



EE361 ECONOMICS OF CLMV COUNTRIES

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Urban Development In Vietnam since 1980

GROUP # 6

Members

Pimnipa	Poolsawat	6204640517
Suphitcha	Udomsapthaworn	6204641432
Sakditach	Ratthanukul	6204541580
Narunthon	Chaichanachot	6304640706
Nathavudt	Phootanakit	6304640730
Yanisa	Akaraphapada	6304641886

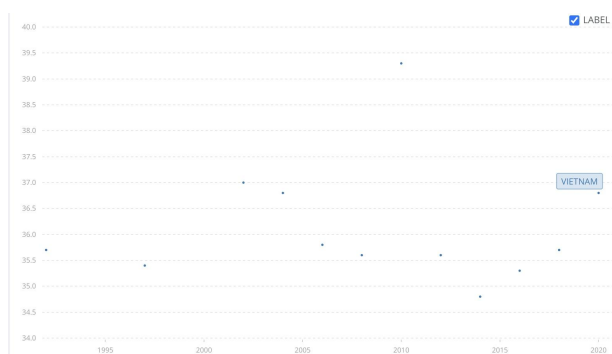
FACULTY OF ECONOMICS

THAMMASAT UNIVERSITY

Background

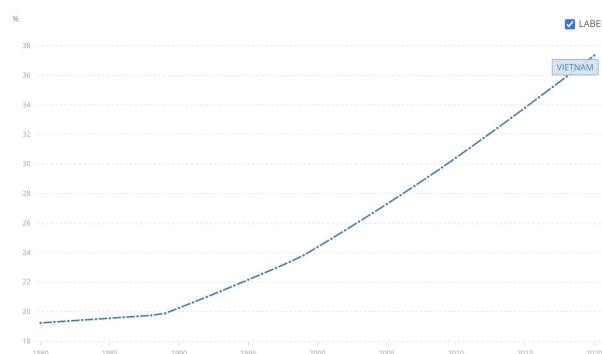
Vietnam, a country located in Southeast Asia, has undergone significant changes since the end of the Vietnam War in 1975. After a period of economic isolation, it initiated market-oriented reforms, known as “Doi Moi” , in 1986, leading to rapid economic growth and urbanization. The urban development of Vietnam since 1980 has been a significant element of its economic and social transformation.

Vietnam is experiencing a rapidly growing economy and emerging technology industry, which is supported by a rich cultural heritage and breathtaking natural landscapes. In the 1980s, the situation was quite different, however. The biggest change that has happened since then is urbanization. As the economy was getting better, people began moving from the countryside to cities, and caused changes in the population structure. This has brought some challenges like not having enough places to live, too much traffic, environmental degradation, and widening poverty gap. But overall, it's transformed Vietnam's cities and made them what they are today.



Source: World Bank (2021)

Figure1: Gini Index



Source: World Bank (2021)

Figure 2: Vietnam Urban population of Vietnam

Vietnam has made significant progress in reducing poverty. The country's poverty rate declined from 58.1% in 1993 to 2% in 2020, according to the World Bank. Additionally, Vietnam's Gini coefficient, a measure of income inequality, decreased from 0.41 in 2000 to 0.35 in 2020 (figure1), implying a more equal distribution of wealth in the country. Moreover, The urban development of Vietnam since 1980 has also played a significant role in the country's transformation. Urbanization has been rapid, with the urban population positively increasing from 13% in 1980 to 39% in 2020 (figure2). The development of cities has been a priority for the Vietnamese government, and the country has invested heavily in infrastructure projects, such as roads, bridges, and public transport.

The purpose of this report is to offer a detailed analysis of the critical issues and challenges confronting urban development in Vietnam since 1980, together with the

various strategies, policies, and legislation that the government and state have implemented to resolve them. The report is divided into two separate sections: the first section will delve into the critical issues and challenges that Vietnam must overcome in its urban development journey, while the second section will meticulously examine the government's approaches, policies, and legislation, designed to confront these issues. While significant progress has been made, this report argues that further action is necessary to achieve equitable and sustainable urban development in Vietnam.

We can say that Vietnam's urban development since 1980 has played a big role in the country's economic and social progress. It has brought about impressive economic growth, poverty reduction, and income equality. Nevertheless, there are still issues that need attention, such as the challenges posed by rapid urbanization and insufficient public services. The first part of the report will examine the impacts of rapid urbanization on housing availability and affordability, traffic congestion, and environmental degradation. In particular, the report will focus on the challenges faced by low-income households and the urban poor in accessing affordable housing, basic services, and employment opportunities. Additionally, the report will analyze the environmental impacts of urbanization, including air and water pollution, solid waste management, and climate change. The second part of the report will review the government and state strategies, policies, and legislation that have been implemented to address these issues. This includes an analysis of the National Housing Strategy, the Urban Planning Law, and other relevant policy instruments designed to improve access to affordable housing, reduce traffic congestion, and promote sustainable urban development. Thus, This report offers an in-depth analysis of the critical concerns and obstacles confronting urban development in Vietnam since 1980. It also explores the strategies, policies, and legislation implemented by the government and state to tackle these issues comprehensively.

Key Issues and Challenges

Rapid urbanization

Vietnam is the only GMS member with two primary cities, namely Ho Chi Minh in the south and HaNoi in the north. A countrywide network of contemporary urban centers is being built in Vietnam as part of a long-term strategy. Presently, the government is working to improve the country's secondary cities' basic infrastructure, increase climate resilience and environmental management, and promote economic growth. One of the most extensive urban changes is now taking place in Vietnam. In the past thirty years, the population of its cities has doubled (UN 2018). At an annual growth rate of about 3% since 2010, Vietnam's urbanization rate is higher than the regional average for Southeast Asia (2.5%) and very close to China's rate of 3.1%. (OECD 2018). Recent UN estimates

indicate that by 2039, half of Vietnam's population will live in cities, and by 2050, that number would rise to 60%. (UN 2018). The socioeconomic changes implemented in the middle of the 1980s, which gradually liberalized the economy and loosened the state's control over overpopulation movements and activities, are strongly linked to this transition from rural to urban society. Later, as a result of these measures, existing urban districts were physically expanded as well as new urban-industrial space was created in densely populated rural communes (World Bank 2011). Hanoi is one of the important locations of this urban transition since it is the capital city and the second-largest agglomeration after Ho Chi Minh City. The development of Hanoi and other cities are essential for the expansion of manufacturing and higher-level services, as well as for the material well-being of the population of the country, according to Vietnamese officials. At the same time, local authorities were under tremendous pressure to keep up with the escalating demand for infrastructure, social services, housing, environmental regulations, and public facilities as a result of the fast growth in population and activity in and around cities.

Housing shortage and affordability

Inefficient centralized housing system before 1980s reform. Private ownership introduced after reform increased housing supply, but brought affordability and quality challenges. Tran and Yip (2008) indicate that in the early 2000s, Vietnam faced a housing shortage of approximately 12 million units, equivalent to approximately 34% of the total housing stock in the country at the time. The shortage was particularly acute in urban areas, housing demand rapidly increased due to rural-urban migration and population growth. The major issue in Vietnam's housing is the lack of affordable financing options for housing. According to the World Bank, Vietnam has a housing deficit of about 20 million units, with the gap between supply and demand widening over the years (World Bank, 2019). As a result, many Vietnamese citizens, particularly those in low-income groups, are struggling with housing affordability. With only 20% of the estimated VNĐ9 trillion needed to provide low-cost housing being provided by the Việt Nam Bank for Social Policies (Vietnam News, 2021), it is difficult for low-income and middle-income households to access housing.

Another issue is the slow pace of urban planning and development, with only a few localities willing to allocate land for developers due to infrastructure and cost issues (Vietnam News, 2021). Furthermore, land for housing development is scarce and expensive in urban areas, and the slow pace of urban planning and development has made it difficult to free up more land for housing (World Bank, 2019). Only 10% of the population in Vietnam can afford to buy a home, with the rest having to rely on public housing or informal settlements (VNExpress, 2020)

Traffic congestion

The characteristics of transportation systems are familiar among developing countries. Traffic congestion is the main issue that is related to environmental pollution in

many countries around the world, especially in Vietnam (Le & Trinh, 2016). Since the economic reforms, “Doi Moi”, the motorcycle has replaced the bicycle as a main major transportation from 4 million in 1996 to 19 million in 2007 because it is affordable with high technology near a car (Hansen, 2016). In developing countries, with a higher number of population, the consequences are likely to be more severe (*Public Transport in Developing Countries*, n.d.). The study found that countries that are already developed will prioritize public transportation to meet demand and affordable prices. However, by 2021 in Vietnam, the proportion of public transportation in big cities came across demand only 9 to 15% which is significantly lower than the target of reaching 25 to 30% in 2020 because of the high rate of urbanization combined with poor public transportation (Huu & Ngoc, 2021).

There are several main factors causing the bottlenecks including inconsistent policy, weakness in public transit systems, backwardness in facility and technology, imbalanced development of means of transport, the capacity of transportation infrastructure, and unthorough accessibility of society resources (Huu & Proffesor, 2007). Meanwhile, people mostly use their own vehicles to transport. For example, In 2015, the number of vehicles in total was 50,682,934 vehicles of which only 2,932,080 were Cars and 47,760,854 were motorcycles. More than 70% of the air pollution in Hanoi is caused by motorcycles which are mostly old and vehicles without emission control (Nguyen & Kajita, 2018).

Environmental degradation

Rapid development and urbanization in the city have boosted air pollution emissions including particulate matter, nitrogen oxides, and sulfur dioxide. According to the World Health Organization, Ho Chi Minh City has among the poorest air quality in Southeast Asia, with significant levels of pollutants endangering the health of locals, one example of such concern is the level of PM2.5 particles which has an average concentration percentage of 22.12 and 23.28 in urban and cities areas, respectively.(World Health Organization, 2022) Ho Chi Minh City's fast development has led to the extinction of natural habitats and the fragmentation of ecosystems, causing biodiversity loss of several animal and plant species, including some endangered species such as Bos sauveli (Kouprey) and Lophura imperialis (Imperial Pheasant). (Westing & Westing, 1981). Ho Chi Minh City's, both industrial and household, wastes are dumped into rivers and canals without proper treatment, with just household garbage alone accounting for 62.2% of the total sewage entering the river (Mubarak, 2020), this creates another environmental issue: water pollution. High levels of pollution as a result have affected aquatic ecosystems' health and rendered water resources unfit for consumption or recreational use.

Deforestation and soil pollution are also major issues in Vietnam, as rapid urbanization leads to the destruction of forests and degradation of soils. This has potentially increased flooding and landslides chances, decreased soil fertility, and increased soil erosion. On the other hand, natural disasters adversely impact the

environment and degrade natural resources, thereby causing poverty to rise and, in turn, making both natural and human systems more prone to disasters and their associated losses.(Tran et al., 2008).

Urban poverty and Inequality

Vietnam has been struggling with urban poverty and inequality since the 1980s. Inadequate access to essential services such as housing, sanitation, healthcare, education, and other basic necessities is one of the main causes. Poor urban dwellers often live in slums or informal settlements, where access to basic necessities is constrained, leading to poor health outcomes, not having a college degree, and little prospects for social and economic mobility. So, the key issues and challenges of urban poverty and inequality in Vietnam since 1980 include inadequate access to basic services, a widening income gap, and vulnerability to economic shocks. First, despite significant improvements in access to basic services such as education and healthcare in Vietnam, the urban poor continue to face significant barriers. For example, In 2018, only 37% of the urban poor had access to piped water in their homes, compared to 96% of the urban non-poor (World Bank, 2020).

Moreover, urban poor households are more likely to live in overcrowded and substandard housing conditions, with limited access to sanitation facilities. Besides, Vietnam's rapid economic growth has also led to a significant increase in income inequality, particularly in urban areas. This can be measured by the Gini coefficient, a measure of income inequality, which increased from 0.36 in 1993 to 0.40 in 2016 (World Bank, 2018). Moreover, The urban middle class is becoming increasingly stratified. A study by the World Bank found that while the middle class in Vietnam has grown significantly, the income gap within the middle class has also widened (World Bank, 2020).

Lastly, vulnerable to economic shocks, the urban poor are particularly vulnerable to economic shocks that might deepen their poverty, such as job loss or unexpected medical costs. For instance, According to an ILO research, informal workers, who make up a sizable section of Vietnam's urban poor, are more susceptible to economic shocks since they lack social security and have little access to credit (ILO, 2015).

Government/State Strategies, Policies and Legislation

Rapid urbanization

In order for the government to achieve its management objectives, urban policy included a system of viewpoints, objectives, and solutions (V Kim Cng, 2003). Since the early 1990s, the government has issued various plans, guidelines, and policies for the system of urban development in the country, recognizing the significance of cities and urban development for the building and growth of the nation. Firstly, Repeating the strategic importance, crucial function, and close connection between the nation's cities and

its entire economic, political, and social life. In order to ultimately serve the purpose of advancing industrialization and modernization of the nation, preserving economic and cultural development, and society, therefore, it is necessary to mobilize all state agencies involved in urban building and development (Government, 1998). Secondly, Urban development needs to be balanced and appropriate for current social and practical circumstances. It simultaneously expressed a constant in the distribution and level of development of the productive forces: the harmonious combination, the reasonable and efficient urban development to support the rational distribution of large, medium-sized, and small cities across the nation; the combination and promotion of the development of rural urbanization and improving modern rural areas; the harmony of development among regions and the gradual reduction of the enormous disparity (Government, 2009).

Housing shortage and affordability

In recent years, the Vietnamese government has taken significant steps to address the country's housing shortage and affordability problem. One crucial intervention has been the implementation of policies to promote affordable housing development, including tax incentives and subsidies for developers (World Bank, 2019). Another significant government intervention was the Housing Law of 2005, which allowed for the recognition of private ownership of housing and established a legal framework for housing development in Vietnam (Tran & Yip, 2008). This law facilitated the transfer and inheritance of residential properties, the establishment of homeowners associations, and the development of a market-oriented housing finance system. Furthermore, in 2011, the government launched the National Housing Development Strategy (NHDS), which aimed to provide affordable housing to low-income households, facilitate access to housing finance, and promote the development of the housing market. To improve the quality of existing housing stock, the government has implemented measures such as providing subsidies to households to improve their homes and initiating programs to upgrade and renovate existing housing stock in urban areas (World Bank, 2019).

Traffic congestion

They were a government failure at the beginning of 2003 when Vietnam didn't reduce the overall tax which led to a dramatic increase in domestically assembled cars by 5% to 50% in a couple of years. Also, the import duty fluctuated over time with frequent change, the consequences were car ownership lower than it is supposed to be. The inconsistent policy or unstable policy environment caused the delay in development in Vietnam. Afterward, In 2013, the government stated their plan to develop public transportation to meet 25% of the demand in Hanoi and 15% in Chi Minh City by 2020. They are mainly prioritizing and investing in the construction of public transportation in big cities such as the bus system, railway, and metro (Ngoc, n.d.). However, the cost of construction of a railway, train, or subway is expensive so they are now focusing on the

bus system. The policy is quite effective because to gain long-term sustainability, advanced system management must also be considered. Vietnam is currently using the bus priority lane with a subsidy policy by lowering the bus fee. Also, the bus area was expanded to cover all of downtown and the center of suburban districts (Nguyen & Kajita, 2018).

Environmental degradation

Vietnam has recently seen a fast urbanization process that has harmed the environment. The government should put in place a thorough policy framework that prioritizes sustainable development techniques to deal with this problem. The use of renewable energy sources should be encouraged, waste and pollution should be reduced, and open places should be protected. The adoption of environmentally friendly transportation methods, such as electric buses, bicycles, and pedestrian-friendly streets, is a successful policy approach to stop environmental damage. The introduction of these transportation systems can dramatically cut emissions and enhance air quality, according to research by Pham and Nguyen (2019). The adoption of green construction guidelines, which may aid in reducing energy use and promoting the use of sustainable materials, is another significant legislative initiative (Nguyen and Nguyen, 2020).

The government should also make an effort to raise public knowledge of and involvement in environmental preservation initiatives. This may be accomplished through educational initiatives and public relations efforts that support ecologically friendly conduct (Pham and Nguyen, 2019). Such initiatives could involve educating local residents about proper waste disposal methods, as well as the importance of recycling and reducing waste. Additionally, community-led initiatives such as waste segregation and composting can also be effective in reducing waste and promoting sustainable practices.

Urban poverty and inequality

According to Binh, L. (2008), the government of Vietnam has implemented various policies in order to combat urban poverty and inequality, including market-oriented economic reform, rural-urban migration, housing and infrastructure, poverty reduction programs, and education and health care. These factors are related together, which can lead to poverty and inequality reduction. First, market-oriented economic reforms in the late 1980s with the goal of fostering economic growth and decreasing poverty. Second, rural-urban migration, the Vietnamese government has promoted rural-urban migration as a means of addressing rural poverty by supplying workers for urban enterprises and reducing rural poverty. Urban poverty and inequality have nevertheless also been brought on by rural-to-urban migration, particularly for those migrants who lack access to decent housing, a good education, and competent healthcare. Third, the government has invested in housing and infrastructure development in urban areas to improve living conditions for

the poor. This includes building low-cost housing, improving public transportation, and upgrading urban infrastructure.

Furthermore, The government's social assistance programs include cash transfer programs, job training programs, and subsidized health care and education. For example, the government's National Targeted Programs on Poverty Reduction provided more than 10.3 million households with access to credit and vocational training between 2011 and 2015 (Vietnamnet, 2016). The government has also implemented policies to improve access to credit for the poor, such as the Vietnam Bank for Social Policies, which provides loans to low-income households and small businesses. The Vietnamese government has invested in education and health care to improve human capital and reduce poverty. The government's education policies have included increasing access to primary and secondary education, as well as implementing policies to address gender inequality in education.

Conclusion

Rapid urbanization has been a key driver of economic growth and development in Vietnam over the past few decades. However, this has come with many challenges, including affordability problems, housing shortages, traffic congestion, and environmental degradation. Although rapid urbanization has brought positive economic outcomes, it has also led to negative environmental, social, and economic impacts.

Overall, the Vietnam government has implemented several policies and interventions, some policies are well implemented and lead to efficiency in the long-run but some are not. More efforts are needed in order to improve access to financing, enhance the efficiency of the housing market, and ensure the provision of affordable and adequate housing for all citizens. We acquired some knowledge that before the government implements any policies, the successful case studies from developing countries are supportive. For instance, in many developing countries they are mainly focused on human's well being such as having enough public transport and housing for the entire society to access affordable and adequate housing.

Even though Vietnam's government is successful in surging the national income and improving economic growth, the poverty gap still has been increasing over years. The Vietnam's government should undertake the policies to improve economic growth and improvise the strategy to reduce poverty and inequality especially in the education, healthcare sector, and low-income and middle-income households. Since poverty and inequality were significant problems that the government should recognize.

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