# CHAPTER 3 **CONSTRUCTION**

## OVERVIEW

The EuroCham Construction Sector Committee (Construction SC) is committed to fostering engagement with the Vietnamese authorities, offering reliable and insightful advice, and contributing valuable input to the legislative process and construction-related issues. It aims to facilitate a harmonious relationship between the public and private sectors, fostering a stable regulatory environment, advocating for best practices and international standards, and promoting the development of skilled labour. This commitment is pivotal in moving towards a greener and more sustainable future for the construction industry.

One of our recent advocacy successes is reflected in Decree 50.[1] Specifically, Article 1, Clause 13, amends Article 38, Decree 136,[2] allowing the use of test results and certifications from internationally recognised foreign authorities and organisation. This amendment, achieved through Construction SC's input in the Whitebook 2024, permits the use of firefighting and prevention equipment certified by international bodies compliant with ISO/IEC 17025 standards. This achievement reflects the Construction SC's commitment to aligning local regulations with globally recognised standards, which not only ensures quality and safety but also strengthens Vietnam's integration with international standards.

The construction sector's resilience during economic challenges highlights the urgent need to balance development with environmental sustainability. Increasing housing demand, rising energy consumption, climate change, and waste management pressures make this a critical issue. We truly appreciate the efforts of the Government and relevant ministries in pursuing sustainability goals through regulations to promote the efficient use of energy and resources while reducing greenhouse gas emissions in the construction sector. To advance green building practices, we believe that the adoption of green building practices and incentive policies; as well as awareness campaigns targeting investors, developers, architects, and consumers are essential. Digitalisation, innovation, and aligning national standards with Eurocodes are equally critical to the sector's growth. Although relevant policies exist, their implementation must be streamlined and consistent, requiring focused efforts to accelerate progress in sustainability, digitalisation, and international integration.

## I. REGULATIONS AND INCENTIVES FOR SUSTAINABLE DEVELOPMENT IN CONSTRUCTION

*(The text below reflects the collective comments from two EuroCham Sector Committees, including Construction Sector Committee and Green Growth Sector Committee.)*

Relevant authorities: The Ministry of Construction (MOC); and the Ministry of Agriculture and Environment (MOAE)

### 1. The mandatory application of green building techniques to new building construction projects

#### Issue description

According to preliminary statistics from the International Finance Corporation (IFC), as of 30 September 2024, Vietnam has 514 green buildings certified under different comprehensive standards, including LOTUS of the Vietnam Green Building Council (VGBC), EDGE of the International Finance Corporation of the World Bank Group (IFC-WB), LEED of the US Green Building Council, and Greenmark of Singapore.[3] This number, however, appears to

1 Decree 50/2024/ND-CP dated 10 May 2024 of the Government on amendments to Decree 136/2020/ND-CP dated 24 November 2020 on elaboration of the Law on fire prevention and fighting and the law on amendments to Law on fire prevention and fighting and Decree 83/2017/ND-CP dated 18 July 2017 of the government on rescue operations by fire departments (Decree 50).

2 Decree 136/2020/ND-CP dated 24 November 2020 of the Government on elaboration of the Law on fire prevention and fighting and the Law on amendments to Law on fire prevention and fighting (Decree 136).

3 "Vietnam has more than 500 green buildings" *ERAV*, 08 October 2024. Available at: <https://www.erav.vn/tin-tuc/t57405/viet-nam-co-hon-500-cong-trinh-xanh.html>, last accessed on 12 January 2025.

be a small fraction of the total number of construction projects completed and operational across the country. This can be attributed to the lack of sufficient provisions to mandate the application of sustainable practices in building projects. Given the construction sector is a major contributor to resource depletion, energy consumption, and greenhouse gas emissions, urgent action is needed to enforce sustainability in construction to mitigate environmental impacts.

The existing legal framework regarding green building and sustainable construction practices is quite fragmented, with the requirements for green building and sustainable construction mainly found in the following key regulations:

(i) The Law on Environmental Protection sets out the need for sustainable resource use and pollution mitigation which are critical for sustainable building practices.

(ii) The Law on Construction which provides the key principles to encourage the use of sustainable and environmentally friendly materials and technologies in building projects.

(iii) Decree 15[4] which includes detailed definitions of green building and encouraging provisions on the development of energy-efficient buildings.

(iv) Circular 15[5] which provides for the Building Energy Efficiency Code (QCVN 09:2017/BXD) on mandatory energy efficiency standards for buildings and promotes the adoption of energy-saving technologies and practices in the construction sector.

As a matter of practice, the implementation of requirements on the economic and efficient use of energy or similar remains voluntary as there is no legal consequence for failing to implement such requirements.

### Potential gains/concerns for Vietnam

The absence of mandatory regulations on economic efficiency and energy-saving requirements, along with the lack of unified national standards/certification for green buildings, poses significant challenges for the growth of green buildings in Vietnam. Without enforcement mechanisms, compliance with these requirements is largely voluntary. As a result, many builders and developers may opt not to prioritise energy efficiency and sustainability. Consequently, the adoption of green building materials and energy-efficient products within Vietnam's construction industry remains limited.

In addition, the lack of unified national standards creates uncertainty among builders and developers, making them hesitant to invest in green buildings since they are unsure about future regulations or standards that might affect their projects. Even if they can overcome this hesitation, it can be challenging to monitor, inspect, or maintain projects recognised as green buildings due to the differing standards they follow.

### Recommendations

Incorporate clear sustainability criteria and performance standards into existing regulations to drive the adoption of sustainable building practices; create liveable, resilient cities; and improve quality of life for Vietnamese citizens. We would like to propose the following amendments to strengthen the existing regulations on sustainable building:

Proposed amendments to the Law on Environmental Protection

› Introduce mandatory requirements for economical, efficient, and sustainable resource usage in all construction projects, including the use of green building materials, recycled materials, renewable energy sources, and water-efficient technologies (for example, mandating the use of certified sustainable materials in at least 30 per cent of all construction projects to promote the development of a green building materials industry.)

4 Decree 15/2021/NĐ-CP dated 03 March 2021 of the Government on detailing certain provisions on the management of construction investment projects (Decree 15).

5 Circular 15/2017/TT-BXD dated 28 December 2017 of the Ministry of Construction on the National Technical Regulation on energy-efficient buildings (Circular 15).

- Publish performance standards for air quality, water usage, waste management, and biodiversity preservation in and around building sites.
- Create specific energy efficiency standards for new buildings, requiring at least a 20 per cent reduction in energy use compared to current standards.

Proposed amendments to the Law on Construction

- Mandate the integration of green building techniques in all new building projects, including passive design strategies (i.e., a set of sustainable architecture techniques that harness natural resources); energy-efficient systems; and water conservation measures (e.g., mandating the installation of electric vehicle charging stations in all new commercial and residential buildings to promote sustainable mobility).
- Establish guidelines for the use of low-impact construction practices, such as minimising site disturbance, reducing construction waste, and protecting biodiversity.
- Establish requirements for construction waste reduction to divert at least 50 per cent of waste from landfills through reuse, recycling, and proper disposal.

Proposed amendments to Decree 15 and QCVN 09:2017/BXD

- Define clear goals for sustainability in construction investment projects, including targets for green building certification, renewable energy generation, and water efficiency.
- Establish and develop mandatory and unified green building codes/standards under the QCVN 09:2017/BXD requiring new buildings to meet defined energy efficiency and sustainability benchmarks.
- Require all new government buildings to achieve a minimum green building certification level (e.g., LOTUS) to lead by example and drive market transformation.
- Establish a regular reporting scheme on sustainability metrics for all major construction projects (e.g., public-private partnerships or projects with large amounts of investment capital) including energy use, water consumption, waste generation, and greenhouse gas emissions.
- Develop green building certifications through recognition of the existing certification system (e.g., LOTUS) in alignment with the National Green Growth Strategy under Decision 1393[6] and QCVN 09:2017/BXD to encourage developers and builders to pursue certification.

## 2. Regulations on incentives and special preferential policies for investment in green buildings

### Issue description

A major barrier affecting the growth of green buildings in Vietnam is their higher initial cost compared to conventional construction. This is factored into the upfront expenses for investment in energy-saving and environmentally friendly products, sustainable building materials, advanced technologies, and the significant fee required to obtain green building certification. Green building developers also encounter uncertainties regarding their return on investment, as the financial benefits of green buildings, such as energy savings, accrue over a longer period. In spite of this, incentives for developers engaging in green construction practices are limited to non-existent. Therefore, attracting developers to green construction projects remains a theoretical initiative due to the lack of particular incentives under current legislation.

### Potential gains/concerns for Vietnam

The initial costs of green construction may discourage investors from pursuing green building projects without adequate incentives or support mechanisms in place. Therefore, formulating incentives for green building investors is crucial to accelerate the take-up of sustainable construction practices in Vietnam. By providing financial

6 Decision 1393/QD-TTG dated 23 September 2012 of the Prime Minister regarding the Government's commitment to promoting green growth (Decision 1393).

incentives – such as tax credits, grants, and low-interest loans - developers can offset their upfront costs, making green building investments more attractive.

### Recommendations

Proposed amendments to Decree 15

- Specify financial incentives to promote the construction of green buildings, such as a fund to incentivise green building practices to provide financial incentives and low-interest loans for developers who meet or exceed sustainability standards.
- Consider establishing structured incentives and sustainability benchmarks that must be met to receive Government funding or incentives for construction projects, ensuring that public investments align with sustainability goals (e.g., tax deductions for developers who invest in energy-efficient technologies and sustainable building practices, subsidies for renewable energy installations in new and existing buildings, and low-interest loans for projects that achieve green building certifications).

Training programmes and public awareness campaigns

- Ensure collaboration between relevant departments under the MOC and construction companies, professional associations, and industry bodies to organise seminars to recap their experience of implementing the requirements of the National Green Growth Strategy under Decision No. 1658[7] and the Vietnam Energy Efficiency Programme under Decision No. 280.[8] Ensure that these seminars reiterate sustainable design principles and compliance with existing laws.
- Ensure collaboration between authorities and Construction SC, real estate companies, and developers to develop and promote certification programmes for professionals in the construction sector that focus on sustainable practices, enhancing their qualifications and marketability in line with national goals.
- Launch campaigns for community engagement initiatives that engage local communities through workshops and public forums to discuss the benefits of sustainable buildings, referencing successful case studies from the National Green Growth Strategy. These campaigns should be promoted through multiple media outlets to share information about sustainable building practices and their benefits, including the health, environmental, and economic advantages.

Support certification systems

- Ensure collaboration between MOC, Construction SC, VGBC, and other construction companies to reach out to developers and builders about available certification systems and the advantages of obtaining them in alignment with the National Green Growth Strategy. For example, the MOC could issue policies to encourage certification bodies, such as VGBC, to provide training for local certifiers to ensure they are well-equipped to efficiently guide developers through the certification process.
- Consider recognising certified green buildings through awards and public acknowledgements, encouraging more developers to pursue certification. To encourage professionals and developers to obtain green building certifications, authorities also need to work directly with certification bodies to simplify and streamline application procedures, reduce bureaucratic hurdles and costs, and ensure alignment with Decree 15.

Leverage technology and innovation

- Create policies that provide incentives for the adoption of smart building technologies, such as energy management systems, in alignment with the Vietnam Energy Efficiency Programme.
- Ensure collaboration between relevant authorities, certification bodies, universities, and research institutions

7 Decision No. 1658/QD-TTg dated 01 October 2021 of the Prime Minister approving the National Green Growth Strategy for the 2021–2030 period, with a vision to 2050 (Decision 1658).

8 Decision No. 280/QĐ-TTg dated 13 March 2019 of the Prime Minister approving the Vietnam Energy Efficiency National Programme for the 2019–2030 period (Decision 280).

to promote research and development into sustainable building materials and technologies tailored to Vietnam's climate and cultural context. Universities and research institutions could organise exhibitions or conferences to showcase innovative sustainable building technologies and practices, connecting developers with technology providers.

- Initiate pilot projects/programmes that test new sustainable technologies and materials in real-world settings, providing data and insights to inform broader adoption.

## II. INITIATIVES FOR THE ORGANISATION OF DATABASES, INNOVATION, AND RECOGNITION OF FOREIGN CREDENTIALS

Relevant authorities: The Ministry of Science and Technology (MOST); and the Ministry of Construction (MOC)

### 1. Database of construction standards and regulations

#### Issue description

The various national standards (TCVN) and regulations (QCVN) in the construction sector are collected in a MOC database on the tieuchuanxaydung.vsqi.gov.vn website. However, this database has not been updated to remove standards and regulations that have been repealed. Furthermore, it does not categorise standards and regulations into practical categories, for instance, based on the grade of construction works or the phases of the construction process.

#### Potential gains/concerns for Vietnam

The current shortcomings of national standards and regulations in the construction sector make it somewhat difficult to research standards and regulations applicable to specific phases of construction.

In alignment with the latest draft amendment to the Law on Standards and Regulations, which states that MOST will coordinate with relevant ministries to update the national database of standards and technical regulations, the construction standards database should be frequently updated and better organised to facilitate the access of enterprises, enhancing compliance with national standards and regulations in the construction sector.

#### Recommendations

- Update the construction standards database to include only currently effective standards and regulations in the construction sector and remove those which have been repealed.
- Add other criteria in the advanced search of the construction standards database (such as those based on the grade or type of construction work) to facilitate the use of the database and ensure compliance with standards and regulations.
- State in the Law on Standards and Regulations that information in the construction standards database is considered official and has the same value as information obtained from relevant authorities, such as the MOC.

### 2. Regulations on innovation hubs and incentives for innovative activities

#### Issue description

The Law on Science and Technology includes a general principle on encouraging innovation. However, this law and its guiding regulations provide no further guidance on innovative activities, especially in the construction sector, or particular incentives for facilitating innovation.

### Potential gains/concerns for Vietnam

Innovation plays a crucial role in driving economic growth and enhancing competitiveness, which are key to ensuring sustainable development. To foster innovation and advance the national innovation system, it is essential to establish a guiding regulation on mechanisms and policies to support innovation, such as tax incentives, financial support, or an innovation hub (i.e., an organisation to connect different involved entities in the industry such as experts, educational institutions, researchers, and construction companies to share innovative solutions to save costs and enhance durability in construction works). Focus should shift towards encouraging and mobilising resources, particularly from private and social enterprises, to more effectively implement strategies and policies on innovation, bringing new ideas, research, processes, products, and business and organisational models into practical application.

### Recommendations

- Establish a legal framework for the creation of an innovation hub.
- Establish guidance on specific incentives for innovation, such as tax incentives or financial support.
- Establish an advisory board (which involves Construction SC members with rich international experience and expertise) to further advise and provide comments on developing an innovation hub.

## 3. National e-procurement platform

### Issue description

The national e-procurement platform is mainly available in Vietnamese. While the English language function is present, not all content on the platform is properly translated or available in English.

### Potential gains/concerns for Vietnam

The incomplete English translation of the contents of the e-procurement platform causes difficulties for foreign contractors during the procurement process.

### Recommendation

- Promptly and properly supplement the national e-procurement platform with an English language function and content.

## 4. Database of the historical projects of contractors

### Issue description

Publicly available databases in the construction sector (e.g., on construction capacity certificates, on the results of contract completion, and the national e-procurement platform) are not sufficiently comprehensive and informative to verify the historical projects of a particular contractor.

In particular, under the Law on Tender, contractors are required to upload to a database of the Vietnam National E-Procurement System, among others, information related to their experience and capacity. This includes key personnel, major machinery and equipment, contracts completed or ongoing, and production capacity. However, this regulation is only applicable to contractors whose tender activities are subject to the Law on Tender, not all those practicing construction activities. Therefore, it is not always possible to research all the historical projects of a particular contractor. It should be further noted that the database required under the Law on Tender is not yet functional.

### Potential gains/concerns for Vietnam

The establishment of a database of construction projects conducted by each licensed contractor would be beneficial for assessing the capacity and experience of contractors and for selecting suitable contractors for construction projects by investors.

### Recommendation

- Establish a legal framework for a centralised database of projects conducted by a particular contractor, probably via the information on construction permits published by provincial Departments of Construction when permits are issued as required under the regulations on construction.

## III. ADOPTING AND HARMONISING STANDARDS

Relevant authorities: The Ministry of Construction (MOC)

### Facilitating the adoption of the Eurocodes for national standards in Vietnam

### Issue description

Under Decision 390,[9] MOC approved the formulation of national standards upon the adoption of the Eurocodes. The specific draft national standards adopted from the Eurocodes have been released for public consultation. There is currently no clear timeline for the final approval of these national standards.

### Potential gains/concerns for Vietnam

The adoption of the Eurocodes is essential to deliver the following benefits to the industry:

- A common understanding of design between investors, designers, and contractors.
- The prompt and effective exchange of construction services between entities engaging in the construction industry from different countries.
- A unified basis for creating design-assistance software.
- Close cooperation between domestic and foreign organisations in construction.

### Recommendations

- Expedite the release of official national standards based on the Eurocodes (especially EN 206 Concrete - specification, performance, production, and conformity).
- Establish an advisory board (which involves Construction SC members with rich international experience and expertise) to further advise and provide comments on the draft national standards based on the Eurocodes to facilitate the process.
- Organise workshops or training courses to disseminate national standards based on the Eurocodes to practitioners to ensure their correct application in practice.

9 Decision 390/QĐ-BXD dated 12 May 2022 of the Ministry of Construction on the Orientation and Plan for Developing and Finalising the Construction Industry Standards System until 2030 (Decision 390).

# IV. REGULATIONS ON THE DESIGN OF FIRE SAFETY AND FIREFIGHTING STRUCTURE

Relevant authorities: The Ministry of Construction (MOC)

### Height for racking in storage areas and warehouses

#### Issue description

Under Article 13 and Schedule V of Decree 136 (as amended by Decree 50), the fire safety design of a warehouse containing flammable goods and materials with a total volume of at least 5,000 cubic meters must be appraised by the competent firefighting authorities. Completing the construction of such a warehouse also needs to be accepted by the competent authorities. In the design of warehouses or storage areas in other facilities, such as a factory (collectively, "storage areas"), shelves and racks are usually key structural components to optimise storage space. However, there is no clear regulation on the maximum height permitted for shelves and racks in a storage area to be compliant with fire safety requirements. In particular, the current regulations of QCVN 06:2022/BXD only specify that the permitted maximum height and the largest area of the storage area shall be subject to the fire and explosion risk classes as specified in Schedule H.11 of QCVN 06:2022/BXD. However, this is not sufficiently clear to specify the maximum height of racks for a particular storage area. Furthermore, QCVN 06:2022/BXD is also silent on the minimum space between the racks and the ceiling of the storage area.

#### Potential gains/concerns for Vietnam

The absence of guidance on the height of racks results in a situation where the determination of whether a multi-rack design is compliant with fire prevention and fighting requirements is heavily subject to the discretion of the competent authorities (i.e., the national or provincial police department of firefighting). This causes certain difficulties and confusion in the design of the fire safety structure for storage areas. Furthermore, if installed racks need to be modified, it is not clear to designers and constructors to what extent these changes (including new installations) shall be considered a renovation or reparation that results in a re-appraisal of the fire prevention and firefighting measures of the existing storage area.

#### Recommendations

- Include unified guidance in fire safety and fighting regulations on the limitations on the height of racks in a storage area, notably the minimum space between the racks and the ceiling.
- Introduce detailed specifications for the renovation of racking systems defining the extent of modifications that would require a re-appraisal of the approved fire prevention and firefighting system of a storage area.


## ACKNOWLEDGEMENT

The EuroCham Construction Sector Committee