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

Executive Summary

Background

The Government (GoV) has recognized that the needs of the urban poor require more attention. GoV intends to contribute further to the alleviation of poverty in urban areas by ensuring better access to basic infrastructure and services and shelter to the urban poor, through a program of pro-poor urban investments prepared in the context of a national strategy. The GoV has enlisted the support of the World Bank to prepare a pro-poor urban development project¹ that would be an initial investment in the national program. The City Alliance has provided support to GoV to prepare a strategic framework for the national program and this Executive Summary and Final Report are the products of the City Alliance funded support.

Associated studies

The strategy described in this Executive Summary is based on the research undertaken in the linked City Alliance funded studies and described in the 3 associated reports. Reference has also been made to studies undertaken with ADB support concerning housing finance².

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.

The Structure of the Executive Summary

Part 1 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.

Part 2 goes on to review existing urban policy and the review 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.” **Part 3** describes a program to implement the strategy and also identifies the policy reforms required to enable the program to be implemented effectively. Finally **Part 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.

Use of the Executive Summary / Main 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). In particular it has been agreed that following discussion 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 and program. The operationalisation could take several forms, including revisions to existing policy statements and / or inclusion in new legislation and guidelines for local governments.

¹ The Vietnam Urban Upgrading Project (VUUP).

² Initiated by ADB TA 3487 Low Income Housing and Secondary Towns Urban Development Needs Assessment.

PART ONE

Part 1 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 emerging “Comprehensive Poverty Reduction and Growth Strategy” issued by Government in May 2002.

1. Policy context

This Part describes national development strategies providing a framework for urban poverty reduction.

1.1 Strategy for Socio-economic Development (SSED) 2001-2010

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

1.2 Comprehensive Poverty Reduction and Growth Strategy (CPRGS)

The CPRGS is an action plan that translates the SSED and the linked five-year Socio-economic Development Plan as well as other sectoral 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 took the lead in this undertaking in collaboration with concerned ministries and agencies 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 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.
- 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 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.
- 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.

2. Policy imperatives

- **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**

One of the factors contributing to the slow expansion of infrastructure services, particularly in densely populated slum areas, is the tendency for 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 shelter, standards of provision need to be flexibly applied, and incremental development of preferred standards accepted.

- **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 these visions 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.**

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 reasons to support the use of participatory planning. First, participatory planning is more democratic, transparent, and responsive to local needs. Second, it is effective because of access to “on-the-ground” or local knowledge and experience and 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.

- **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.

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 shelter 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. 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.

- **Giving some form of security of tenure to the poor is the best way to stimulate the urban poor into investing in their own shelter 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 shelter 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.

- **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.

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

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 a time horizon – move into the next higher ladder. this is an important concept because it tends to give some justification in allowing low-income housing to remain in place rather than being replaced by standard (but invariably expensive) housing.

PART TWO

Based on the problem analysis / identification of policy imperatives, Part 2 goes on to outline a possible strategy and reviews the compatability of current urban policy with the strategy. The chapter concludes with the identification of priorities for action and priorities for policy reform to fill the identified “policy gaps.”

3. Goals

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 shelter.

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.

4. Components of the strategy

To achieve the goal of the strategy, 3 components have been identified: (a) support to participatory strategic planning for services, shelter 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, shelter and other poverty reduction and investment programming in line with agreed development strategies. One of the challenges 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 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 mapping exercise. In order to create this map it could be useful to develop broad descriptions of the near poor, poor, and extremely poor (see above). Based on the research undertaken in Task 2 of the City Alliance, these descriptions encompass the most pressing issues faced by the poor, such as the sustainability of their livelihoods, vulnerability, and access to 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

CHECK LIST**POSSIBLE COMPONENT 2 INSTITUTIONAL, MANAGEMENT AND PROMOTIONAL ACTIONS TO IMPLEMENT INVESTMENT PACKAGES FOR INFRASTRUCTURE AND FACILITIES TO IMPROVE SERVICE LEVELS IN LOW-INCOME AREAS****Supporting actions****Water supply**

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

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

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

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 2** is the provision of local and city-wide urban infrastructure to support; (a) improved living conditions in poor neighborhoods; and (b) 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: (a) city-level infrastructure; (b) link infrastructure, connecting residential, commercial or industrial area with city-wide networks; (c) local infrastructure, providing services within a particular area or neighborhood; and (d) on-plot facilities, including household connections to public infrastructure and services.

The objective of **Component 3** of the strategy concerns housing for the poor. 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 programs to raise awareness and provide information, technical and managerial assistance and capacity building. The program could provide technical support to MoC to develop procedures and processes for the development, evaluation and monitoring of proposals for shelter improvement and standards for the design and costing of shelter. technical assistance will also be available to local governments to introduce innovative shelter 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 shelter interventions

5. Policy reform

To adopt the kind of strategy described above and to implement it, appropriate policies need to be in place. How far can current urban policy be used to implement national development policy (including

poverty reduction) and to address the policy imperatives for improving access to basic infrastructure, services and shelter to the urban poor?

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

One of the most striking features of the OUD is the clear presentation of urban population growth rates (Table 6.1) and the distribution of population growth. The projected growth rates are high and are higher than the projected rates of 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.

Table 6.1 - 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 % of national population	23%	29%		33%	
OUD national population estimate	85 m	93 m	0.82%	103 m	
OUD urban population estimate	19 m	30.4 m	4.37%	46 m	
OUD estimate of urban as a % of national population	22%	30.4%		45%	

If the 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). This is a major policy gap and it is recommended that these assumptions are also reviewed.

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. Urban poverty reduction policy gaps have been identified 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 operationalise both SSED and CPRGS.

Master Plans and Detailed Area Plans

The main limitations of the master plan process are that it involves a lengthy preparation process and the product is "fixed" with very limited flexibility to adapt to new emerging trends. other weaknesses include a lack of financial analysis/evaluation, the plans are 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.

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 the city development strategy which is being implemented in several countries. strategic planning has a number of advantages as it can respond to the dynamic nature of economic transformation and the increasing levels of urbanization.

5.2 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. 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.

5.3 The Orientation for Urban Drainage and Sewerage to the year 2020

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.

5.4 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.

5.5 The Orientation for Housing Development 2001–2010,

As part of the formulation of housing policy, MoC has recently issued "*10 year Housing Development Report (1999 - 2000)*", and "*Guidelines, Tasks and Main Solutions in Period 2001-2010*". 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.

The low level of land use certificates currently issued limits the use of mortgage collateral. most of the banks giving housing loans have significant lack of access to long-term credit funds for 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.

Key unresolved problems include lack of: (i) coordination between the government agencies responsible for the housing sector and the financial sector; (ii) a national housing policy that integrates financial policy; (iii) an institutional and regulatory framework for the housing finance sector; (iv) savings schemes linked to housing improvements and development; (v) long-term capital financing for housing; and (vi) a system of transparent, well-justified, and targeted subsidies. 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.

5.6 Current Land Policy Reforms

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.

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 issues remain.

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.

5.7 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.

5.8 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 takes 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.

6. Enabling policy reforms

- Report to Prime Ministers Office / Cabinet by MoC (with support through the Urban Forum) for endorsement of the national urban poverty program
- Development of the new planning law to include provisions for pro-poor urban development planning

- Issuance of Ministerial Decree by MoC providing guidelines for urban local government on: (a) enumerating and classifying constituent urban poor households; (b) classifying infrastructure investments and other local government programs according to impact on poor households
- 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. O&M will be encouraged 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.
- MoC to establish (in association with other relevant ministries) a system and program for supporting local governments to prepare urban poverty reduction strategies and investment programs. Support will include:
 - 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.
- 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
- Improved educational services for the urban poor and improved 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 coordinate poverty reduction initiatives to ensure that optimum use is made of poverty reduction resources.
- The “Orientation for Urban Development” to be revised including re-assessment of urbanisation projections. Sector “Orientations” also need to be revised or to have annexes attached which describe an incremental approach to standards achievement, for use in low-income areas
- Issuance of amendment to democracy decree including guidelines specific to urban areas on affordable participatory planning techniques and approaches
- Housing policy continues to be developed to ensure:
 - local governments receive sufficient funds for technical assistance to establish and strengthen local housing offices;
 - shelter sector finance is available for local governments and private sector partners;
 - householder credit is available for shelter construction and improvements
 - accelerating LUC’s program will need to be a key feature of short term housing action plans being used to implement housing policy
 - Establish within MoC or MPI a system and program for monitoring and evaluating the performance of urban poverty reduction programs.

PART THREE

Part 3 describes a program to implement the strategy and also identifies the policy reforms required to enable the program to be implemented effectively. Finally Part 4 describes the approximate cost of the pro-poor 10 year program, the possible sources of funds and comments on the affordability of the program.

7. A Pro-poor Urban Investment Program to Implement the Strategy

The framework for the Program is attached as ANNEX 1 and this framework shows Goals, Purposes, and Outputs of the Program with linked performance indicators, monitoring mechanisms and assumptions and risks.

The 2001 – 2010 investment program comprises an indicative array of activities and level of expenditure which would be needed to reach the urban poor as described above. The array is described in **Table 7.1**.

For costs it has been assumed that the cost of the urban upgrading components would be included (i.e. excluding city-wide infrastructure).

Table 7.1 Summary Indicative Investment Program 2001-2010

Activity	Yr1 2003	Yr2 2004	Yr3 2005	Yr4 2006	Yr5 2007	Yr5 2008	Yr6 2009	Yr7 2010	Target Pop.	Cost \$US (m)
Priority – Pre-feasibility Study + capacity building	PFS								600K	2.1
Medium priority – Pre-feasibility Study + capacity building	CB	CB	PFS						825K	2.1
Low priority – Pre-feasibility Study + capacity building			CB	CB	PFS				825K	3.1
Priority – Detailed development studies + capacity building	CB	DS CB							800K	2.4
Medium Priority – Detailed development studies + capacity building		CB	CB	DS CB					825K	1.8
Low Priority – Detailed development studies + capacity building				CB	CB	DS CB			825K	1.8
Priority – Implementation of Improvement Areas + capacity building			IIA CB	IIA CB	IIA CB	IIA CB	IIA CB		800K	110
Medium Priority -Implementation of Improvement Areas + capacity building					IIA CB	IIA CB	IIA CB	IIA To 2011 CB	825K	114
Low Priority – Implementation of Improvement Areas + capacity building							IIA CB	IIA To 2013 CB	825K	114
TOTALS									2450K	351

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 experience in the 4 studied cities, it is recommended that a menu of TA's 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 TA's to prepare them for program participation.

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 \$23.7 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.

8. Strategy and Program Benefits and Impacts

Table 8.1 shows the links between concerns of the poor, as presented in the reports of City Alliance Task 1, and the strategy components. The target population's stated development concerns and priorities have formed the basis for strategy and program design and the components of the program directly respond to the priorities stated.

Table 8.1 - Links Between Stated Concerns of the Poor and the Strategy and Program Components

Overall priority	Interventions with direct impact on achievement of program goal	Interventions with indirect impact on achievement of program 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 regularisation 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 to ensure that services can be maintained in low-income areas. (Component 2)

An approach to urban development which aims to improve access to basic infrastructure and services and shelter (i.e. upgrading rather than wholesale clearance and community-based rather than government-determined) would be beneficial because 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

- The poor are enabled to improve their living and environmental conditions by recognising 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 HCMC 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).

9. Scope of the Strategy – wider process of urban policy formulation

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.

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 program. This report recommends a program 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.

ANNEX Strategy 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 shelter	<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>The number of households benefiting from improved local environmental conditions</p> <p>The number of households with improved shelter and residential security</p>	<p>National Socioeconomic Survey</p> <p>Other collaborative monitoring activities with the GSO</p> <p>Local government and non-government organization records</p>	Continued and consistent central Government commitment to urban poverty reduction Stable macro-economic management
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	<p>The Government achieves inter-ministerial coordination and commitment necessary to execute a broad-based “urban poverty reduction” program</p> <p>Sufficient local governments respond to the program initiatives, and commit to implementing its reforms</p>
	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	<p>The number of implemented city government investment programs in line with pro-poor urban development strategies</p> <p>Investment appraisal mechanisms and processes ensure that pro-poor funding proposals from city governments are favored</p> <p>Quantity of constructed city-wide and area-wide infrastructure with a strong pro-poor rationale.</p>	<p>Records of central Government, including those of the MoF, MoC, MPI (records on local public investment)</p> <p>Records of local government</p> <p>Records of the associations of mayors/</p>	<p>Local governments procure sufficient specialist services to prepare qualifying funding proposals</p> <p>Technical (including screening for poverty reduction impact) and financial screening processes are</p>

	Pro-poor Urban Investment Strategy Design Summary	Performance Indicators/Targets	Monitoring Mechanisms	Assumptions and Risks
		including (i) urban roads 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	municipalities and regents/ regencies	functioning and are following good governance practices
		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 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	Records of other “watchdog” organizations including NGOs, and universities Project implementation units and consultants Rapid surveys undertaken by other stakeholders	City governments procure sufficient specialist services to properly manage program implementation
3	Output of Component 3 of the Strategy			
	Established local shelter systems and programs for: preparing shelter support strategies and plans, neighborhood upgrading, greenfield site preparation	The number of functioning city government housing offices influencing planning and investment decisions, offering advice and information to households, and delivering shelter strategies and plans The number of poor and vulnerable households that have improved their dwellings in response to neighborhood improvements, land tenure regularization, and other incentives The number of poor and vulnerable households that have obtained improved housing and security on greenfield sites.	Records of the MoC and MPI Records of city governments Records of the associations of mayors/ municipalities and regents/regencies Records of other “watchdog” organizations including NGOs and the academe Project implementation units and consultants	City governments receive sufficient specialist services to establish and strengthen housing offices City governments provide sufficient funding to sustain housing offices Shelter sector finance is available for city governments and private partners
			Rapid surveys undertaken by other stakeholders	Householder credit is available for shelter construction and improvements