
A NATIONAL STRATEGY TO ENHANCE ACCESS OF THE URBAN POOR TO BASIC INFRASTRUCTURE AND HOUSING

1. INTRODUCTION

1.1 Background

The urban population of Vietnam is estimated to have reached 20 million in the year 2000, some 23.5% percent of the total population and government is planning for an urbanization rate of 45% or about 46 million, in 2020. High population densities, lack of, or poorly maintained infrastructure, and inadequate social services characterize low-income areas within cities. The quality of housing is usually low, and settlements are often unplanned with continual encroachment around lakes, canals and natural waterways. Many houses do not have direct water supply connections and virtually no sewerage connections exist. Flooding is often a serious problem in these areas, because of inadequate drainage. Sanitation is even worse, as many toilets discharge directly into drains, canals and lakes, causing them to become highly polluted and environmental hazards.

Many of the poorest families tend to live directly along, or even on top of noxious watercourses. Their children play in them and they are even used for bathing, which leads to chronic health problems. Slums are generally seen as an ugly blight on a city, and governments response, where resources are available, has generally been to carry out slum clearance programs and resettle the slum dwellers in high-rise buildings, often far from their original homes. Surveys have revealed that most poor families who are allocated apartments move out within a few months because they cannot afford the monthly installments and utility charges. It is likely that they move to other canals or marginal land.

The poverty rate in urban areas is lower than in the nation as a whole. In 2000 it was estimated that there were 265,000 poor urban households, 9.5% of poor households in the nation as a whole¹. However, this estimate of the rate of poverty is considered² to be low, as very many more households are vulnerable to crises (unemployment, the effect of natural disasters, death or illness of a family member as examples) that can take them below the poverty line. Most of the urban poor are concentrated in the very large urban areas and in particular in HCMC which is attracting very high rates of in-migrants who are particularly disadvantaged but who are not always included in the poverty statistics. Many of these urban poor are living in informal areas and are experiencing deteriorating levels of services and infrastructure.

Until now, rural poverty reduction has been the focus of government attention, but it is becoming increasingly clear that urban poverty is a "problem which is about to happen." To date, government programs to reduce urban poverty have been limited in number and have not had the expected impact. One of the key problems is the high and increasing rate of rural-urban and urban-urban migration. The process of industrialization and urbanization has increased the inflow of unregistered migrants from rural areas, including those of working age and children. These migrants usually have not been able to secure permanent registration and have no stable jobs; consequently their income is unstable. They have very

¹ These figures use the "new" definition of poverty and are drawn from the National Target Poverty Reduction program quoted in the 4th draft of the "Comprehensive Poverty Reduction and Growth Strategy"

² See for example the findings of Task 1 of the City Alliance Studies, "Housing and Infrastructure, Constraints faced by the Urban Poor".

limited access to social services and must pay more for them because they are not given access to basic public social services that are enjoyed by registered residents.

1.1.1 The purpose of this Report

Confronted by these major challenges the Government has recognized that the needs of the urban poor require more attention. The Government intends to contribute further to the alleviation of poverty in urban areas by ensuring better access to basic infrastructure and services and housing to the urban poor, through a national program of pro-poor urban investments. The Government has enlisted the support of the World Bank to prepare a pro-poor urban development project that would be an initial investment in the national program. The City Alliance is providing support to Government to prepare a framework for the national program and this Report is the product of the City Alliance funded support.

1.1.2 Associated studies

The strategy framework presented in Chapter 3 is based on research undertaken in linked City Alliance funded studies –

- (a) Task 1 “Housing and Infrastructure, Constraints Faced by the Urban Poor” and
- (b) Task 2 “Review of Recent and On-going Urban Upgrading Programs”.

The conclusions of Task 1 are based on extensive research in the 4 urban areas to be targeted by the initial intervention to be partially funded by a World Bank loan. The conclusions of Task 2 are based on a review of a number of experiments / pilot projects in Vietnam and international best practice. The Task 2 report includes reviews of HCMC Canal Tan-Hoa-Lo-Gom Sanitation and Urban Upgrading project (Urban Upgrading Component – District 6, Ward 11 and the Nam Dinh Urban Development Project – Community Participation Project.

Reference has also been made to ADB TA 3487-VIE “Low Income Housing and Secondary Towns Urban Development Needs Assessment”, Vietnam, and especially Volume One of the Final Report which focuses on Low Income Housing. A number of other key documents have also been reviewed and discussions held. These are listed in **Appendix A1**.

1.1.3 Regional Workshops

A first edition of this report was presented and discussed in 3 Regional Workshops in March 2002, in which representatives of provincial and local governments participated. The recommendations made in this Executive Summary and Final Report have been guided by the findings of the Regional Workshops. A second edition of this report was presented and discussed at a National Workshop in June 2002 in which representatives of central government, donor agencies and selected provincial and local governments participated. The recommendations made in this report have also been guided by the findings of the National Workshop. A copy of the agenda and a note of the discussions at the National Workshop are included in **Appendix A2**.

1.2 The structure of the report

The report has 4 chapters (including this introduction). Chapter 2 describes the national poverty reduction policy context of urban poverty reduction policy and the lessons learned in Tasks 1 and 2 of the City Alliance Studies (and other studies) and presents them in the form of “pro-poor urban policy imperatives.” Particular reference is made to the “Comprehensive Poverty Reduction and Growth Strategy” issued by government in May 2002. Chapter 2

goes on to review existing urban policy and assesses the compatibility of current urban policy with emerging national poverty reduction policy and with the identified urban policy imperatives. The Chapter concludes with the identification of priorities for action and priorities for policy reform to fill the identified “policy gaps.”

Chapter 3 describes a strategy for enhancing access of the urban poor to basic infrastructure and housing and a national program of pro-poor urban investments, including goals, purpose and outputs, with associated performance indicators and targets, monitoring mechanisms and assumptions and risks. This Chapter also identifies the policy reforms required to enable the program to be implemented effectively. Chapter 4 describes the approximate cost of the pro-poor program to 2010, the possible sources of funds and comments on the affordability of the program.

1.3 Scope of the recommended strategy

Although international experience is that the majority of urban upgrading programs and projects focus on the provision of basic tertiary infrastructure and services, as these are usually the highest priorities of the poor communities being addressed, other components often form part of an overall upgrading program and can be equally as important. Social infrastructure facilities (e.g. pre-schools, primary schools, primary health care clinics, market improvements) are often included as part of, or parallel with, basic infrastructure and services initiatives. In addition micro-finance programs which can provide small loans for small scale enterprise development at the household or community level and also small loans for house improvements (e.g. toilet/septic tank provision) are also quite common upgrading program components. Where security of tenure and the issue of land/plot/house titles is deemed critical then programs to support improvements to the land, cadastral and registration institutions and systems is also often necessary and is a support component either as part of the upgrading program or as a parallel initiative.

Thus upgrading programs can become very complicated and this presents a challenge. In covering basic engineering/utility services, which require the input of local government and utility agencies such multi-sector programs are already complicated. With the addition of social infrastructure, health and education departments also have to become involved as often does the financial/banking sector if micro-finance components are also included. Thus great care has to be taken that well-intentioned upgrading programs and projects, which attempt to respond to the various demands of communities, do not become so complex as to make their timely implementation very difficult, if not impossible. In framing upgrading initiatives it is not imperative to include all components in one project. This report recommends a program which is primarily focussed on basic infrastructure at the local level, and support for housing improvement. Co-ordination (but not integration) is recommended with other poverty reduction initiatives.

1.4 Use of the Report

It is intended that the Report contributes directly to pro-poor urban policy formulation. In the course of the preparation of this Report there have been many detailed discussions with Ministry of Construction (MoC) and in particular it has been agreed that following presentation of the “National Strategy” in the National Workshop in June, MoC will go on to prepare an official policy document which will “operationalise” the agreed National Strategy. The operationalisation could take several forms, including revisions to existing policy statements and / or inclusion in new legislation and provision of advice to local governments. A copy of the ToR of the proposed MoC report is attached as **Appendix A3**.

2. POLICY CONTEXT AND POLICY IMPERATIVES

2.1 National development policy framework

2.1.1 *Socio-economic Development Strategy (SEDS) 2001-2010*

The SEDS has a number of implications for the urban sector. The Strategic Goals of SEDS requiring an urban poverty reduction policy response include the “*elimination of the category of hungry households, and to reduce quickly the number of poor households*”³. It is also intended to solve “*the employment issue in both urban and rural areas and to reduce the urban unemployment rate to below 5%*”.

The Development Approaches of SEDS have more explicit implications. Overall the approach is to ensure rapid, efficient and sustainable development through economic growth being linked to social progress and equity and environmental protection. Housing improvements and the eradication of hunger and the alleviation of poverty are all targeted. Specific reference is made to the urban sector and measures include “*to make urban planning and management a routinized practice, and urban centers increasingly green, clean and civilized. To ensure sufficient clean water supply, sewage and waste treatment and to eliminate makeshift housings*”. Specific reference is also made to hunger eradication and poverty alleviation “*to increase investments in building infrastructure, providing loans.....*” *The State is to create an enabling environment for all people to strive for legitimate wealth and help the poor. To provide social benefits to people under special circumstances unable to work by themselves and without any support. To strive that by 2010 there will fundamentally be no longer poor households. To constantly consolidate the gains in hunger eradication and poverty alleviation*”.

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 SEDS is clear, but a lot of work needs to be undertaken to develop the policy thrusts of SEDS into operational development strategies. The most striking initiative of this kind has been the formulation by government of the “Comprehensive Poverty Reduction and Growth Strategy.”

2.1.2 *Comprehensive Poverty Reduction and Growth Strategy (CPRGS)*

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

The preparation of the Comprehensive Poverty Reduction and Growth Strategy started in June 2000 based on the Interim Poverty Reduction and Growth Strategy Paper that was approved by the Prime Minister in March 2000. The Ministry of Planning and Investment takes the lead in this undertaking in collaboration with concerned ministries and agencies

³ Extracts are taken from the official translation of the proceedings of the 9th National Congress, Section 4, Strategy for Socio-economic Development in the period 2001-2010

and supported by a group of national and international consultants and broad consultation from concerned ministries and agencies, representatives of the donor community and other parties.

The CPRGS is based on the views expressed by concerned ministries and agencies, mass organizations, non-governmental organizations and the donor community at various seminars organized at both central and local levels. Contributions have been made by 61 provinces, cities, and also by the poor at six commune consultations. The widely consultative and consensus-building process of formulating the CPRSG reflects the governments commitment to strengthening participatory and democratic governance at all levels, especially at the grassroots. The CPRGS has a number of specific references to urban poverty reduction and these references describe initiatives to which urban policy needs to be responsive:

- It is recommended that the poverty reduction and growth strategy in urban areas should encourage the poor in these areas to find ways themselves to escape from poverty with assistance from the Government and the community. The 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.
- In order to reduce urban poverty and unemployment, it is necessary to develop and adopt economic growth strategies and policies in urban areas, including investment programs in all economic sectors that have an impact on the poor; creating jobs through development of small and medium enterprises; development of the services sector to enable poor people to create jobs for themselves.
- Improve and expand the vocational training system and job services to enable the urban poor to have stable employment, increase their earnings and gradually improve their living conditions.
- 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.
- In the field of social and economic infrastructure development, investment programs will be developed to upgrade infrastructure at the grass-roots level, ensuring the provision of basic services, e.g. water supply and drainage, sanitary and public lighting... to poor communities.
- The urban waste garbage management program will be extended based on the principle of socialization in order to reduce pollution in urban poor areas. To develop public health-care programs and policies of urban housing development for the poor communities and low-income people, i.e. current living areas will be upgraded in accordance with financial resources, while ensuring employment for the poor in urban areas.
- The urban development strategy will avoid as much as possible the relocation of poor people; instead the strategy will be to prioritize on-site renovation of infrastructure for the poor.
- Create conditions for the poor to contribute to infrastructure projects in their commune, district, or town, so that they can have opportunities for income-generating employment.

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- Develop strategies and policies for urban development that includes the objective of poverty reduction, and prioritizes lands for building houses for the poor, creating conditions for balanced urban development to reduce the gap between rich and poor.
 - There should be balanced development between inner and outer city areas, strengthening the linkage of urban - rural areas by job creation programs in agricultural processing industries, trade and services.
 - Develop strategies to protect the urban environment, ensure sustainable development by minimizing health risks, especially for the poor, by adopting water, air and land pollution treatment measures.
 - Develop standards and procedures in urban design and planning, ensuring that environmental sanitation requirements are met taking into account demand and the poor's ability to pay in urban areas.
 - Implement the reform of administrative procedures taking into account the actual conditions of poor people with respect to land and housing management, the issuance of business and construction certificates, and resident registration in urban areas.
 - Develop policies to encourage the community of the poor, to mobilize the ability and initiative of the poor, including their financial resources, labor, and experiences participating in housing, infrastructure development and income creation activities.

2.2 Pro-poor Urban Policy Imperatives

2.2.1 *Information about rural poverty in Vietnam is good, but urban poverty information is scarce and better information is needed to provide a basis for pro-poor urban policy formulation*

The existing body of information on poverty in Vietnam is extremely rich compared to many other developing countries. The most detailed and large, nationally representative, data were gathered from the 1992-93 and the 1997-98 Vietnam Living Standards Survey (VLSS) conducted by the General Statistical Office with assistance from the UNDP, SIDA and the World Bank. The surveys covered 4800 and 6000 households respectively with a detailed and comprehensive survey questionnaire in both surveys.

However, in general, information enabling a effective understanding of urban poverty is weak. In addition research shows that urban poverty rates may be conservative as vulnerability to poverty is not a measure used currently. A measure of vulnerability to poverty could be useful in that it requires a more sensitive understanding of the dynamics of poverty. The urban poor are not an homogenous group.

Extremely poor households have difficulty purchasing basic needs, income earners work in the informal sector on an irregular basis, lack formal land tenure status, frequently borrow money for basic needs (such as a child's tuition). An extremely poor household would fall below the poverty line and might require assistance from neighbors, family, or community groups on a regular basis. In some cases these households are so marginalized and exist outside formal and informal social networks that they are unable to borrow or receive help. An extremely poor household would have no capital to begin an entrepreneurial effort.

Poor households usually work in the informal sector on an irregular basis, lack formal land tenure status, and occasionally borrow money. Poor households can fulfill their basic subsistence needs on a daily basis, yet have little security regarding future income, employment, and general household welfare. These households would have limited savings and limited access to valuable assets (i.e. motorcycle) that could be sold in case of emergency, such as an illness or the loss of employment. Poor household would have minimal to no capital to begin an entrepreneurial effort.

Near poor households are those households that in the past would qualify as a poor household, but currently are not poor. Members of these households might work in the formal or informal sector, but they would have one or two characteristics that could make them vulnerable to poverty in the future. These characteristics could include a wide variety of factors; for example, a lack of formal land tenure status, limited access to valuable assets, or a large number of dependents. Near poor households would have limited access to capital to either start a new or expand an existing entrepreneurial effort.

These descriptions of extremely poor, poor, and near poor households are not black and white, and guidelines from central government to local governments on the definition of urban poverty should emphasize this. For example, an extremely poor household might have clear land tenure status, but due to a combination of circumstances not be able to fulfill its basic subsistence needs. This more comprehensive definition of the contextual factors should be taken into consideration in pro-poor project design.

The implication is that a sustainable process of urban poverty reduction policy formulation is needed - with more detailed statistical data collection and analysis⁴, more poverty reduction related policy analysis skills, dedicated institutional bases for urban poverty reduction activities.

Participatory planning is internationally recognized as one of the ways in which the characteristics of poverty can be best understood and appropriate poverty reduction initiatives identified. In addition pro-poor participatory planning directly contributes to the reduction of the sense of social exclusion experienced by the poor and encourages social empowerment. A participatory approach to planning pro-poor initiatives is recommended as an integral feature of the proposed national program.

2.2.2 Access to basic infrastructure and services and housing by the urban poor can be improved by adapting current urban development planning and management techniques

Based on the findings of Tasks 1 and 2 of the City Alliance Studies, amongst others, the following are identified as policy imperatives⁵ – the issues which need to be addressed to orient urban policy towards enhancing access of the urban poor to basic infrastructure and services and housing.

- If infrastructure and service provision standards are linked to community choice and affordability, more people will have better access to improved environmental conditions more quickly - infrastructure standards in low-income areas need to be improved to appropriate levels

⁴ For example existing estimates of the scale of urban poverty under-estimate the actual depth of urban poverty, because migrant groups that are not registered are not always captured in current statistics.

⁵ For a full description of the findings of the Task 2 City Alliance research which included extensive stakeholder discussions and interviews in HCMC, Can Tho, Nam Dinh and Hai Phong, please refer to "Housing and Infrastructure , Constraints faced by the Urban Poor" October 2001

One of the factors contributing to the slow expansion of infrastructure services, particularly in densely populated slum areas, is the tendency by government to insist on relatively high and uniform service standards, which makes it more expensive to expand coverage. To enhance access to basic infrastructure services and housing, standards of provision need to be flexibly applied, and incremental development of preferred standards accepted.

In association with this, financial considerations have to be part of the dialogue with communities when priorities, standards, service levels, and choice are discussed. One of the lessons from international experience⁶ is that many governments in other countries have provided infrastructure to high standards and service levels that people do not need and this waste of scarce resources usually ends up providing a high service level to a few and no services to the majority.

International experience in dealing with this is also noted. In dialogue with communities many programs have benefited from using a costed matrix of basic infrastructure and services, which indicates a range of possible service levels and the cost implications of choosing one as opposed to another. Both capital and recurrent cost implications on households regarding the community's choice of service level need to be considered. The establishment of such a costed matrix also has other advantages and that is for those involved in costing overall programs and in making ultimate decisions on standards and service levels. For communities, local government and utility agency planners and engineers it is also necessary to set out some cost parameters at an early stage. This implies that government is willing to achieve its target standards through a process of incremental development of provision.

- If the needs of poor communities are understood as part of the process of Master Plan and Detailed Area Plan preparation and implementation, strategies for pro-poor service provision will become fully integrated into city development strategies

Currently Master Plans and Detailed Plans in Vietnam tend to be physical plans applying rigid planning standards, which are not linked to social and economic development plans and which are prepared without consideration of both financial and implementation capacity to implement them. In addition, although such formal plans should be the product of city level efforts, currently in Vietnam they are often produced centrally – and responsiveness to the needs of stakeholders is inhibited by this.

All cities should have visions as to how they would like to develop in the future and strategies to get there but, as argued above, these should be realistic by applying flexible planning standards, being demonstrably linked to social and economic development plans and prepared on the basis of the financial and implementation capacity to implement them. In particular, urban upgrading programs and projects which focus primarily on the provision of basic infrastructure and services for the poor should not be seen as a final solution to a particular area but as a first, incremental step and strategic element in achieving these visions. Unless this is so it is likely that nothing will be done in such areas and these unplanned, informal, infrastructure deficient communities will grow, and they and the neighborhoods that surround them, will suffer further environmental degradation.

- If poor urban communities are given a voice in identifying, planning and implementing projects to improve their living environment, the projects will more effectively meet the needs of the communities.

⁶ Please refer to Task 2, City Alliance Study, Ibid.

The poor, and particularly the unregistered people, often feel they have no voice and consequently no influence on the development of their communities. Consequently they have little incentive to mobilize their own resources to improve their living conditions.

International experience suggests there are three reasons to support the use of participatory planning. First, there is evidence that participatory planning is more democratic, transparent, and responsive to local needs. Second, it is believed to be more effective because of access to “on-the-ground” or local knowledge and experience. Third, it can be more responsive to the needs and priorities of the poor. Experience in many countries has concluded that if conditions in poor communities are to be improved and the improvements are to have a better chance of being sustained then such communities need to be actively involved in what is planned and what is implemented in their respective communities. If this is done then communities, even if poor, are usually willing to contribute to efforts to improve their environment and, more importantly, to see that improvements are looked after. Contributions can be towards meeting the cost of public infrastructure (roads, drains etc.) as well as personal “on-plot” investments in housing, which also has a beneficial effect on the appearance and image of neighborhoods and cities as a whole.

- Resettlement of poor urban households is a frequently used technique for “area upgrading” but a pro-poor urban development strategy would avoid relocation as far as possible

Unless households have settled on hazardous areas (e.g. canal banks, railway lines) or where the functioning of, for example natural watercourses, is seriously impeded, then every family that has to be resettled should be seen as a failure on the part of policy makers, planners and engineers. It means that they have failed in developing innovative and flexible policies, plans and solutions to try to keep households in place. Moreover the cost of resettlement is invariably more expensive than upgrading even if social costs are excluded.

Considering people first rather than planning standards and infrastructure would likely avoid much resettlement in Vietnam's cities and hence much cost and disruption of families. Funds saved, by reducing compensation payments allows more funds for positive in-situ improvements. Where resettlement is unavoidable people should be relocated in appropriate housing close to where they currently reside such that they are not worse off economically.

- Sustainable improvements can be achieved through effective Operation and Maintenance mechanisms

An important aspect of upgrading projects relates to the sustainability of infrastructure provided. Sustainability in this case means the arrangements put in place to ensure the investments provided are properly operated and maintained. Unless appropriate arrangements are made there is a risk that the infrastructure provided will soon fall into disrepair particularly given the high densities and thus heavy use that the infrastructure typically receives in poor areas of large cities.

With "ownership" by the communities and often high levels of unemployment and under-employment there are opportunities for involving communities in maintenance tasks, certainly those that are labor-intensive e.g. in organizing waste collection and maintaining tertiary drains. At the same time the poor should not be asked to do, and pay for, what the better off have never done or paid for. Also the authorities that are legally responsible for maintenance should not be allowed to escape their responsibilities.

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- Giving some form of security of tenure to the poor is the best way to stimulate the urban poor into investing in their own housing and services

In some cities (e.g. HCMC) utility providers are prohibited from providing a formal service connection (i.e. water, sewer, electricity) to non-registered residents. This results in the poor buying their basic service needs at up to 5 times more than they would have to pay the utility companies if they were allowed formal service connections or alternatively making illegal, and often dangerous connections to city utility systems. In addition the utility companies, in the process of becoming more commercially oriented, and which have often invested in networks to serve the "legal" occupiers of an area, are prevented from expanding their customer base and thus generating more revenue. Thus the policy of preventing "illegal" city dwellers from having a formal service connection appears to be a "no win" situation for the poor and the utility companies alike.

International experience shows that access to secure tenure by poor migrants is the best way to stimulate such people to invest in their own housing needs. The contribution "illegal" migrants can make to city development could be further extended (i.e. through greater investment by themselves in their housing needs) if they were made legal. The giving of official addresses and the formal registration of such people could have a significant affect on housing and environmental conditions in the poor, infrastructure deficient areas to which new entrants to cities migrate.

The high urbanization rate which is a key feature of the governments central urban development strategy⁷ implies very high rural-urban and urban-urban migration and legalization of migrants and security of tenure for migrants will rapidly become a very critical issue in urban policy. Currently this implication of the governments explicit policy of rapid urbanization is not recognized and "migration-management" is a key area for further policy analysis and formulation.

- If infrastructure and services are to be improved in poor urban areas it is essential that links to primary and secondary infrastructure are identified to ensure the effectiveness of the improvements

A problem that has occurred in the past on many upgrading initiatives internationally is that in planning and designing the tertiary infrastructure for upgrading communities scant attention has been paid to the primary and secondary infrastructure that is required to adequately serve the tertiary infrastructure proposed. For example there have been too many instances of new water distribution systems installed but little water and/or insufficient pressure to serve them.

In Vietnam the issue is exacerbated because the poor are widely scattered throughout the cities and especially in the provincial cities there are many small clusters of poor households that can be measured in hundreds, rather than thousands. The policy implication is that area improvement projects are required which incorporate low-income housing areas, with special focus on the specific needs and appropriate solutions of those areas.

A danger in targeting upgrading specifically on low income communities is that infrastructure and service provision can become inefficient. The planning and implementation of basic network infrastructure (e.g. drainage/sewerage, electricity supply and often water supply) has to be looked at on catchment area, supply zone basis) if sense is to be made of service provision.

⁷ The Orientation for Urban Development 2000 – 2020. Please see below for further discussion.

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- Housing finance arrangements to ensure a private sector supply of adequate and affordable housing must be facilitated

There is a severe shortage of housing in Vietnam's cities, with an average per capita living space of only 8 m² and much less in low income areas. The housing problem is particularly acute for the poor, with large families living in one or two rooms. With some exception such as invalids, veterans and students, housing is now a private responsibility.

People have to rely on their own resources, or those of the extended family, to raise the capital for housing. The banking system is unable to provide long-term affordable credit to house buyers because of systemic problems which include: lack of access to long-term capital; insufficient institutional capacity, and the inability of banks to enforce repossession of houses from defaulting borrowers. This lack of credit limits the number of people who can afford to buy, or improve, a house and also discourages large contractors from investing in properly planned housing developments. Self financing of housing is therefore a necessity.

In 2000, around 95% of new housing was self financed (i.e. without a bank loan or mortgage) and 75% of new housing was built by individuals on a self-build basis, using small contractors. Most of the poor cannot afford to self finance housing. They must therefore either rely on the remaining dilapidated stock of state housing, rent rooms, or squat on unoccupied land. The policy implications are wide ranging, but the central requirement is an appropriate system of housing finance to enable householders to provide or improve their housing.

It is also important that public programs on housing preserve as wide a range of housing arrangements/types as possible. In other words, the richer the mix of housing in a city, the higher is the chance that the poor would be able to not only meet their housing needs but also – over time – move into the next step of the housing ladder. This is an important concept because it supports allowing low-income housing to remain in place rather than being replaced by standard (but invariably expensive) housing.

- Human Resource Capacity needs to be enhanced in specific areas

Experience in many countries, which have embarked on upgrading programs, is that it is often not finance that is a constraint to preparing and implementing such programs, in both desired and given time frames, but the local capacity in terms of staff and procedures. Whereas in Vietnam there appears to be no shortage of technical expertise, there are few persons experienced in participatory planning and community motivation. It would therefore be important to ensure that capacity building components are included as part of upgrading projects.

2.3 Compatability of Urban Policy

This section reviews principal urban policy documents, including the Orientation for Urban Development 2000-2020, and the linked "Orientations" for principal urban services. In addition the section also includes a review selected relevant aspects of housing, land and participation / democratization policy and finally the emergence of a new Planning Law is noted and the opportunity this presents for significant policy reform emphasised.

2.3.1 The "Orientation for Urban Development (OUD) for the period 2000-2020

Issues identified include: (a) population distribution and land use are risks to food security; (b) disparity in wealth between urban and rural areas; (c) poor infrastructure, unsustainable development; (d) increasing problems of environmental protection and urban sanitation; (e)

limited funding for urban renovation and development; (f) ineffective urban management. The Orientation includes the following principles: (a) urban development must facilitate national productivity and a balanced national settlement system must be developed; (b) appropriate infrastructure provision must keep pace with urban development; (c) urban development must be sustainable with good sanitation and environment protection; (d) technological advances should be appropriately used; and (e) urban development should contribute to consolidating security, defense and social order.

The stated objectives of the strategy are: (a) to complete an urban system with modern infrastructure, clean environment, proportionately distributed in the whole country; (b) to plan for an urban population of about 46 million by 2020, using between 460,000 — 690,000 ha; (c) to establish 10 urban regions, 5 national urban clusters, 11 regional urban clusters and 60 provincial urban clusters; (d) to encourage modern vernacular urban architecture.

In urban infrastructure the strategy urges: (a) investment in urban planning; (b) investment in infrastructure for economic development - job creation; and investment in basic infrastructure. The strategy also recommends a phased approach to implementation with priority given to: (a) construction of focal zone areas; (b) construction of central urban systems; (c) consolidating a national urban network. The strategy goes on to discuss the need to ensure co-ordination between ministries, Peoples Committees and urban authorities and the need to establish sustainable development standards. Improvement of urban management and development is stressed.

The OUD also recommends the establishment of a National (Steering) Committee for urban development, including representatives from Ministry of Construction, Ministry of Transport, Ministry of Planning and Investment, Ministry of Finance, Ministry of Agriculture and Rural Development, Ministry of Science, Technology and Environment, State Bank, GDLM (land management) and others.

One of the most striking features of the OUD is the clear presentation of urban population growth rates and the distribution of population growth. The projected growth rates are high and are higher than the projected rates of the General Statistical Office (GSO), which used past migration patterns to indicate migration rates over the next 20 years. The OUD uses a different method and assumes urban growth based on the assignment of growth roles for different urban areas, including new / satellite towns. The results of the two projections are shown in **Table 2.1**.

If the OUD assumptions are correct, very significant in-migration can be expected in the largest urban areas especially, but it is noted that the OUD does not include recommendations on migration policy (how migrants can be assimilated into urban areas). Moreover, there is a strong argument that “in-situ” growth (rural urbanization for example) is a plausible alternative model for urbanization in Vietnam. This is a major policy issue and it is recommended that these OUD growth assumptions are also reviewed.

In summary, the OUD is a wide ranging urban policy statement, with a review of urban issues and a strategy for the development of the national urban sector to 2020 but it does not include an orientation to urban poverty. OUD / urban poverty reduction policy gaps are identified in **Table 2.2**. Overall it is noted that the OUD pre-dates the SEDS and the CPRGS and it is recommended that the OUD is reviewed to enable it to operationalize both SEDS and CPRGS.

Table 2.1 - National and Urban Population Projections

	1999	2010	Average Annual Growth	2020	Average Annual Growth
National Population	76.32 m	86.35 m	1.13%	95.76 m	1.04%
GSO estimate of National Urban Population	17.92 m	24.9 m	3.04%	31.85 m	2.49%
GSO estimate as a % of National Population	23%	29%		33%	
OULD National Population estimate	85 m	93 m	0.82%	103 m	
OULD Urban Population estimate	19 m	30.4 m	4.37%	46 m	
OULD estimate of Urban as a % of National Population	22%	30.4%		45%	

2.3.2 Master Plans and Detailed Plans

Currently the key planning document at city level is the Master Plan. The two main objectives of the master plan, which is prepared for an entire city, is to control urban spatial development and infrastructure construction. The master plan is prepared for a period of 15-20 years, with updates every five years. It is prepared at a scale of 1:2,000-1:25,000 depending on the city. The preparation of the master plans for Class I and II cities is the responsibility of the Ministry of Construction. Approval for the master plans of this class of city is the responsibility of the Prime Minister in the name of the Government, following consultations with the Peoples Committee of the concerned province or centrally-administered city. Master plans for Class 111 and IV cities are prepared and approved by the Ministry of Construction.

The second major planning document is the detailed area plan. Detailed area plans are prepared at a scale of 1:500 -1:2,000 for specific areas within a city. They are drawn up within the framework of the master plan. Detailed plans are the primary vehicle for land use management and land allocation associated with public and private sector housing, infrastructure, commercial, etc. development projects. Preparation of the detailed plan is normally the first step in the project development process and is a prerequisite for the subsequent steps for obtaining the planning certificate, land allocation and construction approval.

The main limitations of the master plan process are that it involves a lengthy preparation process and the product is "fixed" for a 20 year period, with very limited flexibility to adapt to new emerging trends. Other weaknesses include a lack of financial analysis/evaluation. There is no clear link in the master plans between the level of development proposed and the financial resources likely to be available to implement it. The plans are also ill equipped to manage market led development, market feasibility is not considered.

However, "doi moi" impels urban development planners and managers to meet the needs of an economy which is becoming more responsive to market principles. In some areas of the country and HCMC in particular, urban development is being driven by large-scale foreign investment. The planning, programming and budgeting of basic urban infrastructure for the fast growing cities/towns is a major task and with scarce resources, prioritization will be required with an increased understanding of, for example, urban poverty and appropriate responses to it.

Table 2.2 - Responsiveness of the Orientation for Urban Development 2000-2020

Pro-poor national policy or policy imperative	Review of applicability of existing urban policy (Orientation for Urban Development 2000 – 2020)
NATIONAL POLICY CONTEXT FOR URBAN POVERTY	
SEDS	The role that the urban sector can play in economic growth is dealt with but the Orientation does not raise urban poverty as an issue and does not recommend specific urban poverty reduction initiatives.
CPRGS	The Orientation does not contain specific urban poverty reduction initiatives and does not respond to the CPRGS initiatives. The Orientation pre-dates CPRGS and it is recommended that the Orientation is reviewed and revised as appropriate (it was the intention that the Orientation would be yet been revised since it was issued).
PRO-POOR URBAN POLICY IMPERATIVES	
Incremental development	Overall targets of infrastructure provision are presented with no reference to incremental development of infrastructure standards.
Ensure responsive Master and Detailed Plans	Master Plans are required but with no guidance on participatory plan preparation techniques or continuous plan review.
Promote participatory planning	No mention is made of decentralization, the increased roles and responsibilities of local governments over the plan period and the increased role of stakeholders. No reference is made to the implications for the urban sector of the Democracy Decree.
Avoid resettlement if possible	Urban upgrading is mentioned and resettlement is cited as an upgrading technique. There is no discussion of the social implications of re-settlement.
Ensure sustainable O&M	O&M is mentioned but in very broad terms – no guidance is given on techniques for financing and managing O&M
Ensure security of tenure for poor households	Discussion on land issues focuses on the overall land take of projected urban population growth and densification is preferred over the development of green-field sites.
Link local and city wide systems	No specific mention is made of linking local and citywide infrastructure.
Mobilizing financial resources	Housing is mostly dealt with in terms of increasing space standards. There is no discussion of housing finance with emphasis on access to housing finance by the urban poor

At the city/town level there is an innovation which could be helpful - a move towards more strategic urban planning. There is much international recognition of the value of a strategic approach to urban development planning and management. This is most clearly indicated in City Development Strategies that are being implemented in several countries including several in East Asia. Strategic planning has a number of advantages as it can respond to the dynamic nature of economic transformation and the increasing levels of urbanization. Principal advantages include: (a) strategic planning stresses “process;’ (b) the plans are prepared following thorough investigation of local constraints and opportunities; (c) the plans involve wide consultation and evaluation of costs and benefits of alternatives are included; (d) the plans can incorporate good environmental planning practices; and (e) the plans remain up-to-date and able to accommodate market led trends.

2.3.3 The Orientation Master Plan for Urban Water Supply Development to 2020

In this policy document, short and long term urban water supply development goals and objectives and measures are set for the water sector. These are described in the table, below, **Table 2.3**. It is highly unlikely that the 2020 targets can be achieved and there is no pro-poor orientation to the strategy to achieve the targets.

Table 2.3 - National program for Water Supply

Period	Urban	%	Domestic Use	Demands (million m ³ /day)			Estimate
	Population (million)	Population Supplied with water	Rate (litres/head/day)	Domestic	Industrial And others	Total Demands	of Investment capital
Existing	14.7	47%				2.50	
Year 2000	23.36	75% (17.52 million people)	120 l/d	2.10	2.20	4.30	900 million USD
Year 2010	30.4	95% (28.9 million people)	150 l/d	4.50	4.50	8.80	2,165 million USD
Year 2020	46.0	100%	165 l/d	7.59	8.35	15.94	3,570 million USD

The table below, **Table 2.4**, describes the degree to which the OUWS is responsive to the national development context (including poverty reduction) and the identified policy imperatives. The conclusion is drawn that the OUWS does not respond to SEDS and CPRGS and does not give leads to the way in which the policy imperatives can be addressed. There is a need for this OUWS to be reviewed and up-dated.

**Table 2.4 - Responsiveness of the Orientation for Urban Water Supply (OUWS)
2000-2020**

Pro-poor national policy or policy imperative	Review of applicability of existing urban policy (Orientation for Urban Water Supply 2000 – 2020)
NATIONAL POLICY CONTEXT FOR URBAN POVERTY	
SEDS	The role that the water sector can play in economic growth is dealt with but the OUWS does not raise urban poverty as an issue and does not recommend specific initiatives to provide water to the urban poor.
CPRGS	The OUWS does not contain specific urban poverty reduction initiatives and does not respond to the CPRGS initiatives. The OUWS pre-dates CPRGS and it is recommended that the OUWS is reviewed and revised as appropriate (it was the intention that the OUWS would be revised on a regular basis, but it is understood that it has not yet been revised since it was issued).
PRO-POOR URBAN POLICY IMPERATIVES	

Pro-poor national policy or policy imperative	Review of applicability of existing urban policy (Orientation for Urban Water Supply 2000 – 2020)
Incremental development	Overall targets of water supply provision are presented with reference to incremental development of water supply standards at a national level. (i.e. the concept of incremental development of standards is applied). Even so the targeted standards of provision are very high and are not affordable. By the year 2020 it is planned that there will be water supply for 100% of the urban population with an average of 120-150 liters per head per day and 180-200 liters per head per day in major cities (Hanoi, Hai Phong and Ho Chi Minh City).
Ensure responsive Master and Detailed Plans	No reference is made of water sector plans and the integration with citywide or area plans.
Promote participatory planning	A number of comments are made on the need for water enterprises to be more "customer-orientated". Also mentioned are the various contributions from community (cash, labor force, water loss reduction, raising awareness, actively supporting and taking part in the reforms) which are required for the sector to be efficient. Also mentioned is the need to establish credit funds with low interest loans for the construction of water supply and sanitation facilities.
Avoid resettlement if possible	Not applicable
Ensure sustainable O&M	O&M is mentioned but in very broad terms – no guidance is given on techniques for financing and managing O&M
Ensure security of tenure for poor households	Registration may be required for a connection.
Link local and city wide systems	No specific mention is made of linking local and citywide infrastructure.
Mobilizing financial resources	Government alone will be unable to mobilize the necessary resources to meet targets. It will be necessary to mobilize private sector and ODA finance.

2.3.4 The Orientation for Urban Drainage and Sewerage to the Year 2020 Urban drainage and sanitation

GOV has ratified the Orientation for Urban Drainage and Sewerage to the Year 2020 and the policy document describes short-term objectives (to the year 2005), with priority being given to the completed drainage (for storm water only) for cities of classes I, II; increasing coverage to 50 – 60% (existing coverage is about 30 – 40%); improvement of drainage of cities/towns of classes III, IV, V; improvement and upgrading of waste water treatment, especially waste water of hospitals and industries; drainage companies is constructed as public enterprises with cost recovery to gradually decrease government subsidy toward self financing. As mentioned, the policy document also states that vault latrines, bucket latrines, pit latrines, fishpond latrines and similar should be eliminated in urban areas before 2005 and that the provision of public toilets should be increased. It is unlikely that the Orientation standards will be achievable.

The problems with drainage and sanitation are the most serious infrastructure provision problems facing the urban sector in general. Again it is striking that the key policy document does not refer to poverty reduction as an issue. The policy includes the target to eliminate "box latrines" by 2005 (by 2001 in Hanoi) , and to ensure the provision of public toilets in densely populated urban areas, but this is not necessarily a pro-poor policy. However the policy is pro-growth with clear guidelines on the priority to be given to commercial and service centers, resorts and towns within the growth zones.

It is also noted that current urban development regulations, policies and procedures provide little opportunity or incentives to communities to undertake infrastructure improvements for themselves. Pilot projects have been undertaken which are useful models for wider use of community infrastructure approaches as part of the overall approach to infrastructure development. The previously mentioned "Support to the Provincial Cities Project" of UNCHS/UNDP and the World Bank supported Household Sanitation Revolving Fund being implemented by the Women's Union are good examples.

Table 2.5 describes the degree to which the OUDS is responsive to the national development context.

Table 2.5 - Orientation for Urban Drainage and Sanitation (OUDS) 2000-2020

Pro-poor national policy or policy imperative	Review of applicability of Orientation for Urban Drainage and Sanitation 2000 – 2020)
NATIONAL POLICY CONTEXT FOR URBAN POVERTY	
SEDS	The role that the drainage and sanitation sectors can play in economic growth is dealt with but the OUDS does not raise urban poverty as an issue and does not recommend specific initiatives to provide drainage and sanitation to the urban poor.
CPRGS	The OUDS does not contain specific urban poverty reduction initiatives and does not respond to the CPRGS initiatives. The OUDS pre-dates CPRGS and it is recommended that the OUDS is reviewed and revised as appropriate (it was the intention that the OUDS would be revised on a regular basis, but it understood that it has not yet been revised since it was issued).
PRO-POOR URBAN POLICY IMPERATIVES	
Incremental development	Overall targets of drainage and sanitation are presented with no reference to local incremental development of infrastructure standards. It is stated that urban drainage will be improved to improve living standards, protect the environment, landscape, and ecology, to ensure stable and rapid economic development, to promote foreign investment and attract tourism activities. These are not pro-poor. A pro-poor orientation is implicit in the stated intention to ensure adequate public toilets in densely populated residential areas, public areas (station, markets) and in residential areas where there is a lack of necessary sanitation facilities (poor areas). Reference to the elimination of box latrines in urban areas before year 2005 is not necessarily pro-poor – it depends how this policy is implemented.
Ensure responsive Master and Detailed Plans	Reference is made to drainage sector plans and the need for integration with citywide plans. It is stated that urban drainage development should be compatible with urban development plan, overall drainage system and consistent with relating infrastructures works.
Promote participatory planning	There is detailed discussion of implementation arrangements at different levels. It is stated that the District level plays an important role in provision of drainage and sewerage services and in the control of drainage and sewerage works, through drainage services branches and particularly relating to relocation and resettlement for rehabilitation of water courses for drainage and sewerage improvement. It is stated that services to alleys, households and

Pro-poor national policy or policy imperative	Review of applicability of Orientation for Urban Drainage and Sanitation 2000 – 2020)
	residents shall be the responsibility of the Ward (Phuong) level. The Ward level plays a decisive role in mobilization of community contributions in rehabilitation and upgrading activities as well as maintaining and managing drainage facilities in streets, tracks, collective apartments areas. It is stated that there is a need to promote education and communication programs to enhance the roles of wards (phuong) in collection, and to encourage participation in cleaning programs, building and managing drainage works within their tracks/alleys and collective apartments.
Avoid resettlement if possible	Drainage projects often require resettlement of poor households
Ensure sustainable O&M	O&M is mentioned but in very broad terms – no guidance is given on techniques for financing and managing O&M
Ensure security of tenure for poor households	Not applicable
Link local and city wide systems	Some mention is made of linking local and citywide infrastructure (see above).
Mobilizing financial resources	Government alone will be unable to mobilize the necessary resources to meet targets. It will be necessary to mobilize private sector and ODA finance.

2.3.5 *The Strategy for Solid Waste Management in Urban Areas and Industrial Estates to the years 2020 (SSWUA)*

Government ratified the Strategy for Solid Waste Management in Urban Areas and Industrial Estates to the years 2020 in 1999. In the policy document, stated short-term (to the year 2005) objectives are to increase the coverage of solid waste collection to 75 – 90% with on-the-source separation of refuse, all kinds the solid waste have to be treated properly such that it can no longer be harmful to people and to the environment; toxic solid waste of hospitals and industries should be separately collected and appropriately treated, for example, waste of hospitals preferably treated with incineration.

Long-term objectives are to increase coverage to 80 – 95%; to complete the treatment of solid waste, especially those of hospitals and industries; to reuse of waste; to consolidate the institutions and legislation; to strengthen the capacity of the institutions; to achieve full cost recovery through charge and fees; to heighten awareness and participation. With the high rate of urbanization projected existing disposal sites will increasingly urgently need to be selected and established and to achieve the strategy goals, a large investment is required. Investment needed for short (to 2010) and long (to 2020) is estimated at \$US 69.53 and 262.36 million. **Table 2.6** describes the degree to which the OUSW is responsive to the national development context.

Table 2.6 - Orientation for Urban Solid Waste (OUSW) 2000-2020

Pro-poor national policy or policy imperative	Review of applicability of existing urban policy (Orientation for Urban Solid Waste 2000 – 2020)
NATIONAL POLICY CONTEXT FOR URBAN POVERTY	
SEDS	The role that the urban solid waste sector can play in economic growth is dealt with but the OUSW does not raise urban poverty as an issue and does not recommend specific initiatives to provide solid waste infrastructure / services to the urban poor. Performance

Pro-poor national policy or policy imperative	Review of applicability of existing urban policy (Orientation for Urban Solid Waste 2000 – 2020)
	targets are established that a minimum percentage of 90% of the discharged solid waste from urban and industrial areas shall be sorted, collected, and treated.
CPRGS	The OUSW does not contain specific urban poverty reduction initiatives and does not respond to the CPRGS initiatives. The OUSW pre-dates CPRGS and it is recommended that the OUSW is reviewed and revised as appropriate (it was the intention that the OUSW would be revised on a regular basis, but it is understood that it has not yet been revised since it was issued).
	A kind of pro-poor note is struck as it is noted in OUSW that the “picking of rubbish is a job. From the overall viewpoint, the rubbish collectors are bring a benefit to the solid waste management as they are collecting a considerable percentage of solid waste for reuse and recycle, thus this work force should be organized and associated”.
PRO-POOR URBAN POLICY IMPERATIVES	
Incremental development	Overall targets of solid waste collection and treatment are presented with some reference to incremental development of treatment standards.
Ensure responsive Master and Detailed Plans	Reference is made to the need for solid waste plans and the need for integration with citywide plans.
Promote participatory planning	There is no detailed discussion of implementation arrangements at local level. It is stated that there is a need to promote education and communication programs.
Avoid resettlement if possible	Not applicable
Ensure sustainable O&M	O&M is mentioned in broad terms – no guidance is given on techniques for financing and managing O&M
Ensure security of tenure for poor households	Not applicable
Link local and city wide systems	Mention is made of linking local and citywide infrastructure and planing lzs, and residential areas (particularly high rise) “shall take into consideration the fact of sufficient space for solid wastes collection”.
Mobilizing financial resources	Government alone will be unable to mobilize the necessary resources to meet targets. It will be necessary to mobilize private sector and ODA finance.

2.3.6 Housing Development Guidance 2001-2010

An *Orientation for Housing Development 2001–2010*, has been drafted by MoC, and more recently a policy document has been issued “*Housing Development Guidance in the Period 2001-2010 and Main Solutions*”. This document presents current GoV detailed solutions for housing development problems. The development guidelines are set in the context of a “*10 year Housing Development Report (1999 - 2000)*.” The compatability of this policy with pro-poor development policy and the identified policy imperatives is described in **Table 2.7**.

Table 2.7 - Housing Development Guidance (HDG) 2001-2010

Pro-poor national policy or policy imperative	Review of applicability of Housing Development Guidance 2001-2010
NATIONAL POLICY CONTEXT FOR URBAN POVERTY	
SEDS	The HDG acknowledges the need for equitable development, and also acknowledges the importance of the mobilization of the role of private and public capital in meeting housing needs. Housing finance mechanisms which enable sustainable improvement of housing stock are cited, but with no specific description of action to be taken.
CPRGS	In dealing with urban housing, the HDG states that the very poor (homeless, those living in very poor housing conditions, government workers, as examples) are target beneficiaries. This is not a central theme of the HDG however and there are no specific guidelines on pro-poor interventions. Although the HDG goes on to confirm the intention to establish a Housing Development Fund, it is not detailed and is not urban poverty reduction specific.
PRO-POOR URBAN POLICY IMPERATIVES	
Incremental development	Overall targets of housing provision are given. The targets are not differentiated for different types of household (ie poor, very poor). Although the overall approach of HDG is national incremental upgrading of the housing stock, the HDG does not address the principle of incremental upgrading of individual houses and in terms of housing provision, neighborhoods. It is noted that spontaneous housing construction will be limited incrementally.
Ensure responsive Master and Detailed Plans	No reference is made to the role of master or detailed area plans, although there is a lot of discussion of the need for improved land management.
Promote participatory planning	There is no detailed discussion of implementation arrangements at local level.
Avoid resettlement if possible	There is no specific reference to resettlement.
Ensure sustainable O&M	Sustainability of the housing stock is mentioned and appropriate financing mechanisms are mentioned, but not described in detail.
Ensure security of tenure for poor households	The importance of land use rights is recognized, including specific mention is made of delayed payments of land use charges to ensure that investors have enough capital for house improvement / building.
Link local and city wide systems	The HDG specifically states that land allocations without infrastructure must be stopped. This has important implications as if successful, housing would only be developed in areas which are serviceable.
Mobilizing financial resources	The HDG acknowledges that it is working to establish a Housing Development Fund although details of the Fund are not described. (Please refer to the explanation, below, of the current ADB supported initiative for more detail).

Over the last ten years, the total housing area had considerably increased by 739 million square meters (m²) throughout Viet Nam, of which about 185 million m² is in urban areas. Upgraded and newly built housing by owners accounted for 75% of total housing, while housing generated by construction companies accounted for 25%. Per capita living space in the urban area increased from 8.2 m² to 10.4 m² in the last 10 years.

Notwithstanding this significant progress, the housing shortage is still serious in urban areas and low-income groups live in cramped and poor quality accommodation. Almost 40 percent of households in urban areas occupy a usable housing area of less than 36 m². Only 25 percent of urban households live in permanent housing types and 19% live in temporary, unstable structures made of different materials, including waste. With the expected rapid growth of the population and increased urbanization and rural-urban migration, the imbalance in demand and supply of the housing stock in urban areas will increase. Making land and finance for housing available to the urban population, especially the poor, at affordable rates, is a key component of a pro-poor urban investment program.

Social surveys in Ho Chi Minh City (HCMC) indicate that most low-income families would pay around D50 million for new housing, while some could pay up to D70 million. This is the price of a unit 25-35 m² in a high-rise building in HCMC. Assuming a total cost for an average apartment of D60 million (\$4,000), a 20-year mortgage loan of D40 million (\$2,666) at an annual interest rate of 12%, the monthly payment required would be D440,434 (\$29.36). This amount would represent less than 30% of the income of a low-income household with a monthly income of D1.5 million (\$100). In the case of shanty house improvements or low-cost, own-build housing, a household borrowing a 10-year loan of D10 million (\$666.66) at an annual interest rate of 12% would pay D143,471 (\$9.56) monthly. This amount represents less than 30% of the income of a poor household with a monthly income of D500,000 (\$33.33). The results of the affordability analysis illustrate clearly that most low-income households can afford loans at market interest rates if medium- and long-term financing would be available.

The housing finance sector is undeveloped in Viet Nam. This reflects the underdeveloped nature of the wider banking and capital market sectors that are also in need of significant reform and restructuring. Currently less than 20% of housing finance credit is provided through the formal banking or government sectors. The main source of housing finance is households' own savings or loans from family and friends. The mortgage instrument and mortgage market are largely undeveloped, being used for less than 10% of housing credit finance. Mortgage rights are recognized in the Land Law, and two decrees on secured transactions have been recently promulgated but no formal mortgage registration process is yet implemented.

The low level of land use certificates currently issued limits the use of mortgage collateral. Most of the banks giving housing loans lack access to long-term credit funds that would enable them to provide long-term loans, an important prerequisite for the development of a strong housing finance market. At present, less than 10% of the total funding of these organizations is long-term credit. Consequently, most housing loans originating from these institutions have a relatively short duration – no longer than five years – and are available to only the relatively wealthy members of society.

The reform policies that the Government has adopted in the housing sector since 1986 included eliminating many housing subsidies, encouraging people to self-build their houses, charging rents for state housing, sale of state-owned housing to occupants, and recognizing legal ownership rights through the issuance of building ownership and land use certificates. Government housing policy initiatives have mainly been on the supply side of the sector involving sale of state housing to residents; access to state land for housing developments;

subsidies for infrastructure development costs of land development; subsidized housing for sale or rent to low-income and priority groups; land, house, and rental price regulation; land and other property tax exemptions; and property management and maintenance support. Government housing policy initiatives on the demand side have been limited to providing subsidized housing credit, at zero or less than market interest rates, to poor and low-income households. Such credit is unsustainable and it has been limited to a small proportion of poor urban households in this category, generally associated with resettlement projects in major cities and replacement of flood-prone housing in the Mekong Delta and other regions.

Housing finance initiatives are being taken. Government is currently working towards the establishment of a sustainable, market-based system for the delivery of housing finance to low- and middle-income households at the national level. Support for this is being provided by ADB and the work includes the preparation of a program of policy and legal reforms, and recommendations for institutional strengthening. Innovative mechanisms to provide affordable house financing to poor and to low- and middle-income households are being sought, reducing their level of insecurity and vulnerability and increasing their available capital. Mechanisms are also being developed to expand the involvement of the banking and finance sector and construction industry in the financing and development of housing, and thus increase employment opportunities in those sectors.

Overall this ADB initiative will (a) promote dialogue and mutual understanding between all stakeholders involved in the housing finance sector; (b) support government in preparing a housing finance component in the national housing policy; (c) recommend a comprehensive institutional framework for housing finance in Viet Nam, including the possibility of establishing a secondary market facility; (d) analyze options in establishing a national housing development fund; (e) examine the scope and feasibility of new financial products to link deposit savings with access to housing loans; (f) analyze the scope and modes of and constraints on subsidies to the housing sector and suggest reforms; (g) conduct detailed financial and operational analyses of potential participating financial institutions (PFIs) and prepare operating and financial qualification standards for PFIs; (h) recommend measures to provide housing finance to the poorest, particularly own-build incremental housing schemes and housing rental schemes; (i) identify and design pilot housing finance projects to test the efficiency of institutions and mechanisms and the demand for different housing loans; and (j) prepare an institutional development and capacity-building program for the sector.

2.3.7 Current policy reforms on land for housing and infrastructure

The policy and legal framework for land acquisition in Viet Nam has been evolving rapidly over the past decade. Since 1992 the Viet Nam Constitution has provided a legal basis for compensation to individuals for loss of certain assets. The Land Law of 1993 institutionalized regulations of land allocation, lease, management, time limits, land acquisition for development purposes, land users' rights, and changes of land value under market mechanisms. The state assigns land to organizations, households, and individuals for stable and permanent use. Under this law, land users utilize and can transfer real property and assets, based on certificates issued by the local government. Users can exchange land, transfer use rights to others, rent land to others, bequeath land, or use it as collateral. Article 27 of the Land Law provides for the state to recover land, including for development purposes, upon payment of compensation.

Other relevant documents include the Civil Law of 1995, which became effective on 1 July 1996 and provides resident rights, and protection for asset ownership rights for organizations, households, and individuals. Decree 52/CP on Construction and Investment Management requires preparation of a resettlement plan, where necessary, as an integral part of the feasibility study, and subsequent project implementation.

In 1998, the Government approved Decree 22/CP and its complementary Implementation Circular (prepared by MOF), which represents a significant development from the earlier Decree 90/CP of 1994, as it provides consistency in regulation of compensation, and assigns specific responsibilities to local authorities. It gives households with legal or legalizable land use rights compensation for land and properties attached to land. Other households using land but whose land use rights are not legalizable may be assisted. While Decree 22/CP significantly strengthens the basis for compensation and rehabilitation when land is acquired for development purposes, several important gaps remain.

Since early 2000, MOF has undertaken extensive investigative and consultative work together with other interested departments, provinces, and municipalities as a basis, initially, for preparing an amendment to Decree 22/CP. MOF identified several issues requiring resolution, reflecting a need to enhance both the formulation of principles and the application of the principles in practice. Areas for special focus include land compensation, asset valuation and pricing, resettlement procedures, and supervision of implementation. These cover the treatment of land used before issuance of the 1993 Land Law, but now recovered; provisions to compensate and rehabilitate those without legal or legalizable rights³; the ambiguity in criteria for land compensation; absence of methods to calculate replacement or market rates for land acquired; absence of specific regulations to achieve livelihood restoration for those affected; less than effective coordination between central and local agencies; inadequate capacity of resettlement staff; absence of regulations on internal monitoring, external supervision, and inspection by MOF; and absence of specific guidance on resettlement plan preparation, appraisal, and approval.

In December 2000 the deputy prime minister confirmed the importance of these issues by asking MOF to address them by formulating a new decree to replace Decree 22/CP entirely, rather than through a Decree 22/CP amendment. The new decree is intended to set good national standards for land acquisition and resettlement, while taking account of local conditions specific to Viet Nam. Complementary plans are also required to build capacity to implement the new decree consistently, especially at provincial, district, and commune levels.

Broadly, current policy analysis aims to prepare a new Decree and to (i) formulate a new legal instrument on land acquisition and resettlement to address income restoration and rehabilitation of those affected, including households without title and those who are otherwise vulnerable, in full consultation with them; (ii) formulate guidelines for the preparation and management of resettlement plans; (iii) establish review, approval, and financing procedures for resettlement plans under relevant organizations responsible for the management of investment and construction projects; (iv) set up resettlement departments in national organizations and provinces with significant resettlement activity; and (v) build capacity to implement involuntary resettlement plans, including preparation and dissemination of training materials at all levels.

2.3.7 The Democracy Decree

The government has recently taken the initiative to improve transparency, increase community participation and democratize policy-making in the communes with the promulgation of Decree no. 29/1998/ND-CP of May 11, 1998. The regulations issued together with Decree 29 define the work done by local administration that local people must be informed of, work to be directly discussed and decided by the people, work requiring consultation with the people but decided by State agencies, and work to be supervised and inspected by the people, as well as forms of implementing the democracy regulations. This regulation is intended to strengthen the efficacy and quality of work of the People's Councils.

The Decree is applicable to urban areas, although the emphasis of the Decree is for democratization of rural communes. The Decree is far reaching and highly appropriate, unfortunately there has been little progress with implementation – this is the principal policy issue.

The commune (or township) administration is required to inform the people of State policies and laws, administrative procedures, the commune's long-term and annual socio-economic development plans, land use planning and plans, resolutions of the People's Councils, annual estimates and settlements of the communes' budgets, estimates and settlements of revenues and expenditures of funds, projects, and contributions mobilized from the people for infrastructure construction and public facilities of communes as well as the results of their implementation, programs and projects funded directly by the State, organizations or individuals, policies and plans on lending of capital for production or poverty alleviation, adjustment of administrative boundaries, results of investigations of corruption involving commune officials, social and cultural activities, social and safety issues, reviews of activities of the commune People's Councils and Committees.

The People's Councils and Committees must coordinate with the Fatherland front and other mass organizations to inform the people by written documents, public postings, public address system, and public meetings. Issues to be directly discussed and decided by the people includes the levels of contributions from the people for construction of infrastructure and public welfare works, raising of funds within the framework of laws, setting up of boards to supervise construction projects built with people's contributions, organization of the protection of production and business. In addition, the Fatherland Front and other social organizations can mobilize funds for mutual assistance or charity purposes on a purely voluntary basis. This must be discussed and decided in one of the following forms: organizing meetings for people to vote, organizing meetings of household heads to discuss and vote, or public poll cards distributed to get household's opinions. A majority of people or households must agree before these things can be implemented and at least 2/3 of the households must be present at meetings or submit poll cards.

Some issues must be discussed with the people to get their opinions and ideas before it can be decided on by the People's Committees or Councils. This includes the draft of long-term plans and annual plans on socio-economic development in the commune including specific economic and production restructuring, business development and job creation, draft plans on land use and efficient management and use of commune land funds, draft zoning of residential areas, plans and schemes on the mobilization and use of people's contributions to invest in construction of infrastructure under management of communes, draft schemes on demarcation of commune administrative boundaries, draft plans on implementation of national programs on health, clean water and environmental hygiene, compensation for land clearance, nomination of candidates to stand for commune People's Council elections, and other things deemed necessary. Discussion and advice can be obtained through meetings, questionnaires or public opinion boxes.

Finally, there are issues that must be supervised and inspected by the commune. These include activities of the People's Councils and Committees and other State officials working in the locality, results of implementation of various resolutions and decisions, settlement of citizens' complaints and denunciations, estimates and final settlement of accounts of the commune budgets, results of the takeover tests and final settlement of accounts of projects constructed with people's contributions, or financed by the State, land management and use, revenues and expenditures of various funds and fees according to State regulations, results of inspection, supervision and handling of corruption involving commune officials, implementation of regimes and policies on preferential treatment, care and support for war

invalids, war martyr's families, people and families with meritorious service to the country , social insurance and social relief policies.

2.3.7 The proposed Planning Law

Government is beginning to prepare a Planning Law and it is recommended that this is recognized as an opportunity to consolidate pro-poor urban policy reforms. Drafting should ensure that pro-poor policies are enabled through appropriate preparation of sections of the Planning Law. In particular it is noted that the proposed Law includes sections on the preparation and approval of construction planning, including the preparation of urban plans at all levels. Reform of the approach to Master Plans and Detailed Plans is recommended, with an emphasis on strategic planning which includes poverty reduction as a strategic objective.

Chapter V of the proposed legislation will also concern infrastructure services and management and this could be an opportunity to develop the ideas presented in this and other City Alliance reports on incremental upgrading of infrastructure in low-income areas.

3. A PRO-POOR URBAN INVESTMENT STRATEGY

Taking into account the national poverty reduction policy context, the identified policy imperatives and current policy reform, an indicative program for enhancing access of the urban poor to basic infrastructure, services and housing has been designed. The indicative program is presented in this Chapter. Policy implications and resource requirements are discussed in the following Chapter, Chapter 4.

3.1 Shaping the Strategy

3.1.1 *Shaping the strategy*

The driving concept of the recommended strategy promoting more equitable development (refer to 3.1.3 below) through means of granting land rights, removing social barriers that makes them secondary to other citizens when it comes to accessing city services, and recognizing their political identity as a community.

In this concept, the governments role is that of a facilitator and enabler and although the recommended approach is product-oriented (physical improvements) it is process driven (building institutional norms in dealing with poverty).

3.1.2 *Target population of the pro-poor urban investment strategy and program*

Using the MoC figures, implied average annual urban population growth rates are 4.81% (1999 – 2010) and 4.23% (2010 – 2020). This national level data can be supplemented with more detailed urban growth rate projections for each urban area, and to date information has been obtained for approximately one third of the urban areas. This partially complete information indicates historical urban average annual population growth rates, 1994 – 1999 of between 3.3% (provincial towns) and 5.5% (district towns) and projections which range from population loss to 20% + (for MoC urban growth focii). Excluding these special cases the range of average annual population growth rates 1999 –2010 is between 2% and 11%. MOC projections are available by city type, as shown in **Table 3.1**.

Table 3.1 - Urban Types and Population by Types Existing and 2010

Urban Type	Existing		Year 2010	
	Number	Population ('000)	Number	Population ('000)
National	3	4,942	5	12,585
Regional	11	1,754	11	3,414
Provincial	47	2,850	45	5,324
District	508	5,198	1,145	7,717
New	0	0	20	1,360
Totals	569	14,700	1,226	30,400

In 2010 it is anticipated that Ha Noi, Ho Chi Minh City, Hai Phong City, Da Nang and Hue will be in the National category. Assuming a 6% poverty rate (a continuation of the current level) this implies that in this category the core target population would be about 755,100.

Regional centers are expected to be Ha Long City, Nam Dinh City, Thai Nguyen City, Viet Tri City, Hoa Binh City, Vinh City, Buon Me Thuot City, Nha Trang City, Bien Hoa City, Vung Tau City and Can Tho City. Assuming an average poverty rate of about 10%, a core target population would be about 341,400. Also assuming 10% core poverty rate, the provincial cities and towns imply a core target population of about 532,400. District towns, with the same assumed rate, would contain a core target population of 771,700. The new towns could also include scope for the development of special land development approaches to enhance accessibility of the urban poor (sites and services for example). The total core target population for the strategy is some 2,400,600.

It is recommended that all types of cities should be eligible to be included in the strategy. It is recommended that cities are prioritized in very simple terms with the principal initial selection criteria being the poverty levels and numbers of poor (high priority for high numbers), rate of urban growth (high rates of growth are high priority). Population densities could also be included (high-density low-income areas would be high priority) but data on a nation-wide basis is scarce currently. This approach implies a centralized process of city selection although it is noted that a more demand-based process could be used, with cities bidding for funds and effectively competing with other cities for funds. There could be benefit in this but even if it is used a set of qualifying criteria would be needed and these would certainly include the criteria described above.

Although there is a case for the sole prioritization of HCMC because of the numbers involved it is recommended that a broader approach be taken in the interests of providing alternative locations for migrants (other than HCMC) and regional equity. For this reason also no priority is given to any of the regions.

3.1.3 Potential benefits

An approach to urban development which aims to improve access to basic infrastructure and services and housing (i.e. upgrading rather than wholesale clearance, community-based rather than government-determined) would be beneficial because in addition to being an extremely expensive approach, slum clearance destroys the social capital and entrepreneurial spirit of poor communities. Placing them farther away from the city increases the living and travel costs of an already impoverished group. Principal benefits include:

- The health and quality of life of the urban poor can be significantly improved at a much lower cost
- Such an approach would enable the poor to improve their living and environmental conditions by recognizing their entitlement to land and other productive resources.
- Upgrading preserves past investments made by the urban poor and enhance their social capital.
- Housing construction has a high multiplier effect in terms of job creation and expanding economic activities. Communities would be able to capture these benefits if an upgrading is community-based. Hence upgrading is a potential tool that can be used to address the whole range of social-physical-economic problems associated with urban poverty.
- Income disparity is a major problem in many growing cities like HMC City and Hanoi. Urban upgrading, once again, helps to address this issue by enabling the poor to retain the value of their investment on land and by enlarging their physical assets.
- Incremental development of GOV service standards enables a greater number to have improved standards more quickly. (Longer-term achievement of preferred standards is not jeopardized by short-term application of lower standards).

3.2 The Strategy and a program to implement the Strategy

3.2.1 Goal and objective of the Strategy

The recommended national strategy has been designed to improve the living conditions of urban households in urban areas throughout Vietnam.

The goal of the strategy is that urban households, including the poor and vulnerable, will have improved access to local planning and decision making processes, more fulfilling and secure livelihoods, reduced vulnerability, better access to urban services, and improved local environments and housing.

The associated policy reforms will enable urban local governments to establish good quality urban management and poverty reduction systems and to facilitate services delivery programs responsively and transparently, and founded on sound technical bases and constituent preferences.

3.2.2 Components of the Strategy

To achieve the goal of the strategy, 3 components have been identified: (a) support to participatory strategic planning for services, housing and infrastructure; (b) extension of infrastructure networks to improve living conditions of the poor; (c) improved access to housing finance by poor households

The objective of **Component 1** of the strategy is to establish and operate participatory, transparent and responsive urban management and operational systems for urban strategic planning for services provision, housing and other poverty reduction and investment programming in line with agreed development strategies.

There are two major challenges for Component 1. The first challenge is the considerable variation in planning processes in the cities. For example, all cities studied by Task 2 of the City Alliance had existing planning processes and these processes varied in terms of their level of citizen participation, approach, and the quality of the plans they produced. For most cities the prospect of starting a new planning process for the purposes of urban upgrading is not a financially or politically viable option. As a result, each participating city's planning processes needs to be objectively evaluated to determine whether or not it is (i) sufficiently participatory and/or (ii) sufficiently pro-poor to make the proposed projects eligible for funds and/or concessionary funds available through programs. In some cases the existing planning process will require additional information, input from stakeholders, consultation with the poor, or other improvements.

The second challenge is the extent to which local governments understand poverty, have experience consulting the poor, and the capacity to design meaningful poverty alleviation projects and/or programs. While most cities have a planning process in place, these planning processes have not made an effort to consult the poor regarding their needs and priorities. This consultation process is seen as essential for generating pro-poor projects. As a result, cities will need technical assistance in the areas of: (1) participatory strategic planning; (2) community-based planning and consultation with the poor; and (3) the principles of poverty identification, measurement, and reduction strategies.

It is recommended that a series of safeguards in the form of procedures and protocols be built into the program to ensure that the projects that cities propose meet a minimum standard of participation. Thus far in the strategy design it has been proposed that a definition of pro-poor be used to evaluate the eligibility of projects for special loan or grant

funds - that is fifty percent of the direct beneficiaries of a given project fall into one of three categories: near poor, poor, or extremely poor.

It should be openly acknowledged that the lack of reliable data at the municipal-level makes it very difficult (if not impossible) to create reliable quantitative measures for each of these categories. As a result it is recommended that local knowledge be used to identify the location of the poor and that this data is recorded through a cognitive mapping exercise. In order to create this map it will be necessary to develop broad descriptions of the near poor, poor, and extremely poor (see above). Based on the research undertaken in Task 1 of the City Alliance studies, these descriptions encompass the most pressing issues faced by the poor, such as the sustainability of their livelihoods, vulnerability, and access to services.

The objective of **Component 2** is the extension of urban infrastructure networks to support (i) improved living conditions in poor neighborhoods, and (ii) housing upgrading for poor households. Interventions will originate from the city-wide planning process and those relating to poor areas will be identified in the context of community-level plans. Investments in urban infrastructure and services can be classified at four levels: (i) city-level infrastructure; (ii) link infrastructure, connecting residential, commercial or industrial area with city-wide networks; (iii) local infrastructure, providing services within a particular area or neighborhood, and (iv) on-plot facilities, including household connections to public infrastructure and services.

CHECK LIST

POSSIBLE COMPONENT 2 TERTIARY LEVEL INVESTMENT PACKAGES FOR INFRASTRUCTURE AND FACILITIES TO IMPROVE SERVICE LEVELS IN LOW-INCOME AREAS

On-site

Water supply

1. Provide new water points and house connections and water points.

Sanitation

1. Encourage householders to install improved on-plot sanitation where possible.
2. Provide new shared sanitation facilities where space restrictions mean that individual facilities cannot be provided.
3. Rehabilitate existing shared sanitation facilities where appropriate.
4. Provide local sewerage where appropriate.

Drainage and access

1. Develop new combined drainage and access schemes in low-income settlements that are currently unserved.
2. Rehabilitate existing schemes that have fallen into disrepair

Solid waste management

1. Encourage development of local house to house or kerbside collection systems where these do not already exist or have ceased to operate.
2. Encourage separation and recycling of solid waste at source.

CHECK LIST
OF POSSIBLE COMPONENT 2 OFF-SITE INVESTMENT PACKAGES FOR
INFRASTRUCTURE AND FACILITIES TO IMPROVE SERVICE LEVELS IN LOW-INCOME AREAS

Off-site

Water supply

1. Extend water distribution system to cover presently unserved areas.
2. Provide new production facilities
3. Rehabilitate existing production facilities.
4. Extend water distribution systems to increase pressures in low-income areas
5. Replacement of undersized and leaky water mains.

Sanitation

1. Provide wastewater disposal or wastewater treatment facilities.
2. Where appropriate, consider the options for district level sewerage schemes, incorporating flows from low-income areas.
3. Encourage development of hygienic emptying services for septic tanks and leach pits.
4. Provide or rehabilitate facilities for treating sludge from septic tanks and leach Pits.

Drainage and access

1. Develop strategic schemes to reduce flooding in low-income and potential economic development areas
2. Rehabilitate primary and secondary drains and where appropriate provide new drains to increase capacity.
3. Provide connector roads to link low-income areas to city road networks.

Solid waste management

1. Provide new transfer stations and arrange transfer service to transport waste to disposal sites.
2. Upgrade existing disposal sites so that they operate as sanitary landfills rather than simple dump sites
3. Develop new landfill sites where necessary

The possible actions listed above will serve to improve the living conditions of the poor and will also provide the essential infrastructure required for local economic development.

The strategy will ensure provision of comprehensive integrated upgrading schemes in poorly serviced area and small-scale “infill” schemes designed to service small clusters of poor households which are too small for comprehensive upgrading. The comprehensive upgrading projects will cover any or all of the following services: access roads and footpaths, drainage, solid waste collection, sanitation, water supply and street lighting. “Infill” schemes may include any of these services but will typically address a deficiency in a very small area. Community upgrading plans prepared under Component 1 will form the basis for these upgrading schemes.

All the activities suggested above are intended primarily to have an impact upon the living and working conditions of low-income people. On-site facilities normally do this in a direct way while off-site facilities and supporting actions are likely to impact upon living conditions less directly. All can be expected to have a more or less direct impact upon livelihoods, vulnerability and quality of life, as defined by access to infrastructure and services.

The strategy will assist urban local government to provide housing upgrading support infrastructure that will reinforce the housing component of the strategy. This will be integrated with the neighborhood upgrading schemes for low-income areas described above.

Financing for on-plot services (water supply connection, sanitation facilities) will be provided under the housing component of the strategy.

CHECK LIST
<u>POSSIBLE COMPONENT 2 INSTITUTIONAL, MANAGEMENT AND PROMOTIONAL ACTIONS TO IMPLEMENT INVESTMENT PACKAGES FOR INFRASTRUCTURE AND FACILITIES TO IMPROVE SERVICE LEVELS IN LOW-INCOME AREAS</u>
<u>Supporting actions</u>
Water supply
<ol style="list-style-type: none"> 1. Replace leaky house connections. 2. Encourage residents to take new house connections 3. Increase tariffs to enable water supply companies to become financially sustainable 4. Improve system records 5. Improve financial systems. 6. Strengthen management
Sanitation
<ol style="list-style-type: none"> 1. Develop sanitation promotion materials and systems. 2. Provide loans for on-site sanitation improvements. 3. Develop and implement suitable management arrangements for shared sanitation facilities. 4. Develop and implement suitable management arrangements for local sewerage schemes. 5. Introduce wastewater charges to enable services to become financially sustainable
Drainage and access
<ol style="list-style-type: none"> 1. Improve information on overall drainage conditions by developing good base plans, perhaps linked to GIS systems. 2. Introduce improved maintenance systems for existing drains. 3. Assess the financial implications of existing and proposed systems and work out improved financing arrangements. 4. Improve liaison between concerned departments 5. Develop city-wide drainage plans.
Solid waste management
<ol style="list-style-type: none"> 1. Develop improved management systems. 2. Investigate possible disposal sites and methods. 3. Investigate possibilities for achieving economic and financial return on waste - for instance by composting or conversion of waste into fuel pellets.

The objective of **Component 3** of the strategy concerns housing for the poor. Housing provides socio-economic stability to the poor and is an important asset and a secure form of savings. It provides a basis for access to the urban economy and it is a key source of employment. The costs of housing are an important element of household expenditures. Lowering the cost of housing and related services is therefore an important poverty reduction objective. The strategy will provide a menu of housing improvements from which households can select according to their needs and financial resources. Examples of items on the menu of housing improvements include incremental housing improvements, a water connection and on-plot sanitation. Housing can also help increase income earning opportunities, including renting out part of the house, or using it for small-scale manufacturing or commercial use. Since the primary constraint in housing improvement is financial, the strategy will provide access to finance for housing and on-plot infrastructure provision. Borrowing for incremental housing improvement and basic infrastructure will be well within the reach of most households, except the poorest. It is important not to isolate housing

assistance from income generation and the housing improvement menu will also include finance for income generation at the household level.

The housing component consists of two main elements: a financial package of loans and grants and a support package. The loans and grants will be accessible to households through a borrowing “window” at a local bank or the local government. The support package will include strategies to raise awareness and provide information, technical and managerial assistance and capacity building. The strategy will provide technical support to MoC to develop procedures and processes for the development, evaluation and monitoring of proposals for housing improvement and standards for the design and costing of housing. Technical assistance will also be available to local governments to introduce innovative housing strategies, for instance to improve access to land for housing the poor or the granting of legal recognition to poor communities, and to support the management and monitoring and evaluation of the housing interventions

3.2.3 *Links between stated concerns of the poor and the Strategy components*

The target populations stated development concerns⁸ and priorities have formed the basis for strategy design and the components of the strategy directly respond to the priorities stated as indicated in **Table 3.2**, below:

Table 3.2 - Links between stated concerns⁹ of the poor and the Strategy Components

Overall priority	Interventions with direct impact on achievement of strategy goal	Interventions with indirect impact on achievement of strategy goal
Reduce social exclusion	Consolidation of participatory planning (Component 1)	Integration of low-income areas into the overall city fabric. (Component 2)
Provide secure land tenure, access to housing and basic infrastructure	<p>The provision of basic infrastructure and services in ‘slums’. (Component 2)</p> <p>The provision of new serviced sites in areas reasonably close to where low-income people live and work (Components 2 and 3)</p> <p>Changes in regulations to make regularization of land tenure possible for inhabitants of informal ‘slums’. (Component 3)</p> <p>Simplification of procedures for regularizing land tenure. (Component 3)</p> <p>Housing loans aimed at low-income people..</p>	Provide the off-site infrastructure required ensuring that services can be maintained in low-income areas. (Component 2)

⁸ The main problems cited included lack of sustainable livelihoods, inability to achieve house ownership, low quality of housing, lack of clean water, deteriorated conditions in alleys, inadequate drainage, lack of sanitation and inadequate solid waste management

⁹ Please refer to Task 2 City Alliance research, Ibid.

3.2.4 Decentralization and the Strategy

Existing GOV decentralization policy and strategies intend that a decentralized, accountable culture of development planning and management is consolidated and this will be the overall aim of urban administration reform, institutional development and human resource development over the next 20 years. The slow speed with which decentralization is currently being undertaken is at odds with the speed of urbanization, and the increasingly urgent need for the efficient absorption of new responsibilities by city government and the effective transfer of control of financial resources to city government.

The Grass Roots Democracy Decree requires local governments to re-orient the way in which they have undertaken their tasks in the past. The emphasis now is away from meeting centrally mandated service delivery coverage targets toward making local governments more responsive to local communities.

Along with the principles of good governance which are being promoted is the need in the urban sector to ensure equal rights for all social groups with greater regard for regulations and mediation forums. Urban local governments also need to better understand their role in urban poverty. Other imperatives include ensuring housing for all, including credit, building materials supply, simplified building permits, and improved land use management.

Given the weak capabilities and institutional arrangements for urban infrastructure development (and especially for sanitation/drainage) at the local levels, the overall recommended long term strategy is to strongly support urban infrastructure management capacity building. Efforts need to be made to develop appropriate institutional arrangements¹⁰ and processes and provision of skills in the 2002-2005 and 2005-2010 periods and implementation of the arrangements and processes and deployment of skills in the 2005-2010 and 2010-2020 periods. With a consolidated institutional and skill base, provision and maintenance of systems can be accelerated in the second and third 5-year plan periods of the 2001-2020 period.

3.2.5 Strategic Framework

	Pro-poor Urban Investment Strategy Design Summary	Performance Indicators/Targets	Monitoring Mechanisms	Assumptions and Risks
1.	Goal			
	Improved urban poverty reduction – to have urban communities and constituents, including the urban poor and vulnerable, influencing urban management and development decisions in line with their demands for income opportunities, reduced vulnerability, local urban services and environmental conditions, and housing	<p>The number of local poor urban communities with increased access to local government decision making processes</p> <p>The number of poor and near poor households with reduced vulnerability to economic, environmental, and other external shocks</p> <p>The number of households brought above the poverty line</p>	<p>National Socioeconomic Survey</p> <p>Other collaborative monitoring activities with the GSO</p> <p>Local government and non-government organization records</p>	<p>Continued and consistent central Government commitment to urban poverty reduction</p> <p>Stable macro-economic management</p>

¹⁰ A gradual shift in responsibility and resources from central and provincial governments to local governments will require a gradual build-up of urban management institutions and skills in the local governments.

	Pro-poor Urban Investment Strategy Design Summary	Performance Indicators/Targets	Monitoring Mechanisms	Assumptions and Risks
		The number of households benefiting from improved local environmental conditions		
		The number of households with improved housing and residential security		
2.	Purpose of Strategy			
	To improve poverty orientated local service delivery – urban area local governments (city governments) have established good quality urban management systems and are facilitating services delivery programs founded on constituent participation, and an emphasis on poverty reduction.	The number of urban local governments achieving prescribed “good urban governance” performance standards including participatory planning and urban poverty reduction	Reports on city performance	The Government achieves inter-ministerial coordination and commitment necessary to execute a broad-based “urban poverty reduction ” program Sufficient local governments respond to the strategy initiatives, and commit to implementing its reforms
	Output of Components 1 and 2 of the strategy			
	Urban infrastructure for poverty reduction and city infrastructure development			
	Provision and maintenance of local and city-wide urban infrastructure facilitated, to support improved living conditions and security in poor neighborhoods	The number of implemented city government investment programs in line with pro-poor urban development strategies Investment appraisal mechanisms and processes ensure that pro-poor funding proposals from city governments are favored Quantity of constructed city-wide and area-wide infrastructure with a strong pro-poor rationale, including (i) urban roads	Records of central Government, including those of the MoF, MoC, MPI (records on local public investment) Records of local government Records of the associations of mayors/ municipalities and regents/	Local governments procure sufficient specialist services to prepare qualifying funding proposals Technical (including screening for poverty reduction impact) and financial screening

	Pro-poor Urban Investment Strategy Design Summary	Performance Indicators/Targets	Monitoring Mechanisms	Assumptions and Risks
		and bridges, (ii) public transport assets, (iii) flood protection, (iii) solid waste transportation and disposal, (iv) public spaces, (iv) and commercial and industrial sites and services	regencies	processes are functioning and are following good governance practices
		<p>The number of poor and vulnerable households benefiting from comprehensive neighborhood upgrading schemes including (i) paths, lighting and environmental improvements, (ii) social services facilities, (iii) livelihood support, (iv) and community development schemes</p> <p>Quantity of infrastructure constructed to support greenfield housing development including (i) access roads to sites, (ii) on-site services, (iii) off-site network connections, (iv) other social services facilities</p>	<p>Records of other “watchdog” organizations including NGOs, and universities</p> <p>Project implementation units and consultants</p> <p>Rapid surveys undertaken by other stakeholders</p>	City governments procure sufficient specialist services to properly manage program implementation
3	Output of Component 3 of the Strategy			
	Established local housing systems and programs for: preparing housing support strategies and plans, neighborhood upgrading, greenfield site preparation	<p>The number of functioning city government housing offices influencing planning and investment decisions, offering advice and information to households, and delivering housing strategies and plans</p> <p>The number of poor and vulnerable households that have improved their dwellings in response to neighborhood improvements, land tenure regularization, and other incentives</p> <p>The number of poor and vulnerable households</p>	<p>Records of the MoC and MPI</p> <p>Records of city governments</p> <p>Records of the associations of mayors/ municipalities and regents/regencies</p> <p>Records of other “watchdog” organizations including NGOs and the academe</p>	<p>City governments receive sufficient specialist services to establish and strengthen housing offices</p> <p>City governments provide sufficient funding to sustain housing offices</p> <p>Housing sector finance is available for civt</p>

	Pro-poor Urban Investment Strategy Design Summary	Performance Indicators/Targets	Monitoring Mechanisms	Assumptions and Risks
		that have obtained improved housing and security on greenfield sites.	Project implementation units and consultants	governments and private partners
			Rapid surveys undertaken by other stakeholders	Householder credit is available for housing construction and improvements

3.2.5 Activities included in the 2001 – 2010 investment program to implement the Strategy

Table 3.3 provides an indicative array of activities and level of expenditure which would be needed to reach the urban poor as described above. For costs it has been assumed that the cost of the urban upgrading components would be included (i.e. excluding city-wide infrastructure) and it has been assumed that the level of provision would be to the defined intermediate level and at the mid-range density shown in **Appendix 5**. The costs include the costs of linked studies and capacity building. The Table shows three categories of urban areas – priority, medium priority and low priority. Priority urban areas would be those ready for early implementation, with clearly defined urban poverty reduction needs and corresponding plans for strategic intervention investments. Medium and low priority urban areas would be those not yet ready with strategic plans for urban poverty reduction, and for whom technical assistance would be provided to enable appropriate studies, plans and programs to be prepared.

Based on our experience in the 4 studied cities, it is recommended that a menu of TAs related to the components of the program be developed. For example, some cities will require a TA on participatory strategic planning, poverty reduction, local economic development, financial management, institutional management, and implementation of infrastructure and housing projects. Cities committed to the program will be eligible for TAs to prepare them for program participation.

Table 3.3 - Indicative 2001 – 2010 investment program

Policy objective	Operation strategies	Timing	Cost (US\$ million)
IDENTIFY OPPORTUNITIES FOR INVESTMENT	Priority urban areas (Excluding VUUP)		
(a) City Level	Feasibility studies, including participatory planning of low-income areas (could be several cities in each FS)		
	1. (200,000 persons)	2003	0.20
	2. (200,000 persons)	2003	0.20
	3. (200,000 persons)	2003	0.20
	Supporting Capacity Building (and extends to detailed studies)	2003	0.50

Policy objective	Operation strategies	Timing	Cost (US\$ million)
IDENTIFY OPPORTUNITIES FOR INVESTMENT	Medium priority urban areas		
(a) City Level	Feasibility studies, including participatory planning of low-income areas (could be several cities in each FS)		
	1. (275,000 persons)	2005	0.20
	2. (275,000 persons)	2005	0.20
	3. (275,000 persons)	2005	0.20
	Supporting Capacity Building (and extends to detailed studies)	2003-5	1.50
IDENTIFY OPPORTUNITIES FOR INVESTMENT	Low priority urban areas		
(a) City Level	Feasibility studies, including participatory planning of low-income areas (could be several cities in each FS)		
	1. (275,000 persons)	2007	0.20
	2. (275,000 persons)	2007	0.20
	3. (275,000 persons)	2007	0.20
	Supporting Capacity Building (and extends to detailed studies)	2003-7	2.50
PREPARE APPROPRIATE DETAILED DEVELOPMENT FOR IMPROVEMENT AREAS	Priority urban areas (Excluding VUUP) Detailed project preparation, including participatory planning (could be several cities in each Detailed Study)		
	1. (200,000 persons)	2004	0.60
	2. (200,000 persons)	2004	0.60
	3. (200,000 persons)	2004	0.60
	4. (200,000 persons)	2004	0.60
PREPARE APPROPRIATE DETAILED DEVELOPMENT PROPOSALS FOR IMPROVEMENT AREAS	Medium Priority urban areas Detailed project preparation, including participatory planning (could be several cities in each Detailed Study)		
	1. (275,000 persons)	2006	0.60
	2. (275,000 persons)	2006	0.60
	3. (275,000 persons)	2006	0.60
PREPARE APPROPRIATE DETAILED DEVELOPMENT	Low Priority urban areas Detailed project preparation, including participatory planning (could be several		

Policy objective	Operation strategies	Timing	Cost (US\$ million)
PROPOSAL FOR IMPROVEMENT AREAS	cities in each Detailed Study)		
	1. (275,000 persons)	2008	0.60
	2. (275,000 persons)	2008	0.60
	3. (275,000 persons)	2008	0.60
IMPLEMENTATION OF IMPROVEMENT AREA DEVELOPMENTS (On-site tertiary level)	Priority urban areas (Excluding VUUP)		
	Project implementation (clustered into one development project)		
	Target beneficiaries 800,000	2005	110.4
	Supporting Capacity Building	4-5 years	6
IMPLEMENTATION OF IMPROVEMENT AREA DEVELOPMENTS (On-site tertiary level)	Medium priority urban areas		
	Project implementation (clustered into one development project)		
	Target beneficiaries 825,000	2007	113.85
	Support Capacity Building	4-5 years	5
IMPLEMENTATION OF IMPROVEMENT AREA DEVELOPMENTS (On-site tertiary level)	Low priority urban areas		
	Project implementation (clustered into one development project)		
	Target beneficiaries 825,000	2009	113.85
	Supporting Capacity Building	4-5 years	2

3.3 Urban Policy Reform

3.3.1 Policy Reform to enable the Strategy

The following policy reform agenda (**Table 3.4**) is derived from the preceding Strategic Framework and the assumptions and risks of the Framework are the issues where policy or policy reforms are required. It has been assumed that there is a demonstrable central government commitment to urban poverty reduction (through the work undertaken in the CPRGS) and that this will continue and will be consistent.

Table 3.4 Policy reform agenda

Policy Priorities	Actions	Time Frame	Remarks
Establishment of an Urban Poverty Reduction Program as part of a continuing	Report to Prime Ministers Office Cabinet by MoC (with support through the Urban Forum) for endorsement of the National Urban Poverty Program	Within 2002 for the initial program and this could be consolidated in the Five-year Plan for SEDS 2006-	The report will inform all stakeholder agencies at the highest level through the Urban

	Policy Priorities	Actions	Time Frame	Remarks
	and consistent central government commitment to urban poverty reduction.	Development of the new Planning Law to include provisions for pro-poor urban development planning	2010 for longer-term action. The Urban Poverty Reduction Program to be updated with each five-year Plan	Forum
	Defining the urban poor and poverty reducing investments.	Issuance of Ministerial Decree by MoC providing guidelines for urban local government on: <ul style="list-style-type: none"> - Enumerating and classifying constituent urban poor households. - Classifying infrastructure investments and other local government programs according to impact on poor households. 	Working definition to be introduced in Decree by end 2002 Revised definitions to be included in SEDS Five-year Plan for 2006-2010	The CPRGS and the City Alliance Studies will inform the Decree. The Decree could be an Annex to the "Orientation for Urban Development" but it would be preferable to revise the whole "Orientation"
	Technical support for local governments	Issuance of Ministerial Decree by MoC providing guidelines to urban local governments on scope, methodology and approach for preparing and implementing poverty reduction programs in a comprehensive and inclusive manner. The guidelines should encourage the development of a strategic planning approach, adapting the ways in which Master Plans and Detailed Area Plans are prepared. Resettlement as a policy for dealing with slums will be discouraged in the guidelines. Effective O&M will be identified as a high priority activity in service provision. The importance of link infrastructure to ensure that services in low-income areas are effective will be emphasized in the guidelines (this highlights the need for a strategic approach).	Pilot guidelines on principles to be available by end 2002 and revised annually.	The Decree could be an Annex to the "Orientation for Urban Development" but it would be preferable to revise the whole "Orientation" Sector "Orientations" would also need to be revised or to have Annexes attached which describe an incremental approach to standards achievement, for use in low-income areas
	Comprehensive	MoC to establish (in association	A svstem should	The svstem

	Policy Priorities	Actions	Time Frame	Remarks
	approach to urban poverty reduction	with other relevant ministries) a system and program for supporting local governments to prepare urban poverty reduction strategies and investment programs. Support will include:	be in place by end 2002 and the system should be reviewed and improved on a continuous basis	should be a joint system with concerned ministries providing support according to their expertise.
		<ul style="list-style-type: none"> – In-house technical advisory services on interpreting and responding to the guidelines and central Government financial programs for urban poverty reduction. – A financial facility for contracting specialist services for preparing comprehensive urban development strategic plans. <p>The implications of the OUD for rural-urban and urban-urban migration is a high priority policy analysis topic – the aim being to develop a comprehensive policy for urban migrant management which is consistent with GOV urbanization policy</p>	Immediate action is required and it is a priority for an ODA supported study.	
	Human Development Policies for the Urban Poor	Improved educational services, health services for the urban poor will not be included in the program. It is clear however that these are very important components of urban poverty reduction. A system needs to be established at city level to <u>coordinate</u> poverty reduction initiatives to ensure that optimum use is made of poverty reduction resources.	MoC to lead Urban Forum action in 2002, with sustained action plan, leading to mechanisms for coordination being identified as an input to SEDS 2006-2010	Each city participating in the urban poverty reduction program could be required to have a clear coordination mechanism (through existing planning / management channels or through a poverty reduction committee).
	Infrastructure Development Policy in Support of Poverty Reduction	<p>The “Orientation for Urban Development” to be revised including re-assessment of urbanization projections.</p> <p>Sector “Orientations” would also need to be revised or to have Annexes attached which describe an incremental approach to standards achievement, for use in low-income areas</p>		To improve access to provision of water and healthier urban housing (with sanitation and waste management), and public housing where appropriate by the poor, policies will be needed which

	Policy Priorities	Actions	Time Frame	Remarks
				facilitate access – incremental development of standards of provision for example.
6	Supporting participatory, responsive and transparent planning and programming	Issuance of amendment to Democracy Decree including guidelines specific to urban areas on affordable participatory planning techniques and approaches	MoC will require endorsement from other GOV agencies to pilot the participatory strategic planning approach. The experience with this pilot work will inform the required amendment which could be timed for end 2003.	The Decree is the leading guideline for participation but is deficient in explaining urban poverty reduction participatory approaches. Amendment should be treated as a routine process as experience in gain.
	Access to housing by the urban poor improved	Housing Policy continues to be developed to ensure: Local governments receive sufficient funds for technical assistance to establish and strengthen local housing offices; housing sector finance is available for local governments and private sector partners; householder credit is available for housing construction and improvements (possibly initially through GOV / ADB pilot financing) Accelerating Land Use Certificate's program will need to be a key feature of short term housing action plans being used to implement housing policy.	Work continues through 2002 and with major revision in 2003 with implementation of GOV / ADB initiative.	
7	Monitoring and evaluation	Establish within MoC or MPI a system and program for monitoring and evaluating the performance of urban poverty reduction programs.	To be started in 2002 and developed to ensure a major contribution to SEDS 2006-2010 policy formulation and OUDS review.	A structured M&E capability will be required to evaluate performance and to advise on ODA inputs to the program.

4. RESOURCE AVAILABILITY FOR THE STRATEGY

4.1 Spending priorities 2001-2005

It is understood that GOV priority for investments for each sector in this period will include poverty reduction and social safety net provision, giving priority to investments to implement the program on poverty reduction and employment creation, clean water, clean environment, development of health care, education and training and urban infrastructure. The recommended program to enhance access of the urban poor to basic infrastructure and housing, as set out in the preceding Chapters fit into this poverty reduction priority-spending category.

Table 4.1 - Projections on state spending on urban development over 3 years, 2003-2005

	2003 (VND bill.)	2004 (VND bill.)	2005 (VND bill.)	TOTAL (VND bill.)
Urban development	1,500	1,500	1,500	4,500
– Recurrent	75	75	75	225
– Capital	1,425	1,425	1,425	4,275
TOTAL	28,330	27,870	28,275	84,475
– Recurrent	17,281	18,002	18,719	54,002
– Capital	11,050	9,869	9,555	30,474

Source: Co-operation between related Vietnamese ministries and WB CPRGS costing team (quoted in 4th edition of CPRGS)

Based on calculations of Vietnamese ministries working with the World Bank. / CPRGS costing team, the expenditure requirement to meet selected social and poverty reduction objectives over the three year period 2003-2005 is VND 84,475 billion. This comprises VND 54,002 billion of recurrent expenditure and VND 30,474 billion of capital expenditure. With respect to urban infrastructure, the total budget over the period 2003-2005 is estimated at VND 4,500 billion, comprising VND 225 billion of recurrent expenditure and VND 4,275 billion of capital expenditure.

4.2 Investment and budget resource allocation

The CPRGS has suggested two scenarios for allocating the social investment capital into sectors and activities. They are respectively the low (1) and high (2) scenario:

Table 4.2 - Investment capital allocation

	1996-2000 implementation		Plan 2001-2005			
	Bill. USD	%	Scenario 1		Scenario 2	
			Bill. USD	%	Bill. USD	%
Total	39.6	100.0	60.0	100.0	70.0	100.0
- Agriculture, forestry, fishery and irrigation	4.5	11.4	7.8	13.0	9.5	13.5
- Industry and construction	17.0	43.0	26.4	44.0	29.0	41.4
- Transportation and post	6.1	15.4	9.0	15.0	10.5	15.0
- Housing, water, public infrastructure and services	5.9	15.0	8.4	14.0	9.0	12.9
- Science, technology and environment	0.2	0.4	0.4	0.6	1.0	1.4
- Training and education	1.1	2.7	2.2	3.7	3.0	4.3
- Health	0.6	1.5	1.2	2.0	2.0	2.9
- Culture and sports	0.5	1.3	1.0	1.7	1.5	2.1
- Public administration	1.3	3.2	1.9	3.2	2.0	2.9
- Others	2.4	6.1	1.7	2.8	2.5	3.6

In scenario 1, the mobilization capacity can be up to USD 60 billion, basically meeting the minimum requirement to attain the CPRGS objectives, in which: agriculture, forestry, fishery and irrigation account for 13 percent of total; industry and construction 44 percent; transportation and post 15 percent; science, technology and environment 0.6 percent; training and education 3,7 percent; health, culture, sports, etc. about 3.7 percent; housing, water, public infrastructure and services 14 percent; public administration 3.2 percent and others 2.8 percent. With the limited resources and structure listed above, the objectives can be met but the quality will be low (e.g. rural roads, health clinics, schools, facilities, etc. will just reach minimum quality standards).

In scenario 2, total investment capital is USD 70 billion, 10 billion more than in scenario 1, of which agriculture, forestry, fishery and irrigation will require USD 9.5 billion, accounting for 13.5 percent of total; industry and construction USD 29 billion, accounting for 41.1 percent; transportation and post USD 10.5 billion, accounting for 15 percent; housing, water, public infrastructure and services USD 9 billion, accounting for 12.9 percent; education and training USD 3 billion, accounting for 4.3 percent; health USD 2 billion, accounting for 2.9 percent and others USD 2.5 billion, accounting for 3.6 percent. Generally, all objectives can be achieved in terms of both quality and quantity.

To implement the CPRGS the preferred scenario is scenario 2. To obtain the additional USD 10 billion compared to scenario 1, it is estimated that USD 5 billion will be mobilized from domestic resources, mainly from the private sector and the people. The State will quickly revise investment policies to strongly encourage the private sector and others to expand their investment. At the same time, efforts will be made to mobilize from the international community and foreign investors another USD 5 billion.

The budget expenditure allocation estimated by CPRGS is as follows:

Table 4.3 - State Budget expenditure in the period 2001-2005 (excluding debt payment)

	1996-2000 implementation			2001-2005 estimation		
	Total	Of which:		Total	Of which:	
	(Bill. USD)	Investment expenditure	Recurrent expenditure	(Bill. USD)	Investment expenditure	Recurrent expenditure
Total	29.6	9.0	20.6	45.1	13.3	31.8
Of which:						
– Agriculture, forestry, fishery and irrigation	3.0	2.1	0.9	4.7	3.3	1.4
– Transportation and post	3.5	2.7	0.8	5.2	3.9	1.3
– Housing, water, public infrastructure and services	1.3	1.0	0.3	2.0	1.5	0.5
– Science, technology and environment	0.5	0.2	0.3	1.0	0.3	0.7
– Training, education and vocation	4.7	0.6	4.1	8.2	1.0	7.2
– Health	5.4	0.6	4.8	8.5	0.6	7.6

Table 4.4 - Structure of State Budget expenditure in the period 2001-2005 (excluding debt payment) (%)

	1996-2000 implementation			2001-2005 estimation		
	Total	Of which:		Total	Of which:	
	%	Investment expenditure	Recurrent expenditure	%	Investment expenditure	Recurrent expenditure
Total	100	100	100	100	100	100
Of which:						
– Agriculture, forestry, fishery and irrigation	10.1	23.3	4.4	10.4	24.8	4.4
– Transportation and post	11.8	30.0	3.9	11.5	29.3	4.0
– Housing, water, public infrastructure and services	4.3	11.1	1.5	4.4	11.3	1.6
– Science, technology and environment	1.7	2.2	1.5	2.2	2.3	2.2
– Training, education and vocation	15.8	6.6	19.9	18.2	7.5	22.6
– Health	18.2	6.6	23.3	18.8	6.8	23.9

According to the above estimates, agriculture, forestry, fishery and irrigation requires USD 4.7 billion, an increase of 55 percent; transportation and post USD 5.2 billion, an increase of 50 percent; housing, water, public infrastructure and services USD 2 billion, an increase of

54 percent; science, technology and environment USD 1 billion, for a 100 percent increase; training, education and vocation USD 8.2 billion, an increase of 75 percent; health USD 8.5 billion, an increase of 57 percent.

Thus, total expenditure for sectors and activities that directly relate to poverty reduction in the five years 2001-2005 is estimated at USD 30 billion, accounting for nearly two thirds of total budget expenditure, equal to 1.6 times that in the 1996-2000 period, of which the majority directly goes to disadvantaged and poor areas.

4.4 Cost of Strategy and Program and Affordability

The total amount required for the recommended program is estimated at \$351 million, and all this amount would need to be committed in the period 2002 – 2010, although not all would be disbursed in this period. The disbursement period would be approximately 15 years in total and this implies an average annual expenditure of \$23.4 million.

The amounts estimated would cover the local infrastructure servicing needs of the defined poor and it is assumed that the expenditure on these services would be linked to investments in city-wide or area urban infrastructure already being planned and programmed. Using figures above the local infrastructure components of the recommended program will absorb some 6.0% of annual expenditure in these principal infrastructure sectors.

This implies a small re-orientation of sector expenditure to ensure improved access to basic infrastructure, services and housing for the urban poor, and one which is affordable and entirely consistent with Government's orientation to budget preparation in the medium term.