Vietnam’s Post-reform Housing Policies: Social Rhetoric, Market Imperatives and Informality

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Introduction

Vietnam has undergone rapid transformation from a socialist to a market system since the economic reform (Doi moi) in which housing is one of the policy areas that has been comprehensively transformed towards a market orientation. New legal framework has been created to boost private sector’s housing development. This has brought about both a remarkable growth of the housing stock and greatly improved housing quality. Yet it also leads to the widening of housing inequality. Whilst good quality commodity housing has been developed by the private sector, the majority of which are out of reach for the average income earners. The supply of affordable housing by the state has been severely lagging behind as practical alternatives for the urbanites with less means. Furthermore, the formal housing sector (both in the private and state sector), which is regulated by institutionalised frameworks, was only able to produce a small share of new urban housing despite being heavily supported by state policies. The large bulk of urban housing supply (75%) was in fact, accomplished by incremental housing activities outside the formal system by individuals, households and small entrepreneurs.

In this respect, Vietnam’s housing system provides a complex and interesting case for policy analysis. On the one hand, the transition from central planned to market orientation helps to highlight on, and draws the focus to, the relationship between the state and the market in housing policies. The co-existence of a huge informal housing sector alongside the formal housing sector adds the dimension of informality in state-society relation illuminates the role of the “society” in the transformation process.

This chapter attempts to provide a critical analysis of housing policies in Vietnam with the focus on the relationship between the state and the market with special attention on policies of housing provision for the vulnerable groups and the social consequences of such policies. The chapter highlights the contradiction and complexity of a dual system of formal and informal housing in which the socialist goals of political legacy intertwine with market imperatives introduced by the neoliberal doctrines. With sharp contrast to other developed or transitional economies (e.g. neighbouring China) housing development in Vietnam was both state-led and people-led with the seemingly undisciplined informal sector being the anchor. The chapter is based on analysis of policy documents, housing statistics, international donor reports, as well as media coverage on housing issues with focus on affordable housing.

The Shaping of Housing Policy in Vietnam

To understand how housing policy is formulated in the reform and post-reform era of Vietnam, one must take note of the underpinning forces that shape the economic and social development of the country as a whole. There are three factors that are of paramount importance—neoliberalism on urban and housing policy, socialist rhetoric that creates path dependency as well as the supposedly weak capacity of the Vietnamese state in implementing the reform measures.
The first and foremost significance is neoliberalism. Since the 1970s, neoliberalist policy appeared to be the holy grail for economic and social development and further proliferated with World Bank programmes and IMF loans to less-developed countries. It is thus not surprising when economic reform began in China in the early 1980 and Vietnam in the mid 1980s, neoliberal economic and social policies seem like the exemplary of capitalism and was quickly being adopted. This led to the comment of Harvey (2005) on China that “[she has] definitely moved towards neoliberalization” (p. 151). Yet more critical analysis of the process of market liberalization in China led Nonini (2008) to conclude that at best a weak form of neoliberalism exists within a limited proportion of Chinese citizens. The case in Vietnam may not be the same albeit China has been a role model of Vietnam at the beginning of the economic reform, its trajectories of reform are very different from that of China.

Unlike China which benefited from foreign direct investment from overseas Chinese in Hong Kong and Taiwan, Vietnam has been heavily rely on foreign direct investment and foreign aid from countries in Northern and Western Europe as well as Asian countries like Japan and Korea (Masina, 2012). It is not surprising to find ‘international organizations have long pressed for broader neoliberal restructuring as a means to “civilize”, “modernize and privatize the landscape through minimizing state intrusion in the market’ (Schwenkel & Leshkowich, 2012, p. 388). It is also the alignment of international push with self-interest of official which reinforce the neoliberal momentum (Harms, 2012).

The second factor is the socialist rhetoric and legacy of the socialist system. After the economic reform, Vietnam is a de facto capitalist economy which has been increasingly incorporated into the global economic order. Yet politically, it remains a totalitarian one-party socialist regime, at least constitutionally. Socialist doctrines such as the party’s absolute rule, and the state’s dominance of the economy, still form the overarching guiding principle of state policy. The state holds on to its economic and fiscal power while promoting a ‘multi-sector commodity economy’ (London, 2009). Holding high the socialist slogan of developing a “civilized and equitable society” (Party Congress in 1991), the state invested extensively in social development programs such as poverty reduction, development of a system of social security. However, true to the socialist idea of a dominant state sector, social security policies only take care of people in the formal sector and thus exclude vulnerable groups such as migrants, ethnic minorities, elderly with no access to incomes, etc.

The third factor is what may be considered as weak state capacity. With unchecked political power of the one-party authoritarian state, it appears that Vietnam should have no difficulties in carrying out the reform given the determination of the party-state for change. In fact, during 1992 to 1999 alone, there were 120 new laws with thousands of implementation regulations and decrees being issued to push the economic reform forward. However, most of such regulations were unable to turn from “law on paper” to “law in reality”, partly because of the resistance from local official or residents but largely owing to the hastiness of law making that resulted in confusion and even contradiction among different legislation (Yip & Tran, 2008). To rectify such discrepancy, more discretion is allowed for local officials in implementation such regulations (Quinn, 2002). Yet this often leads to the abuse of power and increases the opportunities for corruption.

The administrative capacity in carrying out policy and the political capacity in mediating conflict of interest in policy implementation could also be seen as weak. For instance, in
handling illegal building extensions, instead of enforcing the law, local officials incline to use disorganised dialogical means in order to avoid direct conflicts with residents which often results in the extension being tolerated (Koh, 2006). Equally ineffective is the political capacity of local officials in dealing with power conflicts. A multiple command chain and interferences from upper authorities makes Vietnam appears to be less efficient in carrying out planned developments (Yip & Tran, 2008).

A consequence of weak state capacity is the prevalence of the “popular sector impulses” (McGee, 2009) held by many economically disadvantaged citizen who gain autonomy after the economic liberation (Higgs, 2003, p. 87). This stimulates the informal economy and creates “self-organising cities” (Geertman, 2007) which is manifested by the “footpath” economy of street vendors roaming pavements of the city (Higgs, 2003), self-built “popular” housing as well as elegantly bulging extensions in residential buildings (Koh, 2006).

Yet these seemingly dominating factors may not live up to scrutiny. Gainsborough (2010) argues that while many aspects of reform are influenced by market imperatives, the Vietnam’s state has maintained a significant degree of continuity in ideas and practices from the central planned time. The Communist Party still considers itself to conform to the socialist ideals (London, 2009). Subsequent sections will illustrative how such seemingly neoliberal policies interact with the prevailing social and economic environment as well as with the socialist legacy in unique trajectories deviated from what the neoliberal policies intend to achieve.

Likewise, the weak state thesis is also being challenged. For instance, the absence of state regulatory authority does not necessary mean the absence of state power and uncertainty can be a deliberate instrument of state rule (Gainsborough, 2009, 2010). The state is not a single entity (Painter, 2005) and the working of a fragmented set of institutions which appear to move in different directions can be powerful in forming outcomes “larger than the sum of its part” (Gainsborough, 2010, p. 183). Empirical examples in the subsequent section will outline how an eloquent informal sector, which had been perceived as the undesirable product of weak state capacity, over-shadows the formal state sector in producing real housing outcomes.

**Housing Policies in Transition**

**The socialist housing system: Stratification and welfare for the deserved**

Housing was provided as social benefit by the state in the pre-reform era with the state monopolising both the production and distribution of housing in the urban areas. In this de-commodified housing system, not only was rent being set very low, tenancy is secured life long occupancy and could even be passed to their children. However, state housing then did not bear any “social” meaning as their counterparts in the West but was allocated with regard to employment (seniority or position in the hierarchy) and political merits (whether “valuable” to the party state) (Tran & Dalholm, 2005). This would inevitably lead to stratification within the same work unit which was the basic unit of housing allocation. In fact, diversity among different work units was even more apparent with stronger work units (powerful ministries, local institutions with political power) being to provide better housing than weaker work units (such as schools, small factories and enterprises) (Tran & Dalholm, 2005).
In spite of the government’s effort in meeting housing demand, the war and the weak economy in the aftermath of the war made housing supply lagged far behind demand. By 1989, when Doi Moi just started, housing shortage was acute (Evertsz, 2000). Overcrowding was also common place with an average living space per person in Hanoi only 5,8 m². The use of the housing stock was over-stretched in which apartments were extended or subdivided without permissions (Figure 1) and illegal subletting and unauthorised transfer of state apartments were widespread (Geertman, 2007; Tran & Dalholm, 2005). As public housing was distributed exclusively to state employees, the vast majority of the urban households had to solve their own housing need. Such housing, developed by individuals, was officially only referred to as “temporary housing” which is outside the formal sector. Hence its significance has been largely undermined for decades.

<FIGURE 1 HERE>

Doi moi and the growth of popular housing

Doi Moi, the economic reform, saw the transformation of housing from a state -allocated to a market- distributed system with a large number of law, decrees, and resolutions being enacted in creating an efficient market system to boost housing production (Tran and & Yip, 2008). One of the first measures of housing reform was to acknowledge residents’ “land use right” by lifting the ban on self-building. Previous renovation and construction activities without official endorsement as well as informal transactions were legalized as a means in incorporating already existed housing built by people into the formal regulatory framework (UN Habitat, 2014).

The reform measures have triggered a sprout of self-built housing in all forms and shapes – termed popular housing – filling up empty lots in Vietnamese cities (Evertsz, 2000) or on site of demolished old houses. Self-organisation was the main feature of popular housing (Geertman, 2007): they were financed and built by and of the initiatives of individual households, outside the official framework but of high quality and by no means slums (Figure 2).

<FIGURE 2 HERE>

In the formal sector, a variety of new initiatives were promulgated to boost housing production. Such initiatives include work-unit housing, “state and people work together” scheme, and site and services schemes. Yet only a few such official housing plans was actually constructed in the 90s and none of them were sustainable (Geertman, 2007). By contrast, it was popular housing produced through self-built activities which made the greatest contribution to the urban housing stock in the 90s, on an average 70 % of the new housing stock in Hanoi between 1995 and 2000 (Geertman, 2007).

Large-scale development and commodification of housing

By the end of the 1990s, housing policies took a clear turn towards large-scale corporate-led development. This was partly attributed to the acknowledgement of the inefficient land use of the popular housing sector and the inadequate urban infrastructure that has been development to support incremental small scale development. Yet more importantly, on the
other hand, it was the concern over the “disorderly”, “uncontrolled” state of small scale development (Thanh uy Ha Noi, 1998, p. 3) which does not fit into the national goals of modernisation and integration in the global economy. In addition, large scale corporate-led development was also a measure for the government to regain control over urban development (Tran, 2015).

Under the new directive, urban housing developments are to be master-planned and large-scale, and needs to comply with the detailed plan approved by the central authority. Governmental resolutions and decrees were formulated to guide this corporate-led housing production with a specific Decree targeting at “planned, synchronous urban areas with technical infrastructure, social infrastructure, residential areas and other services”. The spatial scale should be at least 50 ha, and only in exceptional cases 20 ha (Government of Vietnam, 2006). These developments (Figure 3) are encouraged by a range of legal and financial supports as incentives. Such measures have successful in gearing the development of corporate real estate sector. In the pursuit of quick and high profit, high-end housing was promoted which targets at middle class households (Tran & Yip, forthcoming). This makes the majority of such new housing developments out of reach of the majority of urban residents. Despite there is policy which requires 20% of the newly developed residential land (or 30 % of the new housing) has to be returned to the local government as public housing (Hanoi People’s Committee, 2001), yet its implementation has been sluggish. In fact, many of the public housing produced by such schemes was being used for relocation and thus did not results in much addition to the public housing stock.

With the termination of public rental housing production, low-income people have no access to housing. The state’s involvement in housing support for the low-income and the poor has been restricted to a limited number of small-scale for-sale projects targeting specific priority groups such as people with contributions to the revolution, war veterans and a small number of very poor households (UN Habitat, 2014). In fact, having a formal income was set as a condition of application for mortgage these developer-produced housing. This has excluded the majority of the urban poor (68 % of the labor forces) who do not have records of formal income (The World Bank 2015).

On the whole, the housing reform in Vietnam has been successful in boosting general housing production and set up a thriving housing market for housing exchange. The average floor area per person has increased from 9,7 m² in 1999 to 16,7 m² in 2009 (UN Habitat, 2014). Yet housing inequality has also exacerbated. Despite substantial state resources has been invested into housing production by the corporate sector, such sector only accounts for a modest level of 15 % of the housing stock (UN Habitat, 2014). It was the continuously expanded informal sector, often without formal authorization, that has contributed the bulk of new housing production, 75 % of the urban housing stock by 2015, (The World Bank, 2015) (Figure 4). The informal sector was also the main provider of affordable housing for the urban poor (The World Bank, 2015, p. 19).

Hence a dual housing system exists in Vietnam. There is a formal sector that received most of state supports but has been poorly performed in term of output and affordability which the majority of new housing has been produced in a vast informal sector but without the
support of the state. The inclination towards large-scale development was a move by the state to re-establish control and improve efficiency in the formal housing sector to realise the state’s vision of modernization and integration with the global economy. The significance of the informal sector is beginning to be acknowledged. A new Housing Law was enacted in 2015 which grants self-building and renovation by individuals with financial and policy support similar to that of the corporate sector. This includes low interest loans and subsidies as well as policy support of exemption or reduction of land use fee.

**Social Housing: The Path-dependent Development of a Concept**

From early 2000s, the government began to concern the lack of adequate housing alternatives for low income households after scrapping public housing construction for more than a decade. Social housing was reintroduced. The first move is to setup “priority” housing schemes (Government of Vietnam, 2001, p. 1) with incentives to encourage private developers to build housing “for sale and for rent” which targets state employees, workers, and students who are “in need of housing” (Government of Vietnam, 2001, p. 1). In fact, the concept of “social housing” was first introduced in 2004 in the form of “housing fund supported by state policies for rent or rent-to-buy to those within the ‘policy categories’ who faces difficulty to improve their housing condition” (Decision 76/2004/QĐ-TTg, p.2). Such policy framework was subsequently substantiated with details in target groups, eligibility criteria, and concrete measures to boost housing supply.

**The extension of target groups with stricter eligibility**

The Housing Law in 2005 formally specifies social housing as “housing invested by the state, organization or individuals ….. for rent or rent-to-buy ……with target groups include state employees, military officers, and workers in industrial zones who are in need of housing” (QD 76/2004/QD-TTg, Article 53). Coincidentally, the target groups were also priority groups for state housing in the central planning era. A complementary policy was introduced in 2009 for “housing for the low income” (Decision 67/2009, Resolution 18/NQ-CP, Government of Vietnam 2009) which extended the eligibility for ‘Low income housing’ from state employees to include also low-income households in the private sector in urban areas as well as students and industrial workers. The most recent housing Law effective in 2015 (Decision 65/2014/QH13) further extends the coverage of social housing to include “state supported housing directed to those categories that are entitled to housing support according to this Law”. Recent additions to the target groups include poor urban households living on social welfare, single elderly people, relocated households, as well as poor households in rural areas (Decree 188/2013/ND-CP).

While the target groups were expanded, the eligibility criteria are increasingly more stringent and exclusive. Initially, housing need was the only criterion for social housing. Applicants have to be tenant who lived in over-crowded housing (less than 5 m2/person and 8 m2/person in Decree 188/2013/ND-CP). Income was later included as an additional criteria in 2009 with low income housing being introduced as another social housing category (Decision 67/2009/QD-TTg). Only households earning below the average income in the city are eligible (Circular 36/2009/TT-BXD). One feature common to all the housing schemes is permanent urban registration. Verification of income from the work places and from the ward on housing need is required (Decree 188/2013/ND-CP: 19). In essence, this excludes workers in the informal sector and unregistered migrant workers who are not able to secure the necessary certification from the formal sector. This would have excluded a
very large segment of urban population who are in need. Similarly, the requirement of a 20% down payment for the rent-to-buy housing scheme (Decree 188/2013/ND-CP, p. 19) also imposes a serious hurdle for low-income households.

**Mobilizing the corporate sector to produce social housing**

Concomitant with new strategy in the expansion of social housing is a shift in the finance of social housing development, from solely dependent on state budget to involving private capital as supplement. Whilst the Housing Law 2005 still emphasized state’s role in social housing provision, the adoption of a “socializing approach” was also stated (Decree 18/NQ-CP 2009, item III.1). Between 2009 and 2013, incentives like exemption from land use right fees, preferential VAT rate, corporate tax, assistance for site clearance, reimbursement for infrastructure outside of the projects, as well as allowance for higher construction and land-use ratio have been introduced as incentives for private sector involvement (Resolution 18/NQ-CP 2009, Decision 67/2009/QD-TTg, Decree 188/2013/ND-CP). Further preferential policies were provided to social rental housing developers in allowing the sale of rented apartments to sitting tenants after 5 years (at prices set for social housing at the selling time). To further boost the development of social housing, a “twenty-percent scheme” was introduced which requires all new development in new urban areas to set aside 20% of their production for social housing (Decree 188/2013/ND-CP, Article 6-2a). To compensate the developers, 20% of the total floor space of the Twenty Percent Scheme can be deployed for commercial purpose (ibid, Article 12-1I). At the same time, a profit cap of 10% is imposed on social housing projects to control social housing price. (Ibid, Article 15-2a). Yet private developers seem not to be convinced. Very few social housing has in fact been produced through the “Twenty Percent Scheme” (The World Bank, 2011; Tran, 2015). (Figure 5)

In theory, individuals or households who have the intention to undertake social housing construction are able to join the incentive schemes. However, the ways eligibility criteria of such schemes is designed to suit medium to large companies. This essentially excludes small-scale development by individuals and households.

<FIGURE 5 HERE>

**The 30 trillion package**

The 30 Trillion VND package is another state program to offer incentives to encourage the production of housing for the middle and low income segments. If offers both mortgage loans to homebuyers and loans for developers (The World Bank, 2015). It was launched in the aftermath of the economic downturn in 2013 as a measure to revive the economy and to invigorate the stagnant real estate sector. To be eligible, developers have to invest in the production of social housing (with plans approved by the local authority) and equity of at least 30% the investment cost. Small scale, incremental developments of social housing by individuals and households were also eligible. Eligible homebuyers have to be state employees or low income individuals who have no house or own a house of less than 8m2 living space per capita and have paid social insurance for at least one year in an urban district. A down payment of 20% was required and the maximum repayment period is 15 years. The package has indeed incentivized several developers to change part of their commercial housing production into social housing. By 2015, the package has supported
45,000 households in mortgage loans and financing the construction of 65,000 affordable housing units (The World Bank, 2015, p. 50). It was also one of the few policies that provides support to the demand side. However, a requirement of 20% down payment would have excluded the low-income households.

The neglected renters

For many years after Doi moi, the need of renters has been totally undermined. With old public housing being sold to sitting tenants and the development of rental housing halted, new housing which was produced in the market was solely for sale. The shortage in rental housing intensifies when escalated urbanization has accelerated migration to the city and hence pushes up the demand for rental housing.

However, the various strategies to encourage the production of low income and social housing as well as the 30 Trillion package all directed at housing for sale. In theory, the gap in rental housing supply should have been met by housing for rent in the “Twenty Percent housing scheme”, yet, most of the housing produced in the scheme ended up in the sale market, for apparent cost-recovery consideration (VietnamNet 12/7/2016). After 2010, policy has been diverted to produce more rental housing. Yet disappointingly, only a small number of rental housing units have been built for industrial workers and students. As of 2014, of the 44 low income housing projects, 10 worker housing projects and 13 student housing projects that have been planned in Hanoi, only 9 low income housing projects, 4 workers housing project and 4 student housing projects have actually been completed (Pham 2014). In fact, policy on rental housing has been inconsistency. While the Housing Law 2005 set the priority of public housing development as “rent, rent to buy and for sale”, actual implementation of such policy has instead placed the priority of social housing as “for sale, for rent and rent to buy” (Degree 188/2014, Circular 8/2014/TT-BXD).

Hence, prompted by such policy ambivalence, it is not surprising that developers tend to choose to develop social housing for sale and push rental housing production to the minimum. In Hanoi, only two social housing projects rental apartments developed by corporate developers were completed in 2015 and 2016 which offers a notional 270 and 86 rental apartments (Tienphong.vn 5/7/2016).

Rental housing was given more attention in recent policies such as the Housing Strategies towards 2020 and a vision to 2050, and the new Housing Law 2015. The Housing Strategies emphasize the need to push forward development of rental housing, both through state budget and state supported private efforts (Prime Minister, 2011, p. 2). Yet, whether it would lead to increased rental production is still unclear.

Affordability

After two decades of housing reform, it appears that Vietnam has produced an excess of up-market housing which is out of reach of ordinary households. The average house price of such high end housing stands at 25 times the average annual income of a household with is substantively higher than the norm of 2-4 times often found in other countries (The World Bank, 2015). At the same time, the supply of affordable housing has lagged behind demand. Even the so-called social housing for sale are not easy to afford by the majority of low-
income households. For instance, a “low cost” apartment of 50m² was sold at 500-600 M VND which is already the whole year income of households at the lowest income quintiles. The World Bank study in 2014 found that the cheapest housing segment is affordable for households of the three middle-income quintiles (Q2, 3 &4) and mid-range housing are affordable for those of the highest quintile. Whilst only very few urban households (8 %) can afford high-end housing (The World Bank, 2015), households at the lowest income quintile can afford nothing in the market.

Apparently, policies that support ownership clearly do not benefit the low-incomes. Even households who earn an average income need to save all their income for at least 5 years in order to pay the 20 % standard down payment required for home buying. It is thus not surprising that households of the lowest income quintiles, who are already over-stretched, would have no capacity to save for housing purchase (The World Bank, 2015, p. 16). The need for rental housing is equally critical with high demand among the urban poor (UN Habitat, 2014). It is particularly acute for non-registered migrants who are barred from the access to formal sector housing.

Affordable housing provision by the informal sector

Compared with the disappointing outcomes of the formal housing sector which has the full backup by the state with substantial financial support, the informal sector has been much more effective in providing affordable housing for social groups that are neglected by the formal sector - lower income households, students and migrants. A wide variety of cheap apartment for rent and for sale are made available for such groups.

This dynamic private market can be clearly observed over the Internet with a great number of specialized websites for both renting and sale, for an apartment or even a room (e.g. Phongnhatro (rental room) http://phongnhatro.com/cho-thue-nha-nguyen-can/ha-noi.html and thuechungcuminmi (mini apartment for rent http://thuechungcuminini.vn/).

A popular form of rental business is to subdivide an apartment into separate rooms for rent which can ask for a monthly rent of 1,2 M (news.zing.vn 23/11/2015). Those with own toilet facilities get somewhat higher rent. An even more popular form of low cost housing solution is the chung cu mini (mini apartment blocks), tiny walk up apartment blocks of 5-6 floors with 2 to 6 rooms each floor built on small plots of land of 200-300 m² in back lanes where the land is cheap (Figure 6a and 6b). Being popular among households in the bottom two quintiles, mostly of them are migrants, students, or young couples, with cheap rent at 700 to 1000 M VND per month for a full apartment and convenient location in the inner city (vneconomy.vn 21/7/2009). Owner occupied alternative are also available. Construction costs of such buildings are modest and hence investors are often able to secure a profit margin of almost three times the investment (vneconomy.vn 21/7/2009).

<FIGURE 6a and 6b HERE>

The mini-apartment for sale was a typical example of fence breaking activities that were subsequently being legalized. In fact, apartments smaller than 45 m² for sale was illegal before 2010 as the then Housing Law stipulated a minimum floor space of 45 m² (smaller size was only allowed for social housing). With chung cu mini which apparently defied

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1 About 35-50 USD at 2009 exchange rate.
regulations (and hence with no legal certification of ownership) were already widely built, the government finally backdown in 2010 and rectified their existence. The Degree 71/2010 allows the construction of “independent apartments in an individual house” and individual owners can build apartment blocks with two independent apartments of at least 30 m² floor space with separate entry and own toilet facilities. This was exactly how the “illegal” chung cu mini were built. Mini apartment building that already existed before the legislation will be granted, retrospectively, full ownership status which allow the resale of such apartments. The legalization of the chung cu mini caused an intensive debate in the media. Corporate actors criticized the policy being biased to individual households and small entrepreneurs and jeopardized their interests. Supporter of the policy welcomed the move as it diversified players in the market and “now every household can be a developer” (Plo.vn 11/9/2010) and as a result more low cost housing can be produced in meeting the demand of low-income households. A backlash for the chung cu mini owners came in 2015 with Decree 99/2015, which specified that ownership right of flat in a chung cu mini will only be granted if the building was built legally (afforded a building permit) and complied to prevailing technical and safety requirements. This implies serious administrative hurdles for those who want to invest in chung cu mini for sale (Vnexpress 10/6/2016).

While the informal sector makes significant contribution in providing affordable housing, especially rental housing, for the poor, the poor living conditions found in the private rental sector is worrying. Rental housing units created by subdividing an existing apartment lack both the appropriate amenities and privacy. In some cases, the rental unit is only a bed in a room. In many cases, tenants are exposed to unreasonable restrictions or unfounded extra charge from the landlords (news.zing.vn 20/9/2012). Despite there are policies that protect the rights of tenants, the lack of effective enforcement almost makes such policies obsolete.

Discussion: The Duality of Housing Policy

Neoliberal-developmental Hybrid Approach

Vietnam’s housing policies after Doi moi clearly exhibits neoliberal features. Market imperatives are emphasized with an increased reliance on private capital for housing delivery and urban infrastructure. Housing is nearly completely commodified and master-planned housing development by the corporate sector are promoted. There are also many supply-side supports to housing developers. To attract investment from private capital, large pieces of land are being leased cheaply to investors in exchange for their commitment to produce housing and infrastructure, housing policy is apparently skewing towards ‘profit making values at the expense of use values, social needs and public goods’ (Peck et al., 2013, p.1092). Yet this only creates opportunities for the investors to make windfall profits from commercial housing targeting the middle class while ignoring the need for social housing.

Yet despite the neoliberal outlook, this is no simple case of the victory of the market and the retreat of the state. The directives of master planned housing development seek instead to reaffirm the role of the state in urban planning and housing production and increase state control of the housing market, something the state did not manage to do with the expansion of the incrementally produced popular housing during the 90s (Tran, 2015). It means a deep involvement of the state via land allocation, via the governmental approval of the
development plan, via the various financial, technical and infrastructure supports.

Moreover, the state does not only steer and control urban housing development through investment and planning regulations, but is also directly involved – via entrusted equitized companies – in the implementation. The majority of large infrastructure and housing projects were carried out by equitized state companies and corporations in which the state holds more than 50% share. Those private companies that are entrusted with large-scale projects are those who have close connection with the government (Gainsborough, 2010; Tran & Yip, forthcoming). The legacy of the socialist system prevails with state policies are still skewed towards state control in relation to local government, and state owned companies in relation to private ones, despite the rhetoric of decentralization and privatization, and despite demands for a level playing field from provincial and local authorities and private firms (Malesky, 2004).

However, this cannot simply be interpreted as the return of state control as in the socialist era. Unlike state companies in the socialist era, they are now being set up as new ‘business’ players in urban development which is ‘linked to state enterprises and/or bureaucratic institutions of the party state … [with the aim] to exploit commercial opportunities that emerged during the reform years’ (Gainsborough, 2010, p. 34). It's the apparent intention of the state in controlling the market as well as be able to reap the profit (see also Shin, 2009 for similar discussion on China).

The development of post Doi moi housing policies presented above are hybrid but somewhat self-contrasting processes. On the one hand, full fledged neoliberal measures has put market forces as the imperative in boosting housing production and commodification of housing is intensively promoted, yet at the same time, the state is also trying hard to exert control over housing in fulfilling its socialist missions and hence the development of social housing has been high in the political agenda, albeit it may not be high on the action plans. Hence, seemingly contradicting forces coexist, neoliberal approach in facilitating the housing market for investors is promulgated alongside measures to increase state control over urban housing development. It results in a hybrid approach trying to achieve the best of the two approaches. Hence the promotion of commodication of housing is integrated with the further development of social housing. This is in fact a further illustration of the hybridity of Vietnam’s path dependent reform trajectories which has been extensively discussed in literature (Gainsborough, 2010; McGee, 2009; Painter, 2005). Nonetheless, the formulation of social housing policies and favours state employees manifests the deep-rooted socialist doctrines which echoes ideology of the command economy. While the policy of “low income” was a significant improvement towards the adoption of a multi-sector economy, the additional requirements of urban registration still reflects the the legacy of socialist administrative and political mentality of state control over the population.

State-led and People-led

Vietnam’s transition to market economy can be described as simultaneously top down and bottom up. Whilst the party state still attempts to dominate the steering role via political mobilization and the monopoly in the decision-making process, “real policies” are instead increasingly shaped by ‘fence breaking’ activities by local actors who challenge the official line and explore the rules to beyond their limits (Masina, 2012 Gainsborough, 2010; Painter, 2005). Hence, it is not uncommon to find national policies that are formulated at the central level being subtly “twisted” by various national and local authorities in the implementation which may deviate from their original intention. Behind such process is the iterated
bargaining which involves interactions and negotiations between different fractions of the state as well as between the state and non-state institutions, communities, social groups and individuals (Painter, 2005). Very often, these ‘actually exist’ policies would in turn looping back to the national level and being incorporated and rationalized into the revised national frame (Masina, 2012).

Consequently, such complex processes leads to uncertainty in the regulatory framework and gaps in the monitoring infrastructure. This encourages rent-seeking behavior and breeds informality (Tenev et al., 2003, pp. 14–16; Painter, 2005). Yet, informality can also emerge “from within the state” (Painter, 2005, p. 268). In fact, “illegal” renovation activities and housing transactions that were carried out in the state housing areas in the central planned era were in fact the first batch of “illegal” acts that were legalized after the economic reform.

Along a similar line, McGee (2009) argues that Vietnam’s urbanisation is simultaneously a state-led project and a people-led project. Urbanisation involves complex processes of urban space production being shaped by negotiation, resistance and compromises between the main driving impulses of the state, the entrepreneurial sector, and the popular sector (McGee, 2009, p. 235). The development of housing, especially affordable housing in Vietnam, illustrates this double nature process. On the one hand, state-led housing development in the forms of large scale high-rise development in master-planned new urban areas fits the state’s vision of a modern Vietnam with the upholding of state control and modernization impulses (McGee, 2009) of Vietnam’s housing policies. State’s support to boost corporate sector involvement could also be seen as an investment in new business opportunities that are of strategic importance for the state, both politically and economically (Gainsborough, 2010). Not only is the success of the formal sector a matter of national importance as it forms the main source of state revenue (Painter, 2005, p. 272), it also helps in enhancing the image of the state (Gainsborough, 2010).

Yet despite the much-emphasized state effort and investment, the majority of new urban housing was instead being produced by individuals, households and small entrepreneurs outside the formal sector. This is particularly paramount in the provision of affordable housing alternatives that meet the demand of a great number of urban poor. However, this sector has been, for many years, being undermined by the state. A dual strategy has been employed which, on the one hand, employs stringent regulations to suppress the sector and on the other hand put a blind eye to informal housing production activities with the intention to lean on this massive force in supplementing the formal sector in the production of affordable housing.

A side effect of the failure of the formal sector in producing adequate affordable housing as well as a laissez faire attitude towards the informal sector would have reinforced the image of weak state capacity which has already been conveyed in the visible images of out-of-control illegal extension and scenes of chaotic street vending. However, as argued by Gainsborough (2009, 2010), wide-spread informality, as well as legal ambiguity, are not necessarily signs of weak state power, but rather expressions of an instrument of indirect government.

In this respect, the view that the formal and informal sector are mutually exclusive may be misleading. The changing legal status of the chung cu mini clearly illustrate the shifting nature of what is considered “informal” and “formal”, “illegal” and “legal”. One the one
hand, whilst the permissive attitude to informal activities and legalisation of some could be perceived as evidence of the government’s submissiveness to grassroots demands and actions, it could also be interpreted as a form of “calculated informality” - selective enforcement of laws and partial authorization of what has been classified as unauthorized (Roy, 2005). In fact, legal ambiguity creates space for the local governments and officials to interpret the laws and regulations to their advantage (Tenev et al., 2003). Hence, the informal sector is not an “unregulated” sector but a form of “deregulation” in which the state is highly active and has the power to determine what is legal and what is not (Roy, 2005). The state can thus be seen as an informalizing entity from above and informality is “an integral part of the territorial practices of state power” (Roy, 2011, p. 84).

Concluding remarks

Housing policies in transitional Vietnam manifest a dual nature: clear neoliberal features with the pursue of commodification of housing co-exist with an enhanced state control of housing production with explicit promotion of social housing as well as a state supported corporate-led formal sector that produces only a small share of housing alongside a large but unacknowledged informal sector that provide the majority of urban housing. Vietnam’s formal housing sector faces serious problem of housing affordability with an acute shortage of housing for the low-income and the poor. The housing problem could have been much worse if the dynamic informal sector was not able to develop creative and low-budget housing alternatives.

The state’s ambivalence towards the informal sector reflects the clash between ideology and instrumentality. One the one hand the ideological baggage of state socialism drives the state in developing social housing for the socialist supporters but on the other hand the neoliberal mentality in upholding market supremacy seems to compel it to promoting market provision of housing. At the same time, the need to monopolise power by the party state reinforce the continuation of the production of a coherent state of the state being in full control but the instrumentality expediates the state to tolerate the informal housing sector in generate viable solutions to the housing problems. It is the selective adoption of socialist doctrines and discretionary implementation of features of market mechanism which helps to maintain stability in time of change (McGee, 2009; Painter, 2005). However, as we can see in this chapter, some feature of the socialist legacies, for example, the idea on the state dominance of the economy, proves to be counter-productive to the development of a diverse and effective housing sector.

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