGPRS provisions.

Although compensation payments are made by Government to resettled households, these payments are often inadequate in terms of the price of home plots or apartments in resettlement or the cost of new house construction. In many instances this situation is made worse by the loss of employment and livelihood opportunity and the difficulty many LIH face in accessing housing finance. As a result, there is a significant deterioration in the quality of life of many resettled households.

8.8 RESETTLEMENT PROGRAMMING DIFFICULTIES

The fact that the main highway/road network that forms the framework of the Danang Masterplan was designed with only limited local contribution and consideration of rapidly changing local conditions, means that the exact impact and nature of the disruption and relocation generated is hard to predict. Detailed resettlement requirements only begin to emerge when sections of the highway/road network are set out on the ground as part of a defined project package, at which stage a first hand assessment of the likely resettlement fall-out can be made. Given this ad-hoc approach it is difficult to make any accurate predetermination of resettlement requirements and incorporate these in a medium-long term housing program or into a responsive Masterplan. This accounts in part for the scattered location of resettlement sites throughout the City and the fact that: i) resettlement location and accommodation is sometimes inappropriate in relation to the real needs of affected households; and ii) DOC/PMO and UPI are continuously revising detailed plans to incorporate provisions for new resettlement sites.

8.9 DELAYS IN LAND USE RIGHT CERTIFICATION

Although formal land titling is more widespread in Danang than in other cities it is still far from complete and there is evidence to suggest that most people elect to buy, sell and exchange land and houses (often as a single commodity) in an informal manner without applying for land use rights (LUR), official certification or registration of transfer or exchange. As a result, land and housing registers are generally inaccurate a fact which limits their practical use as a basis for registering mortgages. Furthermore, the slow official issuance of LURCs creates difficulties for land owners wishing to apply for building permits or use their land and building assets as security for a mortgage.

8.10 NEED FOR A COORDINATING HOUSING AGENCY

Study attempts to compile a comprehensive data base covering all aspects of the LIH housing sector in Danang were complicated by the fact that much of the available data are incomplete and inconsistent. Furthermore, no single agency is presently responsible for the collection and compilation of all relevant housing sector information, and on the basis of this, for coordinating the preparation, implementation and monitoring of a City housing program, focused on low income HH. Given the critical importance of the housing sector, LIHAS Phase 2 recommendations for institutional strengthening and capacity building will need to address this issue and suggest the establishment of a coordinating housing agency, preferably within or as an extension of the existing institutional framework.

9 PHASE 2 WORK PROGRAM

Completion of this Report substantially addresses the tasks making up Phase 1 of the (LIHAS) Study. It also goes some way to addressing Phase 2 activities. Based on the outcome of the workshop proposed to discuss the findings of the Phase 1 Report, presently scheduled for mid December 2006, Phase 2 of the Study will be concerned with: i) further refining the preliminary LIH definition (refer Chapter 6); and then ii) determining as accurately as possible future LIH housing demand on the basis of agreed population projections, existing housing conditions and likely rates of new household formation and immigration. The Study will then conclude with a range of recommended policy, program and technical interventions designed to meet future LIH demand over the period to 2020.

The process by which the preliminary definition of LIH is initially defined and then further refined is set out in Table 9.1. Typical physical, legal and financial housing issues presently confronting LIHs in Danang are listed in Table 9.2, together with responsive actions to these as well as to future LIH growth through new household formation and immigration.

Table 9.3 provides an update on the Study work program at the conclusion of Phase 1.

Table 9.1 Process for Preliminary / Refined Definition of Low Income Households (LIH) in Danang

Action		Remarks	Present Status
1	Describe existing poverty / LIH definitions as a reference framework	Include for example: <ul style="list-style-type: none"> • PIIP • MOLISA/DOLISA • MDG / VDG • HABITAT • Others?? 	Refer Chapter....
2	Select preferred preliminary (LIH) income definition. Justify selection in terms of LIHAS objectives/scope	Preferred preliminary income definition is from PIIP: <400,000/person/month or VND2 million/HH/month based on average HH size of 5 persons	Preliminary definition agreed with DPC on 10.11.2006. Refer Chapter
3.	Analyze and validate preferred LIH definition on basis of basic expenditure requirements in Danang at present.	This is not a poverty definition. Therefore basic expenditure requirements will include: i) subsistence items such as food (e.g. minimum calorific intake), clothing and water supply; but also ii) non-subsistence essentials for urban living such as transport, rental, electricity, garbage collection, sanitation, education and health service charges.	Ongoing. Broad expenditure categories obtained from DSO (10.11.2006). At present no detailed information available on actual expenditure to define either poverty or LIH thresholds
4.	Finalize and fully justify agreed (LIH) income definition.	No adjustment needed if preliminary definition is consistent with minimum expenditure (refer #3). Adjustment needed if selected definition does NOT include adequate consideration of minimum expenditure for urban/non-subsistence items	To be undertaken in LIHAS Phase 2 on the basis of available information and feedback from proposed Workshop #1 in December 2006.
5	Describe finalized LIH definition in terms of percentile HH income distribution	This is the basis for determining the percentage / number of LIH 2005 and 2020 (refer 6). In order to address all LIH housing demand and avoid further slum formation, no predetermined application of this data will be made (e.g. eligibility for housing finance), and thus no lower limit will be set.	To be undertaken in LIHAS Phase 2.
6.	Determine numbers of LIHs in Danang in 2005, 2010 and 2020	Based on #5 and on amended (not official) population and HH estimates	To be undertaken in LIHAS Phase 2 on the basis of amended population estimates agreed with DPC on 10.11.2006. Refer Chapter
7.	Determine location where existing LIH in are presently living	This should be both in terms of specific location and housing area typology, for example: <ul style="list-style-type: none"> • Identified PIIP sites • Other LIH areas • Collective public housing buildings • New public housing apartments • Resettlement sites • Targeted resettlement areas (defined by Masterplan / infrastructure program) • Traditional villages • Private housing • Others 	To be undertaken in LIHAS Phase 2.
9	Identify typical housing conditions by location area and assign numbers/ percentages of HH to each	Utilize existing housing conditions categories in Annex A attached	To be undertaken in LIHAS Phase 2
10	Elaborate possible strategic action to respond to each existing housing condition	Base on strategic response in Annex A. Take account of existing, ongoing proposed housing initiatives (e.g. DOC Housing Proposal and PIIP)	To be undertaken in LIHAS Phase 2

Table 9.2 Program Response to Existing & Future (LIH) Housing Demand

General LIH Housing Condition/Issues	Detailed Housing Condition/Issues	Program Response	
		Existing LIH	Future LIH (new LIH formation within existing areas and/or in-migration of new LIH)
Located in environmentally vulnerable or hazardous area	Flood-prone land	Consideration of this condition takes precedent over all others. Thus the only available option is resettlement to: i) affordable serviced plot possibly with core/starter house; or ii) house/apartment for purchase/ rental.	Make low cost housing intervention to anticipate future LIH demand through new or infill site development comprising either: i) serviced plots, possibly with core/starter housing; or ii) completed house/apartment.
	Steep/unstable slopes		
	In or immediately adjacent to power transmission line, road/rail reservation, polluting and/or hazardous activity (e.g. waste disposal dump)		
Poor Quality Structure	Structurally unstable	Provide Home Materials Loan (HML) to stabilize structure Resettlement if untreatable and potentially dangerous	DPC through DOC to provide land and mains infrastructure/public services DPC to provide a range of incentives to support greater SOE/private sector involvement in future housing provision, including incentives to: i) investors to provide appropriate accommodation for low income workforce in investment proposals; ii) developers, to make some provision for low income housing in middle/upper income development projects; iii) existing home owners-to provide LIH rental accommodation; and iv) financial institutions, including local banks and MFIs- to provide loans to LIH for house purchase/rental, expansion and improvement.
	Non weather proof structure	Provide HML for repair and weatherproofing Resettlement in extreme cases beyond repair	
	Non-durable, temporary, salvaged or poor condition materials	Provide HML for replacement with permanent, good quality materials. Resettlement in extreme cases beyond replacement	
Inadequate Internal Dwelling Space & Overcrowded Conditions	Total floor space less than.....m2	Provide HML to expand dwelling to required space standard. Total or partial HH resettlement in extreme cases where this is not possible (e.g. in very high density residential areas) Note: Partial HH resettlement is a last resort	
	Floor area less thanm2/person		
No direct access to basic infrastructure and public services	Inadequate water supply	In situ upgrading with minimal social, economic and physical disruption of existing community / settlement. Undertake upgrading in parallel with supporting resettlement action plan / program (RAP)	
	No all-weather road or footpath access		
	Inadequate drainage, sanitation garbage collection service	Can not address this directly within housing program. Refer to SEDP or Masterplan	
No security of tenure	No access to education/health facility		
	Temporary housing	Regularize tenure through provision of official LUC/HOC. Provide resettlement to: i) affordable serviced plot possibly with core/starter house; or ii) house/apartment for purchase/ rental.	
	Housing without LUC / HOC	Regularize tenure through provision of LUC/HOC	
	Housing in areas officially designated for other uses	Provide resettlement to: i) affordable serviced plot possibly with core/starter house; or ii) house/apartment for purchase/ rental.	
No access to housing finance	Illegal housing		Expedite issue of LUC / HOC as collateral. Provide assistance to secure necessary housing finance For poorest families provide subsidized accommodation
	All plot / house / apartment properties for purchase, rental, expansion and /or improvement	Expedite issue of LUC / BOLUC as collateral for finance Provide assistance to secure necessary housing finance For poorest families provide subsidized accommodation	

Note: 1. All alternative resettlement or new housing to be: i) in appropriate location with regard to employment activities / opportunities, education & health facilities; ii) designed and built to match target HH affordability & characteristics; iii) provided with official LUC / HOC ; iv) provided with housing finance support as required; and v) located, designed and built with due regard for future typhoon impact

Table 9.3 Study Work Program at End of Phase 1

Phase I	Data Collection and Analysis	Comment
Task 1.1	Perform Literature Review of Reports and Studies on the Subject	Complete, refer chapter 3
Task 1.2	Develop Preliminary Definition of "Low-income Households" for Danang City	Complete, refer chapter 6
Task 1.3	Make Inventory of Public Housing Development for Low-income Groups	Complete, refer chapter 5
Task 1.4	Conduct Comprehensive Household Interview Survey	Complete, refer chapter 6 and annex A
Task 1.5	Roughly Assess Current Size and Expansion of Informal Housing in the City	Ongoing, refer to chapter 6. No comprehensive information available. No data on illegal housing or expansion of housing Some data on informal housing from PIIP project and HIS
Task 1.6	Assess Housing for Low-Income Groups in the City	Complete, refer chapter 6
Task 1.7	Assess Types and Levels of PSP in Providing Housing for Low-income Groups	Complete, refer chapter 5
Task 1.8	Assess Roles and Responsibilities of DONRE and DOC	Complete, refer chapter 4
Task 1.9	Assess Operation of DONRE and DOC in Providing Housing for Low-income Groups	Complete, refer chapter 5
Task 1.10	Discuss Constraints in Providing Housing for Low-income Groups and Danang's Case	Complete, refer chapter 7
Phase II	Options and Recommendations	
Task 2.1	Identify Effective Demand for Housing among Low-income Groups	Ongoing
Task 2.2	Describe Alternative Models of Housing Production for Low-income Groups	Ongoing
Task 2.3	Develop Finance Options for Housing and Enterprise Development	Ongoing
Task 2.4	Develop Alternative Housing Development Technologies	Ongoing
Task 2.5	Develop Broad Outline of a Policy on Housing for Low-income Groups in Danang	Ongoing
Task 2.6	Develop Outline of a Tech. Assistance Prog. on Public Housing Management for Danang	Ongoing
Task 2.7	Hold a Workshop to Present Recommendations	Rescheduled to week 2 December.
Task 3	Submit Reports	

The table repeats the contents of table 3.3.1 in the inception report and gives an account of the progress to date of the LIHAS project to date and remaining tasks to be completed. Figure 9.1 following gives a revised breakdown of the task schedule, the most significant change is the rescheduling of the workshop from the end of the project to the end of the first stage, a change that has been agreed by all parties.

Figure 9.1 Revised LIHAS Time Schedule

