

IV. Financing Housing with Middle Income Savings

There is a great need to tap substantial additional sources of funds for housing development. In the United States middle-income family savings are such a source.

Currently there is in Vietnam no institution comparable to a U.S. savings and loan association to make the savings of middle income people available for housing development. Banks have received some savings in the past but their interest rates are so low that there is no incentive to deposit funds under today's inflationary conditions. Funds middle income people would normally channel into savings apparently are going into additional consumer hard goods or into jewelry - a store of value in inflation.

A savings and loan program has been developed in Chile which provides for adjustment of the value of deposits in a proportion to the degree of inflation. Perhaps a similar program would be effective here.

Recommendation: An expert or team of experts should be brought out for a long enough period to establish a workable savings and loan association institution in South Vietnam. Estimated time and cost: one year and fifty thousand dollars.

V. Channeling Upper Income Savings into Industrial Development

The Industrial Development Corporation and the SOFIDIV (Society for Financing Industrial Development in Vietnam) channel

some government funds and some major bank funds into industrial loans for development of factories and for intermediate term equipment loans.

Because of inflation they are not able to attract private funds.

Private funds that go into industrial development now do it through family owned enterprises. The development of a system of public participation in privately owned enterprise is apparently inhibited by lack of adequate public accounting.

The economic growth of the country and the Saigon Metropolitan Area in particular depends in part on the mobilization of savings of upper income people for industrial development.

Recommendation: A task force working with the Office of Industrial Development and the Economic Section should explore the obstacles to broader public participation in industrial financing and the possibilities of developing an institution which could channel upper income savings into this purpose. Approximate cost and time: one year and fifty thousand dollars.

VI. High Rise Housing for Low Income Population

Public housing projects in many parts of the world have developed high rise buildings where dense land occupancy was essential. An outstandingly successful example is the resettlement program in Hong Kong.

Operation of such a program requires effective governmental organization, financing, appropriate technology, a politically acceptable method of resettling squatters, an understanding of the needs and habits of prospective tenants, and effective planning to make sure inhabitants have adequate urban services. Such high density dwellings are best located where walking to work is feasible for a large segment of the inhabitants.

Low cost and middle income housing projects are built by two present agencies, a Low Cost Housing Office in the Ministry of Public Works and a Low Cost Housing Office under the Mayor of Saigon. A self-operated City Hall's Housing Cooperative also was recently organized. The Director General for Reconstruction and Town Planning has a significant planning interest in housing projects.

All of these agencies are working with single story designs, and some are interested in high rise developments.

The USAID Office of Engineering is financing a contract to experiment with low-cost high rise housing construction technology suited to the marshy terrain of Saigon.

Recommendation: A thorough analysis of building technology and of organizational methods and financing should be conducted by USAID in cooperation with the Directorate General of Reconstruction and Town Planning, the GVN Office of Low Cost Housing and the Saigon Office of Low Cost Housing. Approximate time and cost: three years and several million dollars including the cost of construction of at least one high rise building.

SUBJECTS FOR IMMEDIATE ATTENTION

It is possible to move fairly quickly on a number of urgent problems facing the public sector. Several related U.S. Mission programs and some GVN programs are already underway, and others could be started soon.

From the point of view of working class standard of living and feeling of satisfaction with the government, each is important.

VII. Employment

Currently there is a great deal of employment for prime-age men. Statistics are limited, however. Any substantial drop in employment would be sure to cause a great deal of unrest. Maintaining a high level of employment in the Saigon Metropolitan Area is the best way to enable working class people to cope with inflation.

Recommendation: The measures now underway to provide usable periodic national statistics on employment and the extent of unemployed labor force, should be structured to provide periodic data (e.g. every two months) in the Saigon Metropolitan Area. Careful forecasting of the employment impact of anticipated GVN and U.S. policies now will facilitate timely development of programs to take up any potential slack in employment. The studies of the export sector and local service sector proposed in "I" above will assist.

VIII. Sanitation

The health dangers from grossly inadequate sanitation facilities and from delayed garbage collection are serious. The sanitary conditions under which half the people in Saigon live are worse than sanitary conditions in hamlets and villages where the density is far less, in the opinion of the USAID Public Health Advisor to the Prefecture of Saigon. Plague and cholera are here, and the dangers of an epidemic are ever present.

Some immediate steps to take are these:

1. Sewer System:

A feasibility study for a completely new sewer system for most of the city is urgently needed now. Such a study has been authorized but has not been started. It is imperative that it be started and completed at the earliest possible date. Even so, construction would probably not start for two years.

Recommendation: I would urge very high priority for this project all the way through the construction phase.

2. Storm Drainage:

Thousands of dwellings and squatters shacks are approached by mud walkways which do not drain adequately during the rainy season. Drain pipe laid under these walkways and cement sidewalks built on top can improve the dryness during the rainy season for many of these areas. This includes many squatters areas and some older residential areas. These projects can be largely run on a self-help basis with a contribution of materials.

USAID is currently supporting several such projects with materials.

Recommendation: USAID support should be continued and expanded as rapidly as city and local effort can handle.

3. Garbage Collection:

Clearing garbage from the streets of Saigon will require USAID help and attention for several years to come. Piles of garbage feed rats, rats carry plague, and plague is present in Saigon.

The Prefecture Government lacks resources necessary to deal with the problem adequately. In an inflationary and wartime situation its fiscal resources are too small, its administrative procedures are too cumbersome and its equipment and maintenance resources are too limited to meet current needs.

The garbage problem is the result of the one million increase in population in the last three years.

The problem is war related, control is essential for public health, and the public rates it as the third greatest problem and will be aware of GVN and US performance. It is essential that USAID give high priority to maintaining control of the problem for the next three years.

Adequate powers now lie within the USAID structure to accomplish this. Part of the problem to date has been delay in coordinating activities among various divisions of USAID.

Recommendation: Tighter administrative procedures to assure coordination within USAID and anticipation of difficulties are called for.

I would also recommend a contract with a U.S. (or third nation) firm to take over collection of part of the garbage, e.g., that accumulated in the 70 public markets daily. Such a contract should run for two years, with an option for extension for a third. The contract might call for assistance to the Prefecture in training and equipment maintenance. Part of the U.S. objective must be the development of full capacity on the part of the Prefecture of Saigon eventually to handle the whole problem.

IX. Housing and Land Development

The tens of thousands of refugee shacks around the City represent an heroic effort at self-help to provide quick housing for probably a million people. Most are one-story shacks of scavenger materials -- tin, wood, packing boxes, cardboard, and thatch. Most have some kind of floor. Many have two rooms and some even a porch. Most would appear on quick external inspection to be inadequate even by Vietnamese standards. The urgent problem is to replace these houses as rapidly as possible.

There is evidently a fairly active private housing industry. Many building materials retailers are found throughout the city. A good number of high rise apartments are under construction or have been recently completed. A fair number of single family masonry dwellings of fairly small size are being constructed on individual lots in various parts of the city. These will help to meet the middle income housing needs. In the absence of statistics, I would suspect that the market for new apartments and small houses

of the middle class variety was good. Enough people are earning and saving some funds in this period of high employment and wartime high income to make possible payment of better rentals and/or actual purchase. I suspect, however, that the present rate of construction is far too slow to provide any substantial improvement of housing for the vast majority of new population for a very long time.

If substantial plots of land are developed with appropriate utilities -- streets, water, sewer, power -- and where necessary by fill, I believe the private sector would carry out more residential construction of a middle income variety for sale or rent than is now occurring. Investment in housing is something of an inflation proof investment, for families with funds to invest.

A few institutions have large enough capital to engage in multi-unit housing development on a planned basis. These include the Prefecture of Saigon, the Office of Low Cost Housing in the GVN Ministry of Public Works, and some large business institutions. The City has developed a community of middle income individual houses near the Hippodrome that are quite attractive. Two blocks away they are developing a high rise middle income apartment program which will eventually provide approximately 700 units selling at US\$7,000 per unit. The GVN Office of Low Cost Housing is undertaking a program for units with much lower cost. One Saigon bank has undertaken to build housing for its own employees.

The best low cost housing program I have seen is that conducted by the Youth Program in District 8. This has been extended to Districts 6 and 7, and there are now plans for several hundred units. These houses are adequate and sanitary and are planned in communities with markets, schools and clinics. Water, drainage, paving and sewers are still problems in some of these projects.

They are built with support from USAID in the form of building materials. The projects have helped give refugees and the low income people a belief that they are getting support from the government, and they are giving elite Vietnamese youth practical experience in developing the whole society.

There is a critical shortage of land available for development. The evidence is in the density - 100,000 people per square mile using mostly one story buildings, and use of river and canal banks and unfilled rice paddies for thousands of homes on stilts and squatter housing built on highway rights of way and even on sidewalks.

Acquisition and development of land for residential purposes, with some orderly plan for development, is a very high priority area.

Recommendations:

- a. An immediate survey should be undertaken by USAID in cooperation with the Prefecture, the Director General of Reconstruction and Town Planning, and the Province of Gia Dinh, of

land ownership patterns, legal problems of acquisition, powers of eminent domain and the problems and techniques of assembling large plots of land for development. Approximate time and cost: six months and fifty thousand dollars.

b. Continued support and, where possible, expansion of the Youth Program for low cost self-help housing, and more attention to water, drainage, paving and sewer problems in these projects.

c. Methods should be sought to provide encouragement and support to efforts of the Prefecture or of the GVN Office of Low Cost Housing to substantially expand their housing activities with existing technology on adequately prepared land.

X. Streets, Traffic and Public Transportation:

I have made no study of the repair and repavement of streets, extension of streets, control of traffic, or operation of the public bus system in Saigon.

The Prefecture does have a program for repair of street holes, with some assistance from USAID. The Engineering Division and the Department of Defense have reached an agreement on repavement of streets that have had heavy military traffic. This is expected to start after the rainy season is over.

A survey of the most immediate traffic control problems in Saigon is planned for Fiscal Year 1963. This may help lay the basis for involvement of traffic planning in the long-range planning for the city.

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A USAID representative is working with the Prefecture to improve the operation of the publicly-owned bus system. Apparently there is a long way to go before the system will meet the needs of the city or the people.

The impression, in the absence of statistics, is that the wide use of three-wheeled Lambrettas as a privately operated public transportation system is a fair substitute.

All of these problems are significant, and the efforts are appropriate.

U.S. MISSION ADMINISTRATIVE ORGANIZATION

There has been proposed the establishment of a U.S. Mission Saigon Policy Board, and as staff to the Board, a Metropolitan Saigon Development Office within USAID.

The Board would consist of: the Deputy Ambassador as Chairman, the Director of USAID, the Director of CORDS, the Director of JUSPAO, the Commanding General, Saigon Headquarters Command, and the Director of the Metropolitan Saigon Development Office.

Its function would be to review and decide all basic policy issues affecting U.S. participation in the development of Metropolitan Saigon, and to decide on appropriate courses of actions.

The Metropolitan Saigon Development Office would prepare, or have prepared, the necessary background papers for the Board; help execute the decision of the Board through preparation of appropriate instructions or other appropriate actions; serve as a clearance point for information on the Saigon Metropolitan Area and on the progress of U.S. programs in the area; and maintain liaison with officials of the Prefecture of Saigon, the Province of Gia Dinh, and the GVN ministries with programs directly related to the Development of Metropolitan Saigon.

The advantages of such an approach are clear. It would provide a coordinated and current source of information, and it would provide

top level decision-making. Execution of the Board's decisions would be the responsibility of organizational units under the authority of individual members of the Board.

A number of qualifying factors must be noted, for they indicate possible weaknesses which might obstruct the success of the program.

It must be recognized that the power of the Director of the Metropolitan Saigon Development Office is limited to the advisory programs serving the Prefecture of Saigon and the Province of Gia Dinh.

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The great bulk of the activities decided on by the Board will be carried out by the operating units outside of MSDO. Cooperation between these units and MSDO will be necessary to maintain an adequate flow of information on conditions and on progress.

Most of the USAID dollars, and some of the most important civilian programs affecting the development of Metropolitan Saigon, are administered by the Office of Engineering. A close working relationship with MSDO would be essential. The transfer from the Office of Engineering to the MSDO of the functions of advising the Director General for Reconstruction and Town Planning on city planning for the Saigon Metropolitan Area is necessary for the effective operation of MSDO.

MSDO will need to share in the review of the annual CAP prepared for Metropolitan Saigon by all the offices of USAID. Possibly it should be asked to cooperate with the various offices in the preparation of their proposals.

None of these potential limitations need be real problems.

The proposed organization would have an opportunity to perform a real service in nation building in the Saigon Area.