FROM: USOM/Saigon  
SUBJECT: Report on Housing Needs in South Vietnam  
REFERENCE:

1. Attached are three copies of a report prepared by Mr. Guido Nadzo during his recent TDY period in Viet-Nam.

2. We believe this report represents a most worthwhile effort on Mr. Nadzo's part. He worked diligently in exploring the many housing problems of the Vietnamese community and especially in the urban areas. He discussed his subject at length with many Vietnamese and acquired a comprehensive understanding of the local problems and factors which impinge on the housing problem.

3. The Mission proposes to make this report available to the Doxiadis Group in the belief that this group will find the material of the report invaluable in their investigations and in the formulation of their recommendations.

4. The Mission wishes to commend Mr. Nadzo for the effort he put forth here and the thoroughness of his findings. His association with members of the Mission and all others with whom he came in contact has been at all times most cooperative and obliging. The Director, particularly, wishes to express the Mission's appreciation for these services. Should future events so indicate, the Mission reserves the option to again request the TDY services of Mr. Nadzo in his professional field.

TAYLOR

Attach: (3) Report on Housing Needs

KILLEN

DRAFTED BY: JSKillen:gw  
OFFICE: Director's  
PHONE NO.: 500  
DATE: 10/19/64  
APPROVED BY: JSKillen
TO: Mr. James S. Killen, Director             DATE: October 6, 1964
FROM: Guido Nadzo, Senior Housing Advisor


Within this week, I shall conclude my TDY.

The purpose of my TDY was to: study urban housing conditions and needs, with a view to help determine the advisability of an accelerated housing program for South Viet-Nam at this time, and the possible type program and methods to be employed; report my findings and recommendations to you.

There is attached a report on my findings and recommendations. I would appreciate an opportunity to review briefly the substance of these with you.

I particularly wish to express my appreciation for the cooperation and valuable assistance in conducting the present study, which I have received from you and the different USOM and Embassy Officers and staff members and from the many Vietnamese in government and otherwise.
I. THE PROBLEM

A. Principal Components

1. The urban housing problem of South Viet-Nam has grown unchecked over the past decade, on top of a spreading national housing shortage. The present study and its findings lead to the conclusion that the problem is now nearing critical proportions and, if it continues without reasonable relief, possesses elements to become explosive.

The principal components of the problem may be summed up as follows:

a. A spiraling housing shortage.

b. Inadequate housing policies, planning, legislation, institutions, and administration.

c. A retarded housing finance and construction industry.

d. An underdeveloped domestic building materials industry.

e. A greatly inadequate annual housing construction rate.

f. Absence of sound, modernized provision and incentives for wide private investment in housing development and expansion.

2. A national housing census has never been conducted and accurate statistics for the actual urban housing shortage are lacking. However, for present purposes, the figures and information which are available sufficiently describe the problem. These show that:

a. The urban population of South Viet-Nam totals 2,834,000 1/. To house this population, at an average of six persons per dwelling, requires 472,000 dwelling units.

1/ Inclusive of the capital city of Saigon, Provincial Capitals, Autonomous Cities, and District Chief Towns, which are the areas defined by the National Institute of Statistics (NIS) as urban centers. These are estimated figures provided by the NIS, based upon its 1962 Demographic Survey for Saigon and upon estimates of population and existing housing in said urban centers provided by the respective provincial administrations.
b. The existing urban housing totals 382,000 \( \frac{1}{2} \) dwelling units, leaving present urban housing shortage of 90,000 units.

c. Of the existing urban housing, 96,000 \( \frac{1}{2} \) units are severely inadequate and must be replaced. This, plus the housing shortage, brings the existing urban housing deficit backlog to 135,000 units.

d. In addition, the conservatively estimated annual requirement for new urban housing, to meet needs created by population growth, natural disasters and other causes, totals 33,000 \( \frac{1}{2} \) units.

e. Against the existing deficit of 135,000 units, plus the annual requirement of 33,000 units, the current annual urban housing construction rate is approximately 4,000 \( \frac{1}{2} \) units.

The problem is aggravated by the influx of refugees and rural populations into urban areas, for security and other reasons, and by the fact that such a high percentage of the existing housing is severely substandard, as indicated, consisting of improvised shacks, dilapidated "paillotes" (thatch huts) and other makeshift shelters, lacking sanitary provisions or amenities of any kind and constituting fire and other hazards. In many cases, ten or more persons, belonging to two, three or more families are crowded into the normally one or two "rooms" which make up a "dwelling". The 1962 UN Demographic Survey for Saigon found that 39,430 such improvised shelters housed more than one family for a total of 495,000 persons, or approximately one third of the entire population of Saigon, with an average of 12.6 persons per "dwelling". Such conditions since 1962 have continued to deteriorate, so that today an increasingly high percentage of Vietnamese families are living in warren-like slums and squatters settlements in "homes" of a kind that a recent UN report on housing in Asia describes as "health hazards and an affront to human dignity".

Many of these blighted areas have mushroomed up side by side with main business and commercial areas and with better residential neighborhoods, where the wretched conditions of the slum inhabitants are brought into even sharper contrast with the often considerable comforts and amenities of their neighbors. Thus, these blighted areas also serve as strategically placed fertile ground for Viet Cong propaganda, recruitment and infiltration.

B. Considerations Pertinent To Possible Solution

1. A program directed towards providing a durable solution for the Vietnamese housing problem must accomplish two things to serve its purpose:

a. Reduce the existing housing deficit backlog in urban
centers, initially, and ultimately nation-wide.

b. Meet, as adequately as possible, new annual housing needs and, hopefully, ultimately bring actual housing needs and available adequate housing into satisfactory balance.

The accomplishment of this is plainly beyond the capacities of present Vietnamese and U.S. efforts and resources employed for housing. It is equally evident that this cannot be accomplished with any kind of short-term or expedient effort. The need for housing is a continual one, as population grows, housing deteriorates and homes and communities are destroyed by natural disasters and other causes. It cannot be met at one time with a single effort, then left alone.

2. A durable solution for the problem will require a long-range effort capable of achieving sustained housing expansion on a continuing basis and of correcting the other components of the problem, noted in Section A, para. 1 above. This will require:

a. Improved housing legislation, institutions and administration.

b. Increased public and private investment in housing construction and development.

c. A rational housing finance and credit system.

d. Modernization and expansion of the domestic construction and building materials industries.

e. A responsive long-range housing development plan and long-range building program.

3. A principal limiting factor in considering the development of a comprehensive long-range housing effort for South Viet-Nam at this time stems, of course, from the existing conflict within the country, which may require continued military action for some time, and the abnormal conditions and other limitations imposed by these; and from the "calculated risk" involved in undertaking such a program under present conditions. With reference to this, the present study and its findings lead to the conclusion that:

a. The launching of an effective housing effort with U.S. support at this time would contribute materially towards: (i) demonstrating Vietnamese and U.S. confidence in the positive outcome of the present conflict; (ii) strengthening popular support for government and the counter-insurgency effort, and thus contribute towards attaining a positive outcome of the conflict; (iii) developing necessary legislative, institutional and other improvements and productive activities.
in support of national recovery and development.

b. There is no workable alternative to achieve a reasonably satisfactory, durable solution for the housing problem.

c. The "calculated risk" involved: (i) is no more so than that in other major Vietnamese developmental efforts now receiving government and U.S. backing and support; (ii) should be taken, in view of the possibly explosive nature of the housing problem, the severely sub-standard housing conditions of a large percentage of Vietnamese families, and other important considerations inherent in the Vietnamese situation.

4. The development of a suitably long-range Vietnamese housing program at this time must necessarily be keyed to the limitations and conditions imposed by the existing conflict and military action within the country, and by the available resources and other local factors; and, at the same time, it must be properly related to the longer range needs of the country, when present abnormal conditions are overcome and nation-wide recovery and development may proceed, in order, among other reasons, to safeguard against early projects and activities later proving more expedient than of lasting value. This may present some initial problems, but the present study has not revealed any possible problems, in this respect, that should prove insurmountable.

5. The recurrent national crisis and changes in government and government officials during the course of the present study rendered the orderly process in contacts with government difficult and necessitated some changes in the original time schedule. However, encouraging recognition of the urgent need for housing expansion was found at all levels of government, together with apparent marked concern to find workable means to meet the need.

It was also found that there is wide agreement upon the need for basic improvements in the areas noted in para. B 2 above, together with an apparently receptive attitude towards methods necessary to accomplish these, not only on the part of the government, but also of private Vietnamese business, banking, and professional groups interested in the housing and building materials industries.

6. The increased investment necessary in the housing and building materials industries requires the employment of improved and new methods to attract more capital, and particularly private capital, to these industries on a progressively expanding scale and to render such investments as productive as possible. Experience in both advanced and developing nations has shown that one of the principal requirements for a successful attack upon basic housing problems is the establishment of an effective housing finance and credit system, together with appropriate institutions, methods and incentives to attract capital and savings to mortgage lending on a long-term, reasonable interest basis. Experience has also shown that it is equally necessary to provide institutions and methods that will serve effectively
both limited income groups able to pay for housing, if loan terms are keyed realistically to their means, and groups with moderate and middle incomes able to meet somewhat less liberal loan terms in order to obtain better, though not high cost, housing. Specific institutions and methods intended for this purpose are discussed in Sections II A and B, below.

One of the methods employed with success in both advanced and developing countries, which should prove progressively effective in South Viet-Nam in meeting housing needs for moderate and middle income groups, is a system of savings and loan associations which operate in the private sector of the economy. The system normally operates through a central home loan bank or bank board and local private savings and loan associations, which are chartered, supervised and regulated by the central bank. A main function of the local savings and loan associations is to act as "financial intermediaries": they gather savings from individuals and families and possibly other capital resources, mainly within their own communities, and loan the accumulated funds to home builders and buyers in the vicinity. The central bank may supplement their funds with advances or loans from "seed capital" and other housing funds provided to the central bank for the purpose, particularly in the initial developmental stage. These may be channeled to the local organizations on a matching or other such basis to generate more local resources. The local institutions serve as a specialized direct link between the saver/investor and the borrower. They make the loan to the home builder, accept the risk on the loan, receive the interest (and repayments) from the borrower and pay a portion of this earning to the saver/investor as a dividend on his savings or investment. Their loan terms and interest rates are generally kept as liberal as possible, consistent with their need to compete in the capital market to attract capital and savings for this purpose.

The number of countries in which such savings and loan systems are employed successfully is steadily increasing. In the United States, savings and loan associations and similar institutions represent a home financing industry of over $100 billion. More and more Latin American countries are developing similar systems with success. For example, in Chile, where such a previously unknown system went into operation only about four years ago, there are now twenty two local savings associations chartered by a central bank. As of June, 1964, the number of savers in the twenty two associations totaled 68,718, the volume of net savings totaled 46,968,000 escudos (equal to $12,350,000), besides some "seed capital" obtained as loans from AID by the central bank; the number of homes financed totaled 11,392; the mortgages recorded totaled 104,162,000 escudos (equal to $27,410,000).

The possible establishment of a home loan bank and savings and loan system in South Viet-Nam has been under consideration in recent months by some of the government agencies and officials concerned with housing and finance. This should be pursued, as per Sections II B and C, with the advice and assistance of the U.S. Home Loan Bank Board and the National League of Insured Savings Associations, with which AID has global contracts for this purpose.
In connection with possible increased private investment and participation in a housing program for South Viet-Nam, it was found that:

a. There is generally believed to be plentiful private capital presently more or less idle in banks and otherwise for lack of well guaranteed investments. This was confirmed by local private investors, bankers and other groups.

b. An encouraging number of local private investors expressed readiness to invest in the housing and building materials fields at the present time on a reasonably long-term basis, on condition that conducive housing finance and credit methods are provided and a more inviting investment climate is realized. Such interest, with similar qualifications, was repeatedly encountered.

c. The same sources maintained that there is considerable foreign capital in Hong Kong and elsewhere, which can be channeled into investments in housing and building materials in South Viet-Nam, subject to the same conditions.

d. Different trade unions, workers associations, and professional groups expressed keen interest in home purchase and individual home ownership, if a system is devised to enable members of such income groups to obtain 10-20 year loans at reasonable interest rates geared realistically to their actual means. Some of these groups could meet the loan terms of savings and loan associations, others would need the more liberal terms possible with other methods discussed in Section II B.

e. A number of private U.S. investors have expressed interest to AID in investing in housing projects in South Viet-Nam at this time, if their investment is guaranteed under the existing AID Housing Investment Guarantee Program.

f. Several private U.S. companies have also expressed interest to AID to undertake housing projects in South Viet-Nam at this time, if Cooley loans can be obtained for this purpose. One such company has successfully employed Cooley funds, together with its own capital, in Latin America to build housing and to provide the impetus and know-how to develop a sound local building and architectural engineering company.

g. An added positive factor is the generally held conviction that the country can achieve a viable economy when the resources and potential within South Viet-Nam can be developed.

h. Allowing for the present abnormal conditions within the country, there are reasonably persuasive indications that
the potential for developing a progressively self-supporting housing industry exists.

In the initial developmental stage of an expanded Vietnamese housing program, some increase in public funds for the program, both local and U.S., would be necessary to launch the program and to accelerate housing construction at the rate desired. However, it should be possible to enable the program to gain sufficient momentum and support within a reasonably short time, both from private investment in the housing field and from repayments and reinvestment in housing of initial program funds employed on a revolving basis, to bring a steady reduction in public funds for the program and to finally limit these to a minimum, with the major government contribution then provided in the form of improved methods, facilities and incentives to enable and facilitate private enterprise, capital and savings to meet the bulk of housing needs.

8. Time and the recurrent national crisis did not permit as detailed study as desired of the rate of expansion needed in the domestic construction and building materials industries to keep pace with an expanded housing program; nor of possible problems, in connection with land availability and procurement for such a program. However, it was found that:

a. Both government and USOM are currently devoting attention and support to increasing production and improving the quality of domestic building materials.

b. The existing capacity of the construction and building materials industries could achieve, with some assistance from the commodity import program, an accelerated housing construction rate of between 20,000 and 30,000 units per year. Both the construction and building materials industries would need increased attention, improvement and expansion as a comprehensive housing construction program gained momentum.

c. Suitable building sites for initial building programs could readily be procured from both publicly and privately owned lands. There should be no insurmountable problems in procuring land for later building programs, particularly with the clearance and redevelopment of squatters settlements and other blighted areas.

Among the building materials with possibilities for successful development and improvement, there are two which are, perhaps, among the most promising and should receive particular attention. These are concrete products and clay products.

With regard to the former, in addition to more conventional concrete products, the development and improvement of which are currently receiving attention and support from government and USOM, there is one product, presently neither manufactured nor used in South Viet-Nam, which perhaps could prove an important new building material to produce domestically.
for both local use and export as cement production is increased. This is
 cellular concrete, a material which requires locally available cement and
 sand, besides water and air, as its only raw materials, apart from a foaming
 agent provided by a liquid chemical employed in very small quantities.
 This product could be manufactured domestically within a reasonably short
 time and would be likely to meet with ready acceptability and expanding
 markets in both housing and other construction. The material can either be
 manufactured in a plant in the form of blocks, panels and other elements, or
 applied on the building site with the use of forms and a spraying process.
 It can be used for structural purposes, as well as non-structural, insulating,
 roofing and other uses. It is economic, durable, much lighter than ordinary
 concrete and other similar products and, therefore, easier and more economic
to handle, as well as having higher insulating, fireproof and moisture
 resistant qualities, and can be nailed, cut, sawed and otherwise worked with
 wood-working tools and serve in numerous ways as a substitute for lumber.
 Cellular concrete is widely manufactured and used in many countries outside
 South Viet-Nam. There are different production methods and types of plants.
 A successful production process, which requires a relatively minor outlay
 for plant and equipment, was developed in the United States some years ago
 and would, perhaps, be the most suitable to explore for South Viet-Nam.

Clay products are a traditional building material and are
 widely produced and used locally. Suitable clay is readily available in
 sufficient quantity in many parts of the country where the materials are
 produced in the form of bricks and tiles of different kinds. The materials
 presently produced are serviceable, but both production and quality can be
 considerably improved and modern techniques for structural clay products can
 be profitably introduced.

8. There are presently two authoritative proposals also calling
for housing expansion in South Viet-Nam. One is an official Vietnamese
proposal now being studied by the government. The other is a recent report
prepared by a U.S. study group. Both should prove of real value.

The Vietnamese proposal sets forth a detailed program which
calls for construction of 100,000 dwelling units in Saigon over a 10 year
period, at the rate of 10,000 units per year, for certain categories of
lowest income workers. The U.S. report does not specify in detail the pro-
gram to be undertaken. Both recommend accelerated housing construction at
this time.

The present findings and conclusions are in accord with both
recommendations for accelerated housing construction at this time. They
differ with the Vietnamese proposal, with reference to the kind of program
to be undertaken, for, among others, the following reasons:

a. The proposed program would be limited to Saigon,
excluding other areas where the need for housing is also
acute, and would benefit only limited categories of lowest
income workers, excluding large groups of low and moderate
income workers and professional groups equally in need of
adequate housing.
b. It is not believed possible to build, with 50,000 Piasters per dwelling unit (the proposed per unit cost) durable, minimum decent-standard homes which would prove: (i) satisfactory and livable for the home buyers; (ii) sound investments for the limited savings which the home buyers must pay to buy the homes.

c. There are no provisions for an organized effort to attract private capital and savings to the housing sector.

d. It is believed inadvisable and uneconomic to establish a special agency to administer only a limited housing program, such as proposed, when there is a much greater pressing need for housing and for an appropriate national housing agency properly concerned with overall housing activities.

Despite these differing views, this proposal was prepared with serious study and care and merits careful consideration for its possible usefulness in determining the type of program that would prove most suitable.

9. It is believed that the program to be undertaken should be:

a. As responsive as possible, in its objectives and results, to actual needs and aspirations, within the limitations imposed by existing national conditions.

b. Not limited to any single city or location, or concentrated upon any single population group, either initially or in later stages.

c. Important enough in its initial and continuing objectives and results to provide the maximum positive impact possible upon the population and communities directly benefitted, the industries and labor involved, and the national counter-insurgency and development efforts.

10. There is one further consideration of a more general nature, which is, nevertheless, pertinent and should be noted here.

Universal experience has shown that, in a country with adequate housing and living conditions for the population and with a building industry able to meet the demand for housing, the effect of these conditions upon the life of the country is dominantly positive. There are two basic reasons for this: First, a family's home centers all the life of the family - its daily ups and downs, its hopes, ambitions and achievements - and materially shapes the family's commitment, loyalty and contribution to its own community and its country. Consequently, a decent home and living environment normally provide a family with a meaningful stake in its community and its country which little, if anything, else approximates and which the family and its members consider worth working for and, when necessary, defending. Secondly,
a productive housing industry possesses a strong "multiplier factor", which acts as one of the most stabilizing influences for a country's entire economy, as well as socially and politically. The reason for this is also a basic one: to build a single home and to furnish it and keep it in good repair requires many different products and services; when this is multiplied by the many thousands of homes that every country needs regularly for its people - as does South Viet-Nam to reduce its housing shortage and to meet its other housing needs - it requires the labor, products and services of a large working force and of many big and small enterprises; this creates widespread employment and generates continuing healthy markets, industries and purchasing power; in turn, the provision of utilities, transportation and other essential services and products for expanding neighborhoods and communities again increases employment and production and further multiplies the positive impact upon the economy and the entire life of the country.

Experience has also shown that the opposite is generally true in a country with a deficient housing industry and where much of the population is compelled to live under severely sub-standard conditions, as in South Viet-Nam today. The "multiplier factor" and stabilizing influence of a productive housing industry are lacking, the level of individual and community conduct among large portions of the population is steadily lowered, popular discontent and unrest are increasingly prevalent, extremist ideologies and action elicit growing response, and national stability and security are progressively undermined, with correspondingly weakened popular support for government and national objectives.

Finally, the need for housing is the most universal, together with food and clothing. This is a common fact of life that holds true for the Vietnamese people today, along with their other present realities, as it will for them in future and as it does for people everywhere. Few, if any, of us anywhere are able to lead our daily lives with purpose, responsibility and proper concern for our personal and civic conduct when deprived for long of two things which only adequate housing can provide in any practical form. One is adequate shelter from the elements, the other is some kind of home. The first for obvious reasons and the second, because, as already indicated, a man's home and living environment largely determine the kind of person he will be - how able, healthy and productive he can be, as well as how purposeful, responsible and concerned, both as an individual and a citizen.

A certain parallel can hardly be denied between this present experience and that in South Viet-Nam in recent years, and particularly in the conspicuous lack of popular support for successive Vietnamese governments, the tolerance by many Vietnamese of frequent public disorders, the continuing unstable economy, despite the country's positive potential, and the absence of a unified, strongly motivated popular concern in support of national objectives. Time and other limitations did not permit study of precisely how much is contributed to this parallel by the spiraling housing shortage and the absence of a productive housing industry, but it is believed accurate to say that the contribution is material.
II. PROPOSED ACTION

There are outlined below specific proposals for a long-range national housing development plan and related program, which are believed to be responsive to the requirements and conditions noted in the foregoing.

The purpose of the present study did not include, nor did time and personnel (limited to one) permit, the detailed development of a proposed program. This will require some further study and more time, although both should be limited to an essential minimum until the initial phase of the program is actually underway. The projected Boxiadis feasibility study should prove particularly timely and useful in this respect.

It is believed that a housing development plan and program, along the lines set forth below would:

- Systematically reduce the housing shortage and steadily improve housing and living conditions, health, and general welfare.
- Increase worker benefits and productivity.
- Reduce unemployment and under-employment by creating a progressively rising number of continuing new jobs in the construction industry, the manufacture and distribution of building materials, and in related fields.
- Reduce imports and gradually increase exports through expansion and modernization of the domestic building materials industry.
- Encourage savings and investment which would not otherwise take place: the promise of a decent home and home ownership are universally among the strongest possible incentives to save.
- Accelerate economic development through the positive impact of the program upon the economy.
- Strengthen popular support for government and contribute towards social and political stability.

A. The Plan

A long-range National Housing Development Plan, with the objectives and goals which follow and encompassing the national housing program set forth in Section B, below.

The plan, its objectives, goals, and related program to be enunciated by government in a Declaration of National Housing Policy and enacted into a basic National Housing Law and related legislation.

Objectives
1. **Objective**

To provide a sound legislative, institutional and administrative base necessary to achieve sustained housing growth consistent with national needs.

**Related Goals**

a. To establish national housing policy consistent with the foregoing objective One and objectives Two, Three and Four, below.

b. To consolidate and strengthen government responsibility for housing in an autonomous National Housing Agency at a level high enough to command the authority and means necessary to conduct efficiently the functions of the national government in the housing sector.

c. To develop adequate housing legislation.

d. To strengthen the housing function in provincial and city administrations and enable these to progressively undertake greater responsibility in planning, financing and administering housing programs and activities.

e. To raise the level of managerial, administrative and technical competence of personnel responsible for housing in the central and local administrations.

2. **Objective**

To provide an adequate housing finance and credit system capable of maximizing investment in housing development and expansion on a modernized, equitable scale in relation to overall investment needs and resources.

**Related Goals**

a. To provide a comprehensive housing finance and credit system as a regular part of the Vietnamese banking and credit structure.

b. To establish: (i) a savings and loan system; (ii) a system for insuring mortgage loans and savings accounts.

c. To enable and facilitate private enterprise, capital and savings to meet as large a part of the total housing needs as they can.

3. **Objective**

To develop a productive housing industry.
Related Goals

a. To achieve wider knowledge and employment of improved building methods, materials and design.

b. To improve existing, develop new, and standardize indigenous building materials, with emphasis upon maximum utilization of domestic raw materials, labor and production.

c. To expand and modernize the domestic: (i) construction industry at a rate capable of achieving planned growth in housing construction; (ii) building materials industry at a rate ultimately capable of meeting domestic requirements and producing for export.

d. To raise the level of promotional, managerial and skilled personnel and labor necessary to achieve planned growth in the housing and building materials industries.

4. Objective

To realize a balanced, long-range national housing program consistent with actual housing needs.

Related Goals

a. To achieve a continuing annual housing construction rate capable of systematically reducing the housing shortage and of ultimately achieving a satisfactory balance between national housing needs and available adequate housing.

b. To meet more immediate housing needs as rapidly as possible, with major emphasis upon priority housing needs of lower income workers, professional groups, and personnel in military and civil service.

c. To improve regional and urban planning.

d. To conduct an organized slum clearance program, directed towards:

   (i) Eliminating possible centers for Viet Cong indoctrination and insurgency.

   (ii) Providing improved housing and living conditions for dwellers of slums and squatters settlements.

   (iii) Clearing slums and blighted areas for more productive use.

   (iv) Increasing government revenues from the areas thus cleared.
(v) Improving the country's cities and urban communities.

B. The Program

A balanced, long-range National Housing Program, with the methods and targets which follow:

1. The total program to extend over a possible 25 to 30 year period, with its operation divided into two stages:

   a. A short-term First Phase, extending over a five-year period and directed primarily to urban centers.

   b. A longer-range Second Phase, extending over a possible 20 to 25 year period and directed to nation-wide housing development needs, on the assumption that pacification in the entire country will have been accomplished.

   The two phases to be planned and implemented as integral parts of a coordinated, continuing program.

2. The First Phase to be limited, initially, to:

   a. The capital city of Saigon and key urban centers, increasing the number of areas of operation as the program gains headway and the pacification effort and other circumstances permit.

   b. Priority housing projects and more immediate housing needs, primarily for workers and professional groups in essential industries and commercial enterprises (e.g. railways, power, communications, ports, utilities, essential food products and commercial activities, etc.) and in civil and military service (including veterans and war widows).

3. The housing construction targets to:

   a. Average a minimum of 20,000 dwelling units per year for the First Phase.

   b. Achieve over 60,000 dwelling units per year as rapidly as feasible for the Second Phase, with actual figures for annual construction targets above 60,000 units to be determined by more detailed study of future housing needs and the rate of overall national development. 2/

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2/ The present nation-wide annual requirement for new housing to meet needs created by population growth alone, at the rate of a 2.6% annual increase, totals between 60,000 and 70,000 units.
4. The initial building program to include housing projects for:

a. Railway workers, totaling 3,000 to 3,500 units in Saigon, Hue, Danang, and other key railway junctions. The project to be sponsored by the Trade Union Federation of Vietnamese Railway Workers in cooperation with the National Railway Company and possibly with the American Federation of Labor and Congress of Industrial Organizations (AFL-CIO) and the American Institute of Free Labor Development (AIFLD - see para. 12, below).

b. Dock workers, employed at the port of Saigon, totaling 700 to 800 units, sponsored by the Minister of Labor.

c. Fishermen, totaling 1,000 units in the fishing "capital" of Phan Thiet. The project to be built employing aided self-help methods and labor contributed by the fishermen and families who will occupy the homes.

d. Other workers and trade union sponsored projects developed in cooperation with the Ministries of Labor and Social Welfare, the Vietnamese trade unions and possibly the AFL-CIO and AIFLD, or other U.S. trade union organizations (See para. 12, below).

5. The housing built under the program to include:

a. New construction, inclusive of single family and multiple unit dwellings.

b. Home improvement (improvement and renovation of existing housing).

6. The new construction to be:

a. Low and moderate cost for lower and middle income groups, with major emphasis, in earlier building programs, upon low-cost housing and lower income groups.

b. Primarily for sale and individual home-ownership, with, as a rule, low and moderate down-payments, long-term amortization and reasonable interest rates keyed realistically to the actual means of the home buyers; methods of home ownership to include condominium and housing cooperatives. Provision also to be made for allowing home purchase with only a nominal, or no, down payment (e.g., minimum income workers;)

3/ The AIFLD is a non-profit organization, financed with equal contributions from American private enterprise, American organized labor and the American government. The purpose of the AIFLD is to assist in the development of free labor movements and to help increase worker benefits in other countries.
aided self-help projects with contributed self-labor in lieu of down payments; etc.).

c. For management ownership or rental purposes under justifiable circumstances (e.g., families unable or unwilling to buy a home; industries and activities with more or less transient personnel.)

7. The range of costs per dwelling unit to be determined following further necessary study of actual building and land costs. However, it is urged that the program exclude construction of housing at costs below the minimum necessary to produce economical, but decent-standard, durable dwellings, which will prove satisfactory and livable homes, as well as sound investments, for the home buyers.

To attempt to spread available resources too thin, for well-intentioned purposes of benefitting a greater number of persons and communities, is almost certain to result in inferior housing and ill-planned and executed projects which will prove little better than sub-standard when new and will rapidly deteriorate into more slums, thus failing to serve any real economic, social or political purpose.

Program Funds and Methods

Program funds and methods to include:

8. Proceeds from the Vietnamese National Reconstruction Lottery.

Lottery proceeds presently total approximately 450,000,000 $/Piasters annually (equal to $7,500,000). 350,000,000 Piasters of the total (equal to $5,833,000) are used to finance housing construction (presently administered by the Directorate General for Reconstruction under the Ministry of Public Works) and the remaining 100,000,000 Piasters are used to finance related construction. There are also alleged to be some accumulated unused Lottery and other funds presently available for housing construction, which are said to be in excess of 500,000,000 Piasters, in addition to the annual proceeds.

The funds derived from Lottery proceeds to be paid into a special Housing Development Fund, established for the purpose, which may be supplemented with other funds intended for purposes of financing low and moderate cost housing as possible and desirable. The Fund to be established, possibly, in the Home Loan Bank, discussed in para. 10, sub-para. "a", below. The employment of the resources of the Fund to be the responsibility of and determined by, primarily, the National Housing Agency, noted in Part II A, para. 1. Such employment to include the financing of:

a. Loans to low and moderate income borrowers for:

(1) Construction or purchase of low and moderate cost new housing.

$/ At the exchange rate of 60 Piasters = $1.00
(ii) Improvement and renovation of low and moderate cost existing housing.

b. Construction of low and moderate cost housing, at the direct initiative of the National Housing Agency, for:

(i) Sale or rent to lower income home buyers or tenants on an economic, but non-speculative basis;

(ii) Rent to limited income tenants on an ability-to-pay plan, such as employed in public housing.

c. The purchase of land and the development and urbanization of such land, by the National Housing Agency, for purposes of:

(i) Residential construction at the initiative of the National Housing Agency;

(ii) Sale to low and moderate income home builders on a non-speculative basis, as a means of generating added funds for the Housing Development Fund and facilitating added private housing construction. Purchasers of such building lots to be required to comply with suitable building standards and requirements.

d. Other appropriate housing purposes.

The terms and interest rates for loans extended by the Housing Development Fund to be as liberal as possible, in order to prevent undue hardship to the limited income borrowers for whom the fund is intended; possibly as follows:

a. Loan amount: as a general rule, up to 90% of building and land costs on loans for new construction and up to 90% of building costs on Home Improvement loans, with provision to cover above 90% when circumstances justify (e.g. lowest income workers, etc.).

b. Interest rate: not to exceed 4% per annum on the unpaid principal balance.

c. Repayment period: up to 20 years on loans for new construction; a reasonable period to be determined (possibly 5 to 10 years) on loans for home improvement.

Protection to be provided against the possible depreciation, through inflation, currency devaluation, etc., of outstanding balances on loans, by introducing a readjustment system for both the unpaid principal balance and the installment payments. Such readjustment to be related to a
suitable index, such as the level of wages, or the price level for a main commodity, such as rice, or other valid index.

The proceeds from repayments and interest on Housing Development Fund loans and the proceeds from other employment of the resources of the Fund to be re-employed for similar purposes on a permanent revolving basis. A main purpose of the Fund to be the establishment of a permanent source of funds to finance lower cost housing construction and credit for lower income groups who are able to pay for housing, but unable to meet the higher cost of housing and loans provided by a savings and loan system or other higher cost sources.

9. U.S./USOM support, as appropriate, including grants, loans and technical assistance. Such support to include grants and/or loans for the purpose of providing initial "seed capital" for the establishment of a savings and loan system (See para. 10, sub-para. "a" and "b" which follow) and possible other "seed capital" requirements.

10. Establishment of institutions, facilities and incentives directed towards mobilizing private capital and savings for home financing, including:

a. Establishment of a central Home Loan Bank. A central institution to promote and develop a private savings and loan system for home financing and to otherwise promote and facilitate the growth of private savings and capital for housing finance. To be established, preferably, as a separate institution, or within an existing banking institution. The bank to be empowered to:

(1) Serve as the principal banking and credit facility for receiving and administering funds intended for housing finance from both local and foreign sources, possibly including the Home Development Fund and its resources, discussed above, and for channeling such funds to the National Housing Agency for its housing finance purposes, to private savings and loan associations (see sub-para. "b" below) and to other appropriate housing activities.

(ii) Charter local private savings and loan associations (see sub-para. "b", below) and supervise their formation and operation to insure their proper functioning and to safeguard against unduly speculative or other undesirable practices.

(iii) Promote secondary mortgage markets for mortgages held by the local savings and loan associations and serve as a central channel and clearing house for such transactions, as a means of realizing added capital on
the mortgage portfolios of the chartered local savings and loan associations for reinvestment in added housing loans.

(iv) Other appropriate housing finance and credit functions.

b. Establishment of Savings and Loan Associations. Local private savings and loan institutions, such as discussed earlier, which will be chartered and supervised by the Home Loan Bank and which will employ their assets exclusively or largely for home financing.

Terms and interest rates on loans from the Savings and Loan Associations to be somewhat less liberal than those of the Housing Development Fund, in order to attract savings and capital to home financing on a competitive basis. The housing financed with such loans to, in general, be of somewhat better quality and higher cost than that financed by the Housing Development Fund and to serve the needs of moderate and middle income groups able to afford better housing and to meet the higher terms of these loans.

Protection against possible depreciation through inflation to also be provided for those loans, by means of a readjustment system similar to that for Housing Development Fund loans, noted in para 8 above.

c. Establishment of Mortgage Insurance. A self-financing system of FHA-type mortgage insurance to insure home building loans against risk, by employing a small percentage of interest payments (1/4 to 1/2 of 1%) to pay for the insurance. Such insurance to be applied to loans extended by the Housing Development Fund, by the Savings and Loan Associations and by other banking and credit institutions, as these are encouraged to invest in home financing. The premiums to be paid into a special Mortgage Insurance Fund, established for the purpose, possibly, in the Home Loan Bank and administered by a special department of the Bank.

The mortgage insurance system to have as its purpose, in addition to insuring housing loans against risk, the introduction of minimum property standards, sound underwriting appraisal techniques, and inspection to insure proper construction and maintenance of value of the homes built, as further means to help achieve better planned and built housing and communities and to attract capital to mortgages and enable mortgages to be bought and sold in secondary capital markets.

Mortgage insurance systems are practiced widely in the United States and other advanced and developing countries.

d. Establishment of Account Insurance. A self-financing
system of insurance of accounts in Savings and Loan Associations and similar institutions, by charging an insurance premium on the insured accounts equal to a small percentage of the amount in the accounts (such premium charges in the United States average one twelfth of 1%). The insurance premiums to be paid into a special Account Insurance Fund, established for the purpose, possibly in the Home Loan Bank and administered by the Bank.

11. The possible introduction of a National Workers Solidarity Plan. A plan to create continuing revenue for the double purpose of financing housing for workers and of creating more jobs for workers through such construction.

The proposed plan would require certain categories of regularly employed workers and their employers to make modest regular payments into the plan, with government each year also contributing to the plan an amount equal to a fixed percentage of the total yearly contributions of the workers and employers. The revenue derived from the plan would be used to finance annual housing construction programs for Vietnamese workers contributing to the plan, with such housing to be built by private builders and contractors. The revenues accruing from the plan to be paid into a special fund, established for the purpose, possibly in the Central Home Loan Bank and administered by the Bank.

A plan of this nature was enacted in Italy after World War II, with initial U.S. assistance under the Marshall Plan (the INA-CASA Program, Italian Public Law No. 43 of 2/28/49). Under the Italian plan, which has continued to meet with marked success, the rate of contributions into the plan were as follows:

a. Six tenths of one percent of each contributing worker's earnings deducted from his pay each pay period;

b. A contribution by his employer each pay period equal to 1.2% of the worker's pay;

c. A yearly government contribution equal to 4.3% of the total annual contributions by workers and employers, plus certain limited-duration tax exemptions on the housing built and other benefits.

U.S. participation in the plan consisted of technical assistance, plus counterpart funds, totaling the equivalent of approximately $48 million, as an advance against the government contribution for the first four years, in order to get the plan started. A similar arrangement to advance the estimated government contribution for a similar Vietnamese plan might be made.

In the Italian plan, incentives were devised to encourage employers to also advance some of their own and their workers' contributions, in order to produce as much housing and employment at the start of the plan and to help relieve Italy's then critical housing and unemployment problems. This might also be possible in a Vietnamese plan.
The total revenue produced by the Italian plan in its first four years was equivalent to 499 million dollars and the housing financed by this revenue totaled 960,000 "vani."

The Italian plan and its experience should be studied for possible methods and results applicable to South Viet-Nam. A similar plan, suitably adapted to Vietnamese requirements, may prove equally effective, either introduced at the beginning of the Program, if further study of its possibilities and of the CIA-CASA experience indicates, or at a later date, as the program gains headway and Vietnamese working conditions become more conducive.

12. Assistance and participation of the American Institute for Free Labor Development (AIFLD) and the American Federation of Labor and Congress of Industrial Organizations (AFL-CIO) and, possibly other U.S. labor union organizations, in the development and execution of housing projects and related activities for Vietnamese workers in cooperation with Vietnamese trade unions.

Such assistance and participation to include:

a. Loans from AIFLD, AFL-CIO and possibly other U.S. labor organizations to finance housing projects for Vietnamese workers under Vietnamese labor union sponsorship. Such loans to be financed with:

(1) U.S. labor union funds, with such investment guaranteed by AID under the Housing Investment Guaranty Program;

(i) AID Development Loans, channeled to Vietnamese labor unions through the AIFLD, with the AIFLD serving as the prime borrower of the loan and responsible to AID for repayment.

b. Participation, by the AIFLD, in the:

(1) Development, planning and execution of such housing projects;

(11) Establishment of housing cooperatives and other activities intended to increase benefits for Vietnamese workers.

In the last two years, the AIFLD and the AFL-CIO have launched an extensive assistance program along similar lines for workers throughout

5/ "Vani" (singular "vano") Italian term used for building unit, meaning rooms used for living purposes, plus accessories. For example, a five-room dwelling would normally consist of three "living" rooms, with kitchen, bathroom, hall, etc., making up the other two "vani".
Latin America. The Latin American program presently contemplates the
employment for this purpose of over ninety million dollars, consisting of
AFL-CIO pension funds, employed under the AID Housing Investment Guaranty
program for Latin America, and of loans to the AIFLD from AID Development
Loan Funds and from the Inter-American Development Bank. This program
is meeting with remarkable success, due largely to the exceptionally able
and imaginative efforts and drive of the AIFLD. It is urged that an effort
be made to enlist such assistance and participation for the proposed program
for Vietnamese workers. In particular, it is urged that an effort be made
to enlist the assistance and participation of AIFLD now operating in Latin
America, as it already possesses valuable experience in the successful
development and execution of assistance programs and housing projects for
workers, such as proposed, which would otherwise require a great deal of
time, trial and duplicate effort to acquire.

13. Housing Investment Guarantees. A number of reputable American
investors to be invited to develop, in combination with local investors
and builders, projects in South Viet-Nam for the construction of primarily
moderate and middle income housing for sale to Vietnamese buyers on an indi-
vidual home ownership, long-term amortization basis. Such projects to be
financed with U.S. private capital, with U.S. investment guaranteed by AID
under its Housing Investment Guaranty Program.

In addition to providing needed housing, the purpose of such
projects would also be to:

a. Provide outside private capital and know-how in the field
of moderate and middle income housing.

b. Demonstrate:

(i) Confidence in a positive Vietnamese outcome, on
the part of American private enterprise.

(ii) Advanced Developer/Builder methods in housing develop-
ment.

(iii) Improved home and community planning and construction
methods in moderate and middle income housing.

(iv) Sound practices in marketing privately built residential
properties and in servicing residential mortgage
loans.

Such projects to employ similar methods to those employed in
the increasingly successful AID Housing Investment Guaranty program for
Latin America. However, with the time and administrative procedures devoted
to the AID/USOM review and approval of applications to be reduced to an
absolute minimum necessary to provide reasonable assurance that the applica-
tions approved will result in satisfactory projects, in order to enable
sponsors of suitable projects to proceed with their execution as rapidly as
possible.
Projects of this type to be limited, in the initial building program, to one or two for a total investment of between five and ten million dollars.

As noted earlier, a number of private U.S. investors have expressed their interest to AID in undertaking such investments in South Viet-Nam at this time.

The approval of housing investment guaranty projects for South Viet-Nam requires a change in the present AID policy, in order to include this country among the countries where such projects may be undertaken. Such change in policy is believed justified, in view of the critical nature of the Vietnamese housing problem and other particular considerations pertaining to South Viet-Nam.

14. Cooley Loans. Such loans to be employed, primarily, to finance low-cost housing for sale to lower income groups, with a view to demonstrating sound practices in planning, construction, marketing and servicing of residential properties in the field of low-cost housing.

Recipients of such loans to include outside builders, including American companies, with particular experience in the low-cost housing field applicable to conditions in developing countries and economies, in order to provide outside private resources and know-how in this field.

Projects of this type to, also, be limited to one or two in the initial building program. As also noted earlier, several U.S. companies have expressed their interest to AID to undertake Cooley loan financed housing projects in South Viet-Nam at this time.

15. Aided Self-Help Housing Methods. An organized effort to achieve wider knowledge and employment of aided self-help housing methods and techniques, to enable minimum income and marginal groups to employ their own labor and leisure time to build themselves better homes at lower cost.

16. Maximum utilization of local technicians in the field of architecture, engineering, and city and community planning, and in the construction and related fields, in order to:

a. Employ local manpower, skills and resources in these fields to best advantage.

b. Help to improve and increase local knowledge, skills and experience in these fields.

C. Recommendations

1. That USOM and the Government of South Viet-Nam:

a. Approve a National Housing Development Plan and related National Housing Program along the lines outlined in the preceding Sections A and B and conclude the policy determinations and other action necessary for their further development and implementation.
b. Request the United States Housing and Home Finance Agency, the Federal Home Loan Bank Board and the National League of Insured Savings Associations to provide, under the global contracts in effect between these agencies and AID, contract services as follows:

(1) Provision, by each of the three agencies, of one expert in their respective fields on a short-term contract (four to six weeks) to: review existing Vietnamese housing legislation and institutions, and financial institutions and legislation relating to home financing, and to make recommendations concerning housing and housing finance legislation, organization and operating procedures needed for housing development and expansion and to establish a private savings and loan system; make recommendations concerning the introduction of mortgage insurance, insurance of accounts and secondary mortgage market activities; help draft the necessary legislation.

(ii) Provision of one expert in each of the above fields, for a longer term (one year or more), following completion of the necessary legislation, to advise and assist in the establishment of the necessary institutions and procedures and in their initial operation.

2. That USOM establish a separate Housing Division and staff responsible for the efficient conduct of USOM participation in housing activities.

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Saigon, Viet-Nam
October, 1964