

Ministry seeks ODA for social housing projects

HCMC - The Ministry of Construction has asked the Government for permission to carry out a pilot plan to use official development assistance (ODA) and concessional loans for social housing projects in certain parts of Vietnam.

The ministry said the plan aims to attract more investors to social housing projects and increase **home** supply for low-income people in urban areas in Vietnam. It is in line with Article 7 of the Government's Decree 38/2013/ND-CP governing management of ODA and concessional loans provided by international donors.



Deputy Minister of Construction Pham Hong Ha was quoted by Vietnam News Agency as saying that late last year the ministry sent the Ministry of Planning and Investment (MPI) a document requesting social housing projects in certain localities to be added to the list of projects funded by the ODA loans provided by the Korea International Cooperation Agency (KOICA).

The MPI has not agreed on the construction ministry's request as social housing projects have not been chosen as among the projects prioritized for ODA and concessional loans taken out by the Government.

However, the construction ministry said since April 2014 it and South Korea's Ministry of Land, Infrastructure and Transport has cooperated in South Korea's knowledge sharing program and clinched a memorandum of understanding (MoU) on housing development. The construction ministry has worked with the Korea Development Institute and Korea Land and Housing Corporation to successfully execute a project on policy proposal for housing development in Vietnam.

To increase the supply of budget apartments, the construction ministry and the Korean corporation jointly drew up a scheme for social housing projects in key cities in Vietnam and proposed KOICA fund the implementation of this scheme.

The scheme is expected to help Vietnam work out a master zoning plan for social housing development and design affordable house models for low-income earners in need of a home in urban areas between now and 2020. The scheme will support the national housing development strategy approved by the Government for 2020 with a vision towards 2030.

In October last year, the construction ministry received a KOICA document which says the agency would consider funding the scheme's implementation in fiscal 2016. Therefore, the ministry asked the MPI to seek Prime Minister approval for adding social housing projects to the list of projects in need of Korea's ODA.

The construction ministry quoted Article 53 of **the Housing Law** passed by the National Assembly in November last year as saying that the Government will finance social housing projects by the State budget, government bonds, ODA, concessional loans and development investments of the Government.

Article 7 of Decree 38 states ODA and concessional credits will be used for social infrastructure

development in areas such as culture, health, education, vocational training, welfare and poverty reduction. The article says the Prime Minister will decide additional prioritized areas for ODA and concessional loans.

The ministry said meeting housing demand for low-income people and the poor played a key role in the Government's policy for social welfare so budget housing is one of the prioritized areas for ODA and concessional loans.

Dang Hung Vo, former Deputy Minister of Natural Resources and Environment, hailed the construction ministry's proposal as it, if approved, would attract more investors to social housing projects. He described the proposal as a good idea.

According to the existing regulations, investors of social housing projects are subject to a number of incentives including land rent exemption. However, few companies have invested in these projects due to low profit, a long period of return on investment and higher-than-expected loan interest. The annual interest rate of the Government's VND30-trillion home loan package is 5%.

If realty companies can take out ODA and concessional loans at lower interest rates and longer periods of maturity to implement social housing projects, more investors would participate in this field.

Nguyen Ngoc Thanh, vice chairman of the Vietnam Real Estate Association, also threw support behind the proposal, saying that investors of social housing projects need loans with lower and stable interest rates.

According to the Ministry of Construction, 102 social housing projects had been completed by May this year. The number included 38 projects with a total investment of VND6.81 trillion and nearly 20,000 apartments for low-income people and 64 projects costing VND4.44 trillion in all and having over 20,000 condos for workers.

Around 150 social housing projects are under construction nationwide with a combined investment cost of more than VND46 trillion.

Source: <http://english.thesaigontimes.vn/>