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Analyzing the encroachment process of informal settlements in the periurban of Ho Chi Minh City, Vietnam

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Foreword

The thesis research analyses the encroachment process of informal settlements in the periurban of Ho Chi Minh City. After Vietnam's renovation in 1986 with an increasingly open economy to the rest of the world, there are remarkable changes in Ho Chi Minh, the biggest city of Vietnam. As a certain result of the city's growth, the periurban is affected strongly, including the expansion of informal settlements. There are some studies working on the socio-economic changes of the periurban in Ho Chi Minh City, but not focusing on the phenomenon of informal settlements in these areas. Therefore the phenomenon is still unclear in Ho Chi Minh City, especially in the context of Vietnam, a communist country where land commonly belongs to all national residents.

The research aims to understand the phenomenon deeply by exploring its mechanism with the different actors involved and their preferences, as well as the effects of public policies and implementation on the process. The phenomenon is also put in international context of developing world, in order to assess the similar and specific issues in Ho Chi Minh City. The two community units in the city periurban were studied to have the clear picture illustrating the whole encroachment process of informal settlements taking place from the late 1990s up to now, the period of the strong expansion of informal settlements in the city periurban, explaining why they could build their own communities without laws and regulations. The research; moreover, discovers intervention of two district governments, which are now responsible for urban management, as the result of decentralization process in Vietnam. The similarities and differences in their policies on the informal settlements in their areas are also explored. From the results of the research, recommendations to the government in dealing with existing and future informal settlements as well as land management in the city periurban are given. In addition, by understanding the housing demand of the residents in the periurban areas the research recommends important considerations for formal housing markets and low cost housing programs in Ho Chi Minh City nowadays.

Time for the research is limited, however the researcher hope that the results will contribute to useful knowledge on Ho Chi Minh City, and further research on the periurban of Ho Chi Minh City as well as housing programs for groups of residents living in informal settlements nowadays.

Abbreviations

BOLUC	Building Ownership and Land Use Right Certificate
C.U.120	Community Unit 120
C.U.16	Community Unit 16
LUC	Land Use Right Certificate
LMO	Land Management Office
NREO	Natural Resources and Environment Office
UMO	Urban Management Office
UOM	Urban Order Management

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Chapter 1 Introduction and research methods

1.1 Background/rationale

Informal settlements have been a dilemma of the developing world; and Ho Chi Minh City, the biggest city of Vietnam is not an exception. As a result of the economic growth since 1900s, encroachment process of informal settlement in the city periurban shows the continuing failure of formal land and housing markets of the city as well as low cost housing programs of the city government. Hundred thousand illegal houses, on the one hand, provide cheaper housing is affordable for the majority of population. However, on the other hand, the large number of houses creates social segregation, bad living conditions, increasing land and housing prices as well as poverty, reducing and polluting underground water sources, reducing water absorbability, widening flood areas in the rainy season, etc.

The process taken place dramatically in the late 1990s, continuing up to 2002 until the city government had the decision on consolidating and strengthening land management in the city in March 2002, Decision 08/2002/CT-UB. The encroachment process of informal settlements then continues more slowly but how it is today under the condition of Law on Land 2003 which accepts the existence of illegal houses built before July 1 2004 is still a question. Therefore the research analyzes the whole process taking place from the late 1990s to today to understand the phenomenon and see the effects of national and city regularizations on the encroachment of informal settlements in the periurban of Ho Chi Minh City.

1.2 Definition of problem

The problem is the encroachment process of informal settlements which has been taking place in the periurban of Ho Chi Minh City since the city economy started to grow in the 1990s. There are 260,000 owners of illegal houses mainly in the city periurban, registering their houses in early 2006, following a guideline of the city government¹. The phenomenon hasn't been understood clearly because of the shortage of studies on it. More than one million residents have been involved in the encroachment process of informal settlements, showing the remarkable related issues of socio-economy, politics, behaviors, etc. The questions of *who they are* and *why they are willing to settle illegally* need to be understood clearly in the context of Ho Chi Minh City. The illegitimacy situation of such a large number of families in a city is a big question for the government as well as for researchers. Here, the families have built their own community without the assistance of the government.

1.3 Research objectives

The encroachment process of informal settlements in the periurban of Ho Chi Minh City is analyzed in the research in order to understand deeply the

¹ Decision 207/2005/QD-UBND on December 1 2005 of Ho Chi Minh City People's Committee regulates the registration of illegal houses built before July 1 2004, following Decision 39/2005/QD-TTg on February 28 2005 of the state government. Time for registration was planed from January to June 2006; however has to be extended more three months because of the large number of illegal houses. There are 260,000 houses registered in the first six months.

phenomenon as well as discover the informal land and housing markets in the city periurban. All of these issues have not been studied in Ho Chi Minh City as well as in Vietnam, with the context of a communist country. The research also aims to understand housing demand, preferences and desires of different groups of inhabitants living in informal settlements nowadays; from that, giving ideas for formal land and housing markets as well as low cost housing programs in order to respond to inhabitants' demand. The final objective of the research is to discover current instruments of the city government in dealing with the phenomenon in order to determine how these instruments affect the existing informal settlements as well as the whole encroachment process; moreover, the research aims to recommend measures for the government in dealing with the existing and future possible informal settlements in the periurban of Ho Chi Minh City.

1.4 Scope

The research focuses on the encroachment process of informal settlements which started in the late of 1990s in the periurban of Ho Chi Minh City. The reason for the limitation is that from this point of time the process have taken place dramatically in a vast area of the city periurban. The city government at that time had some decisions related to the city periurban including Document 695/CV-UB-QLĐT in 1999, promoting companies to deliver infrastructures and services in the city periurban, Decision 05/2002/CT-UB in 2002, withdrawing the above policy and Decision 08/2002/CT-UB in the same year, consolidating and strengthening land management in the city. Now the process is put in a new context under Law on Land 2003. The period from the late of 1990s up to now is not long, however there are many changes observed in the periurban of Ho Chi Minh City with policies from the city as well as from the state government.

1.5 Description of the research area

The research area is the periurban of Ho Chi Minh City, the biggest city located in the south of Vietnam. The boundary of the city periurban is difficult to define. Considering the total administration area of new districts, including District 2, 7, 9, 12, Thu Duc and Binh Tan², which are the periurban, there are 1.3 million inhabitants living in 352 square kilometers with the density of about 3700 persons per square kilometer.

According to Du (2005), there are significant changes in the five new districts established in 1997, including Districts 2, 7, 9, 12 and Thu Duc with rapid urbanization process. Agricultural land area has been reduced with increase in land area for residential use, among which only 30% to 40% area with basic infrastructures. In these six districts there are eight industrial zones with the total area of 1,170 hectares and 112,000 workers. Moreover, many factories are set up outside these zones, creating thousands of jobs. Land prices, according to Du (2005) increase from six to twenty times, even 6 times a year, putting pressures on investments in main infrastructures in the city periurban. Average income of these districts is lower than the average income of the whole city. Lack of infrastructures and public services, bad living conditions, unemployment are main

² District 2, 7, 9, 12 and Thu Duc was established in 1997 and Binh Tan and Tan Phu District in 2003. However Tan Phu, separated from an inner district, Tan Binh, cannot be considered a periurban area.

problems nowadays in these new districts. There is no data of how many inhabitants are living in informal settlements in these districts. The encroachment process of informal settlements also takes place in areas of five suburban districts of Ho Chi Minh City, which are close to these districts, showing that the process has expanded.

1.6 Research questions

The research analyses the phenomenon looking at two case studies in the periurban of Ho Chi Minh City in order to answer four main questions:

1. Who are actors involved in the encroachment process of informal settlements in the periurban of Ho Chi Minh City?
2. When and how do transfer transactions take place?
3. What are the most important concerns of buyers and their reasons for buying properties in informal settlements in the periurban?
4. What are government agencies doing now in order to control the encroachment process of informal settlements in their areas?

All questions are answered to fulfill research objectives as well as to be the first step for other research on the city periurban and housing supply for residents.

1.7 Research methods

The research is exploratory one in which the main questions are *how* and *why* in order to understand the encroachment process of informal settlements in the periurban of Ho Chi Minh City. With these kinds of questions the main research method is qualitative with detail and in-depth analysis of case studies in the fieldwork. Quantitative method is used to answer the *how much* and the *how many* questions which used to analyze data, making the answer more clear and relevant, and enhancing conclusion of the research. It is also used to for better comparisons and statistical aggregation of data. Below is the research methods used.

1.7.1 Research strategy

The research uses multiple case studies. Case study is used because (1) the research is the exploratory one which most types of questions are *how* and *why* (2) the topic is the contemporary phenomenon in the specific context of informal settlements in the periurban of Ho Chi Minh City (3) the researcher has no control over people and the process because it is impossible to separate the phenomenon from the context of Ho Chi Minh City and (4) case study will give relevant and in depth information in order to understand deeply the phenomenon.

Multiple-case study which follows replication logic strengthens the results and gives more substantial conclusions. Two cases are chosen to see the relationships as well as differences and similarities of these settlements. Selection of cases is based on following criteria:

- Areas where the phenomenon has taken place dramatically at a large extend
- Two cases are in the same area, i.e. the existing conditions are similar
- Belong to two districts, new and suburban ones, i.e. under management of two government agencies in order to explore differences and similarities of public policies and instruments

The two community units selected are C.U.120, Neighborhood 6, Binh Hung Hoa B Ward, Binh Tan District, and C.U.16, Hamlet 2, Vinh Loc B Commune,

Binh Chanh Suburban District. Distance between the two community units is 300 meters. Main data of units is presented in Table 1-1 and described in detail in Chapter 3.

Table 1-1: Basic data of the two community units³

	C.U.120	C.U.16
Distance to city centre (km)	12	12
Distance from the main street (km)	1	1.3
Area (hectares)	5.34	1.19
Household number	108	58
Number of questionnaires delivered	58	58
Number of questionnaires answered	32	34

1.7.2 Research methods

1.7.2.1 Desk study

Desk study was conducted before, after and in time of fieldwork.

- *Before fieldwork:* Literature and theories related to research topic, such as the expansion of city, issues of informality as well as government intervention in the phenomenon were reviewed in international context. These theories were then applied in Vietnam and Ho Chi Minh City contexts as the first step to understand the phenomenon in wide view. Research on informality and the periurban of Ho Chi Minh City found in fieldwork is extra useful documents for this part the research. The content of questionnaire and key questions for each kind of interviewees were also prepared at this time.
- *In time of fieldwork:* Data collected through questionnaires were reviewed and analyzed quickly in time of fieldwork to find issues needed to be elaborated in interviews. Documents collected in time of fieldwork were also reviewed to find whether they are relevant to the research topic. Data from questionnaire was tabulated right away in order to facilitate the next step of analysis.
- *After fieldwork:* Time after fieldwork is for data analysis and thesis writing. All data were reviewed once again and analyzed in detail. Data of the two community units are analyzed separately. Quantitative method is used for data collected through questionnaires, in order to compare the two community units. These data are divided into specific parts suitable for each research questions. Data from interviews were also reorganized. Theories reviewed before are reviewed again for data analysis to see whether these theories are relevant to the reality of the phenomenon discovered in fieldwork in Ho Chi Minh City.

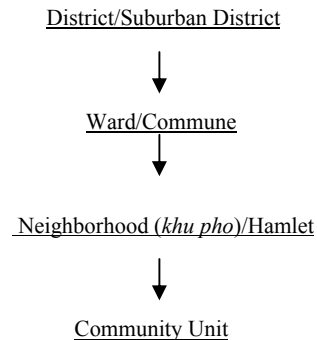
1.7.2.2 Fieldwork

The main methods in fieldwork are interview, questionnaires, archival record and observation. Applying bottom-up approach (see Figure 1-1); questionnaires were delivered after selection of study cases. Three days later the questionnaires are collected and main points were analyzed quickly to explore main problems. Interviews with residents, brokers, sellers and public official at ward and commune government agencies are done after that. Finally, officials at district

³ According to a local public official interviewed, dividing neighbourhoods and community units is based on equal areas. Therefore the areas of community units in two various districts are different. The numbers of families in community units located in a district are also not the same.

agencies were interviewed. Following is the detail of each method done in the fieldwork in Ho Chi Minh City, Vietnam.

Figure 1-1: Structure of administration units in Ho Chi Minh City



1. Questionnaire:

The questionnaire includes 40 questions. Because residents in informal settlements usually have low level of education; moreover the questions are related to their illegal situation, the questionnaire is presented in two sides of an A4 paper, with requirements of clear questions in big font size and in one paper only in order to encourage the willingness to answer. Delivered to families in the two community units, the questionnaires cover the data required to answer the first three research questions. Focusing on the buyer and the transfer transaction the questionnaire aims to explore not only the whole process of encroachment and development of informal settlements but also residents' concerns, desires and their reasons for settling in the area (the questionnaire is presented in Annex 7).

There are 58 questionnaires for each community units delivered and collected by the community leaders. Residents were not required to give their name and address. After finishing they put the questionnaire in an envelope which is offered before and glued it. Introduced clearly in an attached document, all of these actions aimed to ensure the willingness to respond because there were sensitive questions such as their income and illegal transaction and construction. The document also explained objectives of the research, convincing residents with useful goals for them, which is for a research of the city (not for a thesis research) in order to understand housing demand of residents living in the periurban of Ho Chi Minh City and give ideas for the plan of the area (not regarding informal settlements). Besides, name and mobile phone number of the researcher was given in the document.

Only 66 questionnaires were answered. Some residents said they did not believe that the research would work for them. Others did not want to mention about their illegal situation. Some were worried about if the area were planned, according to the leader of C.U.120, i.e. were evicted. This shows doubtfulness of some residents about government agencies. Data of residents living in the area are based on their respond in questionnaires as well as interviews.

2. Interview:

- *Residents:* Open interview were conducted with ten families in each community unit. The questions asked mainly focused on the housing process

and their concerns, which were elaborated more during the interview to discover more interesting and useful information.

- *Brokers*: Acting as a buyer the researcher interviewed four local brokers in the area. Interview was relevant to obtain useful information. Through interviews with brokers the picture, of informal land markets became clearer with prices, sellers, payment and procedure.
- *Sellers*: Three sellers were interviewed via telephone when the researcher acted as a buyer. The telephone number was available in the field because they put it on the front door of their house. Information of prices, payment, procedure and reasons for sell were explored. A farmer in C.U.120 was interviewed with open questions. She was the only big land owner interviewed. The whole process was asked from the time of her first transaction up to now.
- *Public officers*: Semi-structured interviews were conducted with key public officials responsible for urban management at district, ward and commune people's committees to understand their responsibility and concerns (see Table 1-2). The phenomenon is a difficult topic to discuss especially for officials at ward or commune government agencies because they are blamed for the phenomenon in their area. At these agencies the objectives of the research were introduced to officials as the same as residents which is mentioned above. (See Annex 8 for questions elaborated during interviews)

Table 1-2: Responsibilities of government agencies and the position of interviewees

Agency	Main responsibilities	Interviewee
People committees at ward/commune level		Vice chairman
LMO	Land use planning Land use dispute Housing construction	Official
UOM Team	Illegal construction Pavement occupation	Leader
People committees at district level		
NREO	Land use management and LUCs delivery Environment management	Leader
UMO	Planning Construction and building permit delivery Infrastructure delivery including upgrading programs	Official
UOM Team	Illegal construction Pavement occupation	Leader

3. Archrival record:

Collected at government agencies at ward and district level, the secondary data of demography, labor, economy and land use of Binh Hung Hoa B Ward and Vinh Loc B Commune shows pictures of larger areas where two study cases are located. Moreover, demography data is used to ensure the validity and reliability of data of residence status in questionnaire. Comparison shows that rates of non-immigrants and immigrants in two kinds of data are similar.

4. Observation:

Observation of community units aims to assess the existing living conditions, including housing and infrastructures as well as income generating activities and residents' everyday lives. Check lists of facilities and housing categories in each family interviewed as well as their housing conditions are used with quick sketches of housing plans.

1.8 Thesis structure

The research thesis includes five chapters.

- Chapter 1 briefly introduces the research questions with definition of problem, research objectives and scope to understand what the research is about and why the topic. Research methodology is also introduced in this part to show how the research is carried out with the approach, procedure, materials and techniques.
- Chapter 2 is literature review and theories, focusing on theories of city expansion and vicious circle of informality. The chapter also applies these theories to explain the expansion process of Ho Chi Minh City as well as informal settlements in the periurban in the context of Vietnam and the city, which also reviewed in this chapter.
- Chapter 3 shows data collected in fieldwork, what were found and what the results were. Based on qualitative and quantitative methods the data is presented according to each factor related to each research question, including actors involved in the phenomenon, land transactions, residents' reasons and preferences, and government intervention nowadays in Ho Chi Minh City.
- Chapter 4 presents the data analysis. Based on research questions and results in fieldwork, this chapter analyzes and discusses sub-topics closely related to the research's main topic. This part also reviews and applies again the theories in international context for specific results found in fieldwork.
- Chapter 5, the final one is the conclusion and recommendation. Four research questions are answered but some related issues still remain unexplainably. Therefore this chapter gives suggestion for further research as well as, as mentioned in research objectives, gives recommendations for the appropriate response of formal housing and land markets; and of the city government in dealing with existing and future informal settlements in the periurban of Ho Chi Minh City.

Chapter 2 Literature review / theory

The encroachment process of informal settlements in the periurban is not specific only for Ho Chi Minh City but around the developing world. The aim of this chapter is to review theories as well as documents related to the phenomenon worldwide; and focusing on Vietnam and Ho Chi Minh City context, due to the fact that as a communist country, since the renovation in 1986, Vietnam has transformed dramatically with market-oriented development strategies.

First of all, it is not only informal settlements but also other specific functional parts of the city formally and informally expanding on the periurban. The chapter, therefore, look at reasons for city expansion. The second issue is the informality theory, explaining why informal settlements continue to growth in the developing world. These two theories then are combined to see the relationships between city and informal settlement expansion to the periurban to understand the phenomenon in Ho Chi Minh City context. Transformations in land and housing markets of Vietnam are reviewed briefly in part four in order to determine the factors and the actors involved in the phenomenon. Focusing on Ho Chi Minh City context, section five looks at changes in the city periurban with related policies from the city government. Finally, current trends of governments' intervention in dealing with the phenomenon are reviewed in the international context and then focusing on the case of Ho Chi Minh City.

2.1 City expansion process to the periurban

2.1.1 Periurban definition

Reviewing definitions by various researchers, Willis (2005) identifies the periurban: *“The simplest definitions of periurban are spatial, defining it as a zone around the built up area of a city, its perimeter or edge, the ‘rural-urban fringe’ where city and country land uses overlap.”* (Willis 2005, p. 2) The periurban is, therefore affected by both rural and urban areas; and levels of effects are mainly based on urban development because of dynamic activities in cities and urbanization trend worldwide. The periurban characteristics and concerns are different between regions, countries and cities. For cities in developing countries the periurban is areas of informal settlements, slums, as well as industrial factories, pollution, and vacant land for future investments.

Spaces of the periurban are also not the same: *“Across the literature, the spatial definitions of periurban range from a 10 km zone beyond the city proper (Randolph, 2003 on Australian cities) to a 100 to 300 km zone in parts of East Asia and China (Webster, 2002). Clearly then, periurban could never be defined by a singular spatial measure.”* (Willis 2005, p. 4). The above distances, from 100 to 300 kilometers are defined by Webster (2002) due to the fact that the large areas in the periurban in East Asia and China are affected strongly by manufacturing industry. However, the use of land in the periurban is based on not only the characteristics of each land use function but also amenities of the city centre and decisions from the government; hence industry and residential development drives affects differently on the periurban especially in the case of informal settlements where most of inhabitants are poor and living close to jobs and urban services are their most desires.

2.1.2 Main reasons for city expansion to the periurban

There are six main forces shaping urban expansion (Angel, Sheppard & Civco 2005), including natural environment, transport system, demographic drive, economic drive, consumer's preferences and the variations in the form of governance.

1. Natural environment is a specific issue for each city. It mainly explains why a particular city develops in a certain way in other areas. Difficulties in city development caused by natural elements can be the lack of water resources, unsuitable solid foundation, weather, slope, etc.
2. Transport system is the second reason. New technologies with higher speed and safer vehicles increase people's mobility. They can reach longer distances in the same period of time; therefore they can live further from work. The government also promotes city expansion with investments in new roads, highways, or public transport to facilitate people's mobility as well as economic activities. Low transport cost and high household income can partly explain why people can afford to live further from the city centre and vice versa. It leads to the trend of the richer living in the periurban while the poorer still living close to the city centre.
3. Demographic drive includes "*rural-migration and natural population growth in the city, the level of urbanization in the country, and the rank of the city in the country's urban hierarchy*" (Angel, Sheppard & Civco 2005, p.8). The availability of relatively inexpensive labor which encourages manufacturing industries and residential development which is mainly rural in-migration are main reasons for city expansion to the periurban of big cities in East Asia (Webster 2005). The high level of urbanization means the high level of migration from rural to urban areas which can cause demographic pressure on land use, existing infrastructures and services. City expansion for the large number of new comers is therefore crucial and always is a concern of city governments.
4. Economic drive is common for city expansion around the world. The level of expansion can be affected by the level of economic development, level of exposure to globalization with foreign direct investment as the case of East Asia (Webster 2005). Foreign companies invest directly in the periurban of big cities in East Asia with manufacturing industry, which requires large areas for setting up factories and large number of simple-skilled workers for running the factories. City expansion is also affected by the development of real estate finance markets; the level and effectiveness of property taxation, which can cause informal settlement expansion to the periurban, which is presented in the next part.
5. Consumer preferences are also reasons for city expansion, because the city centre, after a long development history is no longer attractive due to its disadvantages, such as degrading infrastructures, congestion, overcrowding, pollution, high land and housing prices, etc. Hence de-urbanization is happening in cities around the world. People move out from the city centre to the periurban for better living conditions, for examples, with bigger houses, open space or housing ownership for cheaper housing prices, or even for the rural way of life. Meanwhile, the rural poor also settle in the periurban because they want to close to urban amenities but cannot afford living costs in

the city centre. In the periurban, with different attractions for different groups there is the existence of the rich, the middle income and the poor.

6. The variations in the form of governance mentioned by authors are mainly the link between cities and towns in metropolitan regions (Angel, Sheppard & Civco 2005). The lack of cooperation between them easily leads to economic and demographic drives for expansion of the biggest city in the region because of the agglomeration of activities. Another issue is how the government controls the expansion. From different approach Webster (2005) focuses on public policies as an important drive for urban expansion to the periurban in cities of East Asia when they support the provision of “*large-scale public infrastructure, particularly ports, highways, rail links, telecommunication facilities, water reservoirs, container handling facilities, and sometimes airports.*” (Webster 2005, p. 10)

While natural environment is a specific issue, the other causes for city expansion are rather common in big cities in developing worlds. These five elements have close relationships and can be the cause or the effect of the others. A clear example is in developing world, economic development also means high pressure of demographic issues when the rural poor rushing into cities. It also means higher average income; and housing demand in quality and quantity is also increase. The government then has to invest in new roads to develop new land for city development. And the city increasingly expands. However these causes do not explain clearly city expansion in terms of informality, especially the increasing encroachment of informal settlements in the periurban of cities in developing countries. The next part therefore aims to review the theory of informality in order to understand why informal settlements continue to grow uncontrollably and how relate the theory to city expansion.

2.2 Informality theory

2.2.1 Informal settlement definition

Informal settlements are defined in many ways. According to UNCHS (1996:89) to define informal settlements, there are two elements: (1) the housing is illegal built and (2) few services and community facilities (if any) are built in the immediate neighborhood.

The definition describes rather clearly situations in informal settlements. In some cases informal settlements’ conditions are quite good in terms of housing and basic infrastructures. The word “informal” refers to illegal housing in the settlement. Comprising informal settlements to slums UNCHS (2001) defined:

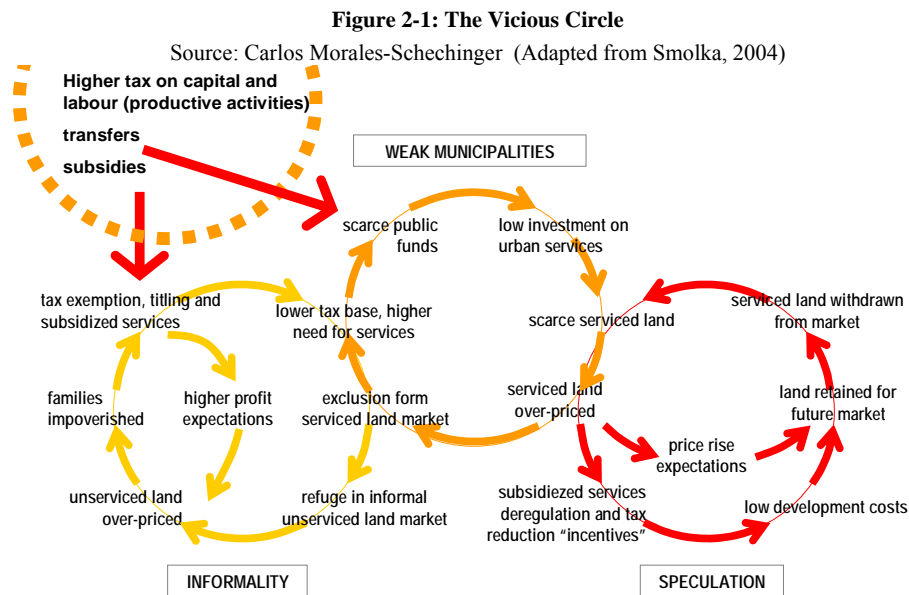
Looking at it more closely, it is necessary to observe that there are two distinct but related issues that will need to be addressed. The first is the extension of formality and secure title to already existing urban settlements. The second relates to the need for improved provision and availability of urban land that is affordable and well-located for self-help development. (UNCHS 2001, p. 4)

In Vietnam informal settlements are residential areas in which major portion of houses are illegal, i.e. owners have neither secure tenure nor building permit. However, in some areas of Ho Chi Minh City, residents upgrade existing infrastructures and improve their houses by themselves; hence the living conditions are quite good in comparison with slums. The words “informal

settlement” and “slum” in Vietnamese have different meaning, similar to above definition of UNCHS (2001); however, “slum” also mean “informal settlement” but not always vice versa.

2.2.2 Informality theory

Smolka (2005) develop the vicious circle of informality based on his experiences in informal settlements in Latin America. Figure 2-1 explains his theory with all elements affecting the continuity of circles of informality, weak municipalities and speculation.



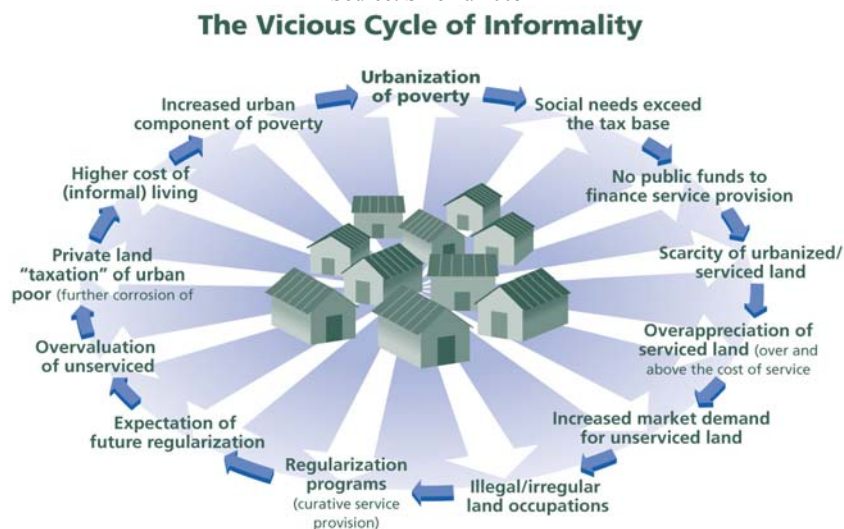
Starting from scarce service land because of scarce public fund for urban services which is a constrain of every city in developing countries, this kind of land become costly, continuing the whole circle of speculation in which speculators retain land for future market. Speculators also benefit from public policies which encourage the provision of serviced land such as low taxes, deregulations or subsidies. Deregulations are, for example, low standards can be exploited by developers to lower the investment costs. Therefore standards for residential areas are also challenges for governments because overregulation creates exclusive high priced zones which do not meet the demand of the majority of population, while under regulation creates an opportunity for corrupt agents and their predatory practices (Smolka 2005).

In the Informality Circle in Figure 2-1 there is an exclusion from serviced land market because high land prices do not meet the affordability of people. The land prices in informal markets also increase due to high demand and expectation of higher profit in the future. The expectation comes from governments’ program of regularization, upgrading, etc. in other settlements. Such programs certainly increase land prices; and residents and also speculators expect the same things in other areas. The expectation of higher profit, therefore promote speculation in informal settlements, which happen currently in the periurban of Ho Chi Minh City. This makes informal settlements more problematic.

According to Smolka (2005), higher cost of “informal” living will cause urbanization of poverty and continue again the circle of informality (Figure 2-2). Because the poor again cannot afford living in this informal settlement they choose another one which is fix for their budget and certainly lesser “attractive”. The new location often further, living conditions is worse. Therefore informal settlements continue to expand to meet the demand of the poor. But who are the poor in these expanded informal settlements? They can be the new poor comers and also existing poor in previous areas who sell their houses or land plots then settle in cheaper one. They can also be ones whose houses are evicted but the compensation from the government is not enough or they sell their new compensated houses or flats and again choose a cheaper one in informal settlements as the case of Ho Chi Minh City. However, Smolka (2005) also mentions that “*in spite of the close correlation of poverty to informal settlements, not all the occupants of such settlements can be called poor*” (Smolka 2005, p. 5). It means that formal land and housing markets also do not meet demand of middle income families. In Ho Chi Minh City case it is important to consider the preference of living horizontally rather than vertically because the price of a formal flat now is equal to an illegal land plot in some areas.

Figure 2-2: The Vicious Cycle of Informality

Source: Smolka 2005



2.3 Main causes of the encroachment process of informal settlements in the periurban of Ho Chi Minh City

This part tries to link the theories of informality and city expansion in order to understand main causes of the encroachment process of informal settlements in the periurban of Ho Chi Minh City.

1. Natural environment:

Ho Chi Minh City is supposed to expand toward the north rather than the south where the soil conditions require more expensive foundation for construction. The level of encroachment of informal settlements in the north seems higher than in the south of the city partly because the city government tends to invest in key infrastructures in the north for its lower costs. Among

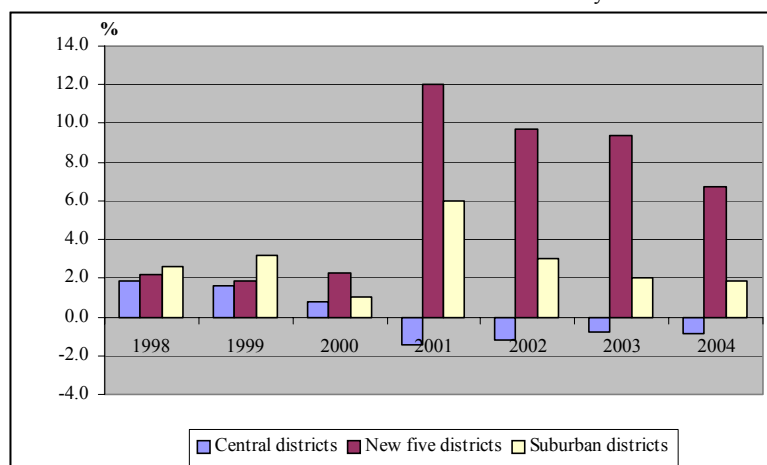
new five districts established in 1997, there are four located in the north of the city.

2. *Demographic drive:*

Main demographic drive is the poor rural migrant which make up a major portion of population growth of big cities in developing countries. Their housing demand increase scarcity of serviced land and make informal settlements to expand further to the periurban. Ho Chi Minh City population (about 6.2 millions in 2005) grows 3,4 % per year, including 2,2 % of net emigration rate and 1,2 % of natural increase rate. Immigrants are from not only rural areas but also other cities and towns. Population growth rate in the periurban districts is much higher than the suburban ones; while in the central districts there is de-urbanization trend, happening from 2001. Figure 2-3 shows the differences in population growth in the districts of Ho Chi Minh City. Among 6.2 millions there are 160,000 of industrial workers, 200,000 of migrant students, 1.5 million immigrants and thousands of families, most are poor and whose house are evicted from revitalization programs (Do 2005). These numbers show the demand of low cost housing in Ho Chi Minh City.

Figure 2-3: Differences of population growth in districts of Ho Chi Minh City

Source: Statistics Office in Ho Chi Minh City



3. *Economic drive:*

- Economic development which encourages rural-urban migration especially the development of manufacturing, which require large number of simple skilled worker in the case of East Asia and also Ho Chi Minh City. The city economy grows 11% and industry grows each year at the same rate. Most of industrial zones established in 1996 and 1997 are located in the periurban and suburban. Moreover the city has a decision to move all polluted industrial factories out of city centre, attracting more workers to settle out side of the centre.
- The failure of formal real state markets: The evidence for the failure is the imbalance between housing demand and supply, high formal land/housing prices which do not meet demand of the majority of inhabitants. The lowest price of a flat now is about VND400 millions (US\$25,000)⁴ while the average

⁴ Rate for converting VND to US\$ used in the research is the current rate, which is about 1US\$ = VND16,000

income is around VND13.2 millions (US\$827) per person per year⁵. The average income of inhabitants increases however their expenditure increases as well. Studying on urban land policies and institutions in developing countries, Farvacque & McAuslan (1992) mention that formal process including land access, registration and development in these countries has to face up with obstacles such as lack of finance resources, long and complicated procedure, and inappropriate subsidy and finance policies for low cost housing. All of these barriers are found in Vietnam.

- Low property taxation which aim to facilitate housing for the poor but also limiting public budget; hence low investment in serviced land, causing the shortage of serviced land. Before Law on Land 2003 property tax was low because the tax base is not based on market prices. The new law in 2003 has put up taxes, however out of people's affordability; hence they do not want to apply for the land/housing title. The state government now is considering lowering tax rates to encourage people registering titles and paying taxes.
- Expectation of future profit: As mention in informality theory this expectation comes from legalization and upgrading programs of the government. Eviction is not common in Ho Chi Minh City except slums in the city center when the government wants to clear precarious houses along canals for city revitalization. The most recent eviction is in August 2003 in an area planned for industrial use, hundreds of illegal houses were evicted. The action encountered strong opposition from the occupiers. No demolition has been happened since then. Another profit is the possibility of renting out when the owner building small rooms in informal settlements, then renting out for the rural poor, factories workers, and students whose houses are totally excluded from both formal and informal markets.

4. *Consumer preferences*

The first preference is living in single houses. The fast degrading conditions of high rise buildings can discourage residents to live in apartments. In addition, residents are used to living in individual family dwellings because the number of private houses makes up a major portion of total housing units in urban areas of Vietnam (70% in Ho Chi Minh City). The de-urbanization process is another explanation for people's preferences when they move out from the city centre to settle in the periurban as mentioned above (see Figure 2-3). The sense of housing ownerships is also important because families want to stop renting in city centre or stop living in high rise buildings. A house even illegal in informal settlements in the periurban will be their first choice, which is encouraged by expectation of future regularization as well as future profit as mentioned above.

5. *The variations in the form of governance:*

- Government support investment in the city periurban such as key infrastructures, industrial zones; however are not appropriate housing for inhabitants living there. In the periurban of Ho Chi Minh City new residential

⁵ Data in 2004 by Statistical Office in Ho Chi Minh City

- projects meet only the demand of high and upper middle income families⁶. The formal expansion can be a strong force for informal expansion because the formal one creates jobs, basic infrastructures and services with cheaper land prices. All are desires of the rural poor, factories workers, migrant students, as well as lower middle income families.
- Government tolerance reflects their lack of strictness mainly because of the poor conditions of families in informal settlements, bribes, lack of interest and enthusiasm of officials, etc. In law all illegal buildings have to be penalized and stop constructing; however in reality the constructions are still going on after paying penalty. To avoid penalty people tend to build their houses at night and it make more difficult for officials to implement the law. Their performance is explored in the fieldwork and analyzed in the next chapter. The government tolerance is also acceptance of the state government in Law on Land 2003 as mentioned above.
 - The lack of cooperation between Ho Chi Minh City and other cities in the region is also a cause because after twenty years growing manufacturing industry which should have invest in secondary cities and towns, the city government now realizes the disadvantage of the strategy and support the development of services and high technology industry. If the city move manufacturing or polluting industry to other cities and towns it can also mean that cities and towns have to face up the expansion of informal settlements in their territories; and part of the problematic phenomenon in Ho Chi Minh City is changed to other cities, i.e. it is still unsolved.

6. *Transport system*

It is important to note that Vietnam has the highest motorbike ownership per capita in the world, and is experiencing exponential growth in motorbike ownership. More than 2.5 million motorbikes have been registered in Ho Chi Minh City. The reasons for increasing number of motorbikes, according to JBIC (1999) are (1) No driver's license obligation for motorcycles with 50cc displacement or smaller; (2) Asset value: the price of used motorcycle does not depreciate significantly and motorcycle holds asset value among others like real estate and gold; and (3) Convenient: the city area is not still wide enough, so that people can commute almost everywhere easily by motorcycle. Motorcycle price is decreasing now and the poor can afford a secondhand one. The use of motorcycle increase people's mobility however creating congestion, which is a nuisance for people living in the periurban of Ho Chi Minh City. They have to suffer congestions more than those living in the city center because most congestions happen at bridges connecting the center to the periurban (channel and river system is one of the city's important characteristics). The bus system with subsidies from the city government is better now in Ho Chi Minh City, which runs longer distances, however still with lower speed than the motorbike because of congestions. There is no survey or research until now on users of bus system in Ho Chi Minh City.

⁶ As mentioned above the lowest price of a flat now is about VND400 millions (US\$25,000), over thirty times higher than the average income per person per year of the city, VND13.2 millions (US\$825). For a family of four persons with the same level of above income, it would take them nearly seven and a half years saving without expenditure to afford the flat.

All of these above forces derived from international theories are main reasons for the encroachment process of informal settlements in the periurban of Ho Chi Minh City. However, it is important to see the other factors coming from Vietnam transformation in land and housing market in order to see the phenomenon in the specific context of Vietnam, from that, understanding more causes of the encroachment process of informal settlements in the periurban of Ho Chi Minh City.

2.4 Vietnam transformation in land and housing market

2.4.1 Access to land:

In Vietnam land is the property of people, and is subject to exclusive administration by the government. Land allocation to people has changed over time.

- *Policies in the late of 1950s:* Agriculture land was brought into collectives as Communist ideology while in urban areas the government subsidized strongly housing construction for people renting with low rent costs for civil servants only. Informal houses via squatting were also built in cities.
- *Land and housing laws in 1988:* With market orientation of Vietnam renovation in 1986, the Law on Land 1988 which granting agriculture land use rights to families had encouraged people to invest in land; the law had pushed up the development of agriculture in Vietnam at that time. In the north of Vietnam land was distributed on a fairness basis; while in the south farmers should be assigned the land they owned before 1975 (Do & Iyer 2003). In housing policies the government abandoned subsidized housing programs and promoted people in housing for themselves. There was a boom of private house construction in urban areas of Vietnam, however without permits. From 1986 to 1993 in Ho Chi Minh City, about 60% of new houses were built by individual families (JBIC 1999). The secure tenure in urban areas was not clear.
- *Land and housing laws in 1993:* The government issues the LUC and the BOLUR for individuals, families, and organizations as land and housing titles in Vietnam. These certificates can be exchanged, transferred, leased, inherited or mortgaged. However, at the end of 2000, 90% of land users in rural and only 16% of land users in urban areas have LUCs. It shows constrains in procedure of applying for LUCs in Vietnam. The government understands limitations and they have changes in Law on Land 2003 to facilitate this procedure. In housing sector there were some large housing projects done by state-owned companies with subsidy from the government; however the majority of housing construction have been done by people.
- *Law on Land 2003 and Law on Housing 2004:* The Law in Land 2003 aims to modernize state land ownership and administration, using market values for establishing compensation, taxes, and fees; and consolidating above two kinds of titles into a single type. Law on Housing 2004 regulates production of new housing projects, subsidized social housing programs. It is soon to have

conclusions about the impacts of new land law, but some news said that people still do not consider LUCs because of high taxes⁷.

2.4.2 Registration for certificates

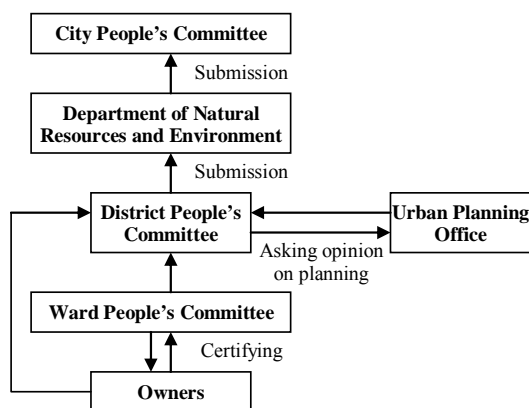
Land market only started formally after the Law on Land 1993 when the government allows land use rights to be traded. The system is complicated when the government regulates two kinds of certificates, which are LUCs applied for all kinds of land, and BOLURs for land and housing in urban area only. Users will not be given LUCs if (Do & Iyer 2003):

- They obtain the land through an illegal land transfer i.e. without registering the transaction, without paying transfer taxes, or without a legal contract,
- They inherit the land from parents without a formal inheritance letter, so that old documents are still in the parents' names,
- They have no legal documents to prove their claim to the land,
- They are illegally occupying unallocated land,
- They have not paid all their land taxes in the past,
- There are disputes regarding their ownership or the boundaries of the land they claim.

Figure 2-4 shows the procedure for registration of LUCs in Ho Chi Minh City before Law on Land 2003, which is related to several government agencies at all levels, including ward, district and city.

Figure 2-4: Procedure for issuing LUCs in Ho Chi Minh City (before Law on Land 2003)

Source: JBIC, 1999



The number of land users in urban areas having LUCs is still low due to many reasons. According to JBIC (1999) “Land users can get the certificate ... when they have some of the 14 documents ... many checks that must be carried out before a BOLUC can be issued... people often buy housing without any registrations to avoid fees and taxes... It seems many Vietnamese do not know the official procedural requirement for housing transaction. In addition, the official procedure itself is not yet clearly defined.” (JBIC 1999, p. 51, 54, 55)

Generating from other research, Do and Iyer (2003) shows other constrains including a few number of public officials direct responsible for titling which make the procedure more slow; lack of adequate finance, trained cadres, lack of interest and enthusiasm of officials, lack of proper direction and supervision and disputes among the cadres. The procedure related to all level of the government

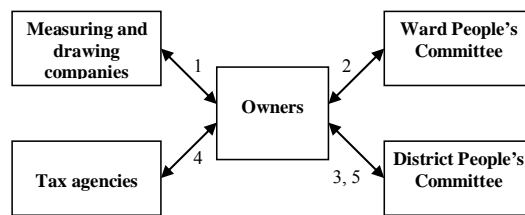
⁷ According to an article of Tien Phong newspaper on August 24 2006, in Hanoi, around 40,000 LUCs are still not granted for owners until August 2006. There are around 80% of owners cannot pay property taxes.

<http://www.baotienphong.com.vn/Tianyon/Index.aspx?ArticleID=57979&ChannelID=2>

and take time for each agency. The highest level – Ho Chi Minh City People’s Committee was responsible for issuing LUCs while Department of Natural Resources and Environment was responsible for management of LUCs and Department of Construction for BOLUCs. These two departments need support from districts’ government agencies who directly manage land and housing to ensure LUCs or BOLUCs’ fulfillment of requirements. In the end of 2000, as mentioned before, about 90% of land users in rural but only 16% of land users in urban areas have LUCs. It is clear that urban dwellers are not willing to apply for LUCs. Long and complicated registration procedures are important constraints delaying and limiting the whole formal housing process (Farvacque & McAuslan 1992). In terms of secure tenure, the majority of land users in urban areas are outside formal process, increasingly encouraging people to live illegally. The state government knows the limitations and they try to change the situation by Law on Land 2003.

Figure 2-5: Procedure for issuing BOLUCs in Ho Chi Minh City for private houses after Law on Land 2003

Source: the website of Department of Construction of Ho Chi Minh City



1. The owner asks a measuring and drawing company for their regulated documents (drawings)
2. The owner applies these documents at the ward people’s committee
3. After receiving documents back from the ward people’s committee, the owner submits them at the district people’s committee for the certificate
4. The owner receives a document for taxes from the district people’s committee and go to tax agencies to pay taxes and fees
5. The district people’s committee issues the certificate for the owner after they pay taxes and fees

Law on Land 2003 has changed this procedure by giving all the above responsibilities to districts’ government agencies. They are also responsible for delivering building permits which previously under Department of Construction of municipalities. However the procedure for issuing LUCs still has constrains because required documents are complicated (Figure 2-5). Owners have to come to a certain company responsible for measuring and drawing land/housing for their property’s drawings. This step will add more fees for owners. Time for issuing a LUC – 40 days may be not a long time; however the procedure is still complicated, requiring at least 10 documents, people have to go to many places, much less waiting time in public agencies. The conditions for issuing LUCs include the house or land plots located in secure residential area; no disputes; suitable for the 1/2000 scale plan and penalty for illegality if it is illegal. According to Law on Land 2003 illegal houses built before July 1 2004 can exist. Department of Construction of Ho Chi Minh City is now considering eligible conditions to define which illegal houses can exist. Owners then can get temporary LUCs for their illegal properties.

2.4.3 Transfer transactions

Transfer transactions need notarization from the government with an aim to avoid future disputes (all members of the seller’s family have to sign in a regulated document). Notarization does not mean the buyer is entitled the ownership. Once

notarization, the seller and buyer have to pay tax in transfer land use right and (4% of the transferred property's value) and registration fee (1% of the value). Notarizations need be done in the ward and district's government agencies. The fee in the ward agency is not significant; therefore most of transfer transactions of agriculture land in the periurban have notarization at this lowest level of the government only. The complete transaction is when the buyer registering for the LUC. The forms of transfer transactions are presented in Table 2-1.

The transfer transaction of agriculture land for residential use is illegal. All such transactions have to follow conditions regulated by the state government in which the seller moves to another place, or changing to another job, or unable to work. However the notarization in ward agencies seems easy and it can make people confident in future legalization of their property. Penalty payments for illegal transactions are presented in Table 2-2.

Table 2-1: Different forms of transactions

Source: JBIC 1999

Transaction form	Contents
No change of ownership and no notary	There are no documents proving the ownership nor the transactions. Seller wants to avoid Tax on Transfer of Land Use Rights, while the buyer wants to avoid the registration fee.
Notarization of the transaction only	Ordinance on Housing (1991) requires the notarization. The notary office requires the payment of the transfer tax before the notarization. By notarization, it is proved that some public office certifies the fact of the transaction. However, this does not mean the buyer is entitled the ownership, because the notary just acknowledges the fact of the transaction and there might be someone else claiming the ownership of the same land.
Complete transaction	In urban areas of large cities, many sellers do not have the certificate et. Therefore, often the buyer must apply for the certificate after s/he buys the land use rights of a specific parcel.

Table 2-2: Penalty payment for illegal land and housing transfer transactions

Source: the website of Department of Construction of Ho Chi Minh City

Having legal documents but no notarization of the government	- VND100,000 – VND1 million - Making obligatory transaction contract
Not enough legal documents or in disputes	- VND5 millions – VND10 millions - Transaction dismissed
Land squatting	- VND10 millions – VND200 millions - Transaction dismissed

2.4.4 Building permit

Building permit must be issued before constructing houses. The required documents include application form, LUCs, the drawing of land plot, all drawings of the built house. The requirements for drawings are in detail and specialized; hence it is difficult for residents to draw their housing construction by themselves, while they don't want to pay fees for an architecture company for their houses' drawings. Residents in informal settlements haven't got LUCs; therefore houses are built without legal permission. For illegal housing construction, penalty payments are based on the area of the house.

The above frameworks are regulated by the state government, showing the centralization in Vietnam. However local governments implement laws differently to fix for their own situations. The next part focuses on the periurban of Ho Chi Minh City with related policies of the city government.

2.5 Changes in the periurban of Ho Chi Minh City

2.5.1 Policies on the city periurban

The following are policies related to the city periurban. These policies started from 1996 – the time of rapid urbanization and economic development of Ho Chi Minh City:

- 1996-1997:
 - Establishing five new districts in the city periurban (District 2, 7, 9, 12 and Thu Duc with total area of 18700 hectares). These five districts would have strong investments for basic infrastructures and services to change from rural to urban land use
 - Establishing 9 industrial zones: 3 located in new districts, 1 in centre, and 5 in suburban districts
- 1998: The city master plan approved, creating satellite towns in suburban districts, however have not implemented up to now
- 1999: Document 695/CV-UB-QLĐT, promoting companies to deliver infrastructures and services in the city periurban
- 2002:
 - Decision 05/2002/CT-UB, withdrawing the above policy
 - Decision 08/2002/CT-UB, consolidating and strengthening land management in the city
- 2003:
 - Establishing two more new districts, Binh Tan separated from Binh Chanh Suburban District and Tan Phu from Tan Binh District
 - Plans for permanent residential areas in all districts outside the centre but most of them have not approved
- 2004: Law on Land 2003
 - Acceptance of illegal houses built before July 1 2004
 - Do not allow residential projects that supply serviced land only. Companies have to finish infrastructures and build houses on land.

2.5.2 Changes in the city periurban

The clear changes in the periurban are rapid population growth and the encroachment process of informal settlements. Figure 2-6 shows population growth in five new districts of Ho Chi Minh City⁸. The populations start to grow dramatically since 1999 and 2000. This time coincide with the time of finishing key infrastructures in the periurban and the time of establishing new factories in industrial zones, attracting thousands of workers from rural areas immigrating to the city.

In 1999 the city had a policy promoting public and private companies to deliver infrastructures and services in the city periurban. These companies sold small land plots for private use after finishing infrastructures. The policy had great impacts on the periurban with such projects in different scales and quality. Some companies just finished land use plans then sold plots without infrastructures. Even farmer did the same thing illegally. There was a large scale of agriculture land transfer transactions in 2000 and 2001, which push land prices in the city

⁸ Only five districts are considered because Binh Tan District was newly established in 2003

periurban as well as in the centre up to 6, 7 or even 11 times (Ngo 2003). Most are for speculation. Causes for this phenomenon are explained by Ngo (2003) as follows:

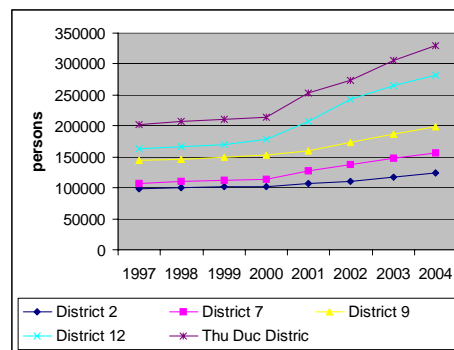
- The low capacity in land management of lower levels of the city government
- People's income increases; hence raising demand for better housing
- Saving increases when other kinds of money investment such as stock market is not yet attractive, leading to increasing speculation by people as well as private companies with “fake” housing projects
- The governments have no roles in information delivery, consultant service of land/housing markets
- Investment in cities increases, leading to land demand for commercial, industrial, and residential investments

This phenomenon led to decisions in 2002 to limit subdivision of land in the periurban, to promote high rise apartment building projects, and strict penalty of agriculture land transaction for urban use. These policies had significant impacts on the land use in periurban after that, such as reducing land prices, decreasing the great numbers of illegal transactions and other activities such as building or land fill. Plans to identify stable residential areas in the city periurban are made in 2003 with an aim for legalization. However the encroachment process of informal settlements is still going on up to now. Farmers continue to subdivide their land and invest by themselves key infrastructures. By these actions they raise their land prices and sell for buyers illegally, starting the formation process of a new informal settlement.

The process seems “never ending” as the vicious circle of informality. It is therefore necessary to look at actions of government to deal with the phenomenon. The next part reviews trends of government intervention in international context and then focus on Ho Chi Minh City.

Figure 2-6: Population growth in five new districts of Ho Chi Minh City

Source: the website of Statistical Office in Ho Chi Minh City



2.6 Government intervention

2.6.1 Current trends of government intervention

Government intervention in slums has changed in time, from demolishing and building public housing in 1960s to self-help housing, site and services and slum upgrading in 1970s and 1980s. Current trends of public intervention, according to Lasserre (ed. Fernandes & Vabley 1998), include:

1. Legalization: According to Smolka (2004), provision of legitimacy is significant because of the interests of occupiers, including “*security of tenure, protection against forced eviction, domestic conflicts, marital separation, inheritance, problems with neighbors, access to an address and to forms of credit*” (Smolka 2004, p.14) as well as the city for the stabilization of land markets. It is also important to consider De Soto’s theory about large scale regularization programs which will reduce poverty (Fernandes 2002). Looking at the economic term of such programs, he supposes that the poor can get bank loans from their legalized properties. Legalization however can cause willingness of people to settle illegally on somewhere else as described in The Vicious Circle of Informality (See Figure 2-2).
2. Re-blocking and densification: The informal settlement is planned for a more rational pattern of land use in which part of population is located in the same area, releasing land for urban services and/or commercial activities with market land prices. Such projects need feasibility plans especially in inner city areas where the density is high. Some projects make areas higher density than before upgrading because of market orientation. It happened in some areas in central districts of Ho Chi Minh City when developers replace old private houses with high rise apartment buildings.
3. Upgrading: Provision access to infrastructures and services for informal settlements is applied and supported widely by donors because it provide services for the poor. Some upgrading programs fail because of over ambition. Lessons learned from Africa (Gulyani & Connors 2002) are firstly provision of basic services including water, sanitation, drainage, roads, street lighting; improve living standards and economic opportunities.
4. Prevention: Using key elements of structuring urban space (key infrastructure network of the whole city, local infrastructure network to home in the neighborhood) so that informal models incorporated into the realm of legality. It is difficult for ones in the city periurban when the city itself requires city expansion for development. The infrastructure investment of government with industrial development in the periurban without effective housing programs will be causes of informal settlements. Prevention approach hence should consider housing policies for potential residents in the periurban.

The combination of approaches used in public policies, according to Lasserre (ed. Fernandes & Vabley 1998) includes “*the provision of a primary infrastructures process, the incorporation of informal sub-dividers into the production process, and the progressive servicing of areas threat are already occupied, with plenty of scope for community mobilization and self-help*” (ed. Fernandes & Vabley 1998, p. 241).

Another approach which was used widely in 1960s is demolishing, which is, according to McAusland (ed. Payne 2002, p. 28) “*much more a sociopolitical rather than a legal matter – it benefits urban elite who wield the law*”. Demolition and resettlement approaches cannot solve the problems of informal settlements due to the fact that the urban poor continue to settle illegally in somewhere else because new houses offered by the government do not meet their demand or they sell them for other interests. Demolition nowadays is applied in hazardous areas and governments focus much more on upgrading programs.

According to McAusland (ed. Payne 2002), lessons learned in dealing with informal settlements are: (1) open and market-oriented policies, including “*the*

facilitation of transactions, the perception of land as being an economic no less than a social asset, the desirability, perhaps the normality, of attempting to meet demand...” (ed. Payne 2002, p. 30); (2) Decentralization by development of more local systems of land allocations and use; (3) Participation by consulting with and taking into account the views of users of the whole land use systems (developers, community, landowners, etc.) (4) The flexibility in implementation; and (5) Bringing informal and formal framework closer together because informal settlements are characterized by their reproduction which has basic elements as in formal systems.

2.6.2 Ho Chi Minh City policies on informal settlements

Ho Chi Minh City’s housing strategy includes five programs; among them are two that related directly to informal settlements in the city. The first one is Clearance of Canal Area which is moving away 32,000 families living in canal area. Projects which are clearance 11 thousand houses are done completely and remain issues of people’s relocation. The second is Replacement of Slum Houses which is to develop the water/drainage system and new apartments to replace 17,000 slum houses both inside and out side the canal. Residents will live in the same area after slum clearance. The program is close to the approach of re-blocking and densification. These two programs focus much on informal settlement in the city centre. Some projects fail in resettlement of target population which partly establishing new slums in the periurban. Besides, upgrading programs are done but in small scale with participation of the whole communities.

For informal settlements in the periurban, the city government tried to prevent with Decision 08/2002/CT-UB on consolidating and strengthening land management in the city, saying that (1) every illegal change of land use purpose, land fill, construction and transfer transactions in the city has to be disciplined strictly and clearly; (2) Leaders of government authorities have to regularly check, discipline and prevent all agriculture land transactions which is illegal and contrary to approved plans; and (3) Encouraging high rise apartment projects and restricting projects of row houses, stopping developers subdividing land and selling land plots. The decision repeats the word “disciplined strictly and clearly” many times to show the determination of the city government in preventing illegal agriculture land transactions, however the means for implementation are not clear.

Eviction had not been a common phenomenon for the tolerant of the city government. However the situation has changed since the local government demolished hundreds of illegal houses in August 2003 as mentioned before. Upgrading programs now are implemented not only the city centre but also in the city periurban. The city also makes plans of secure residential areas in all new and suburban districts for LUCs’ provision but most of them haven’t approved up to now. One of reasons is the overlapping of this kind of plans and area-based detail plans are overlapped.

How government agencies implement the law and how they deal with the phenomenon are described in the two case studies in Ho Chi Minh City where the rapid growth of illegal houses in the last five years is the typical one for the encroachment process of informal settlements in the periurban of the city. Next chapter analyses data collected from the fieldwork done in Ho Chi Minh City in order to understand deeply the phenomenon especially under the context of new Law on Land 2003.

Chapter 3 Research data

The chapter presents data collected in the fieldwork done in Ho Chi Minh City, Vietnam. As mentioned before the two community units of informal settlements belonging to separate districts are studied to determine the relationships as well as similarities and differences between them. After the description of the studied cases, data of the actors involved in the encroachment process of informal settlements including buyers, sellers, brokers and buyers' social network. The next part focuses on land and housing transactions with related issues of prices, payment and procedure. Residents' most important concerns and their reasons for settling illegally in the research area are showed in the next part in order to partly understand why the process has continued to expand. The final part presents data of policies in these settlements and how the government agencies have implemented the laws and regulations.

3.1 Description of the two community units

3.1.1 Location

The two community units studied as research cases are C.U.120 in Binh Hung Hoa B Ward, Binh Tan District, and C.U.16 in Vinh Loc B Commune, Binh Chanh Suburban District; both in the west of Ho Chi Minh City. Figure 3-1 and 3-2 show the location of these two districts in Ho Chi Minh City and research cases. (See Annex 3 and 4 for maps of C.U.120 and C.U.16). Binh Tan District, formerly belonged to Binh Chanh Suburban District, became a new district of Ho Chi Minh City in 2003 due to rapid urbanization process in the area. Binh Hung Hoa B Ward with an area of 7,300 hectares belongs to former Binh Hung Hoa Commune, known for its rapid development of spontaneous settlements. There are over 6,000 illegal houses built before July 1 2004 registered at Binh Hung Hoa B Ward people's committee, following Law on Land 2003. The ward is located at the west of the Nation Highway 1A, 40 meters wide which considered as the national main road, connecting the north and the south of Vietnam, including the Mekong Delta. The encroachment process of spontaneous settlements started in the east of the highway which is close to the build up area of the city, and continuing further west. Vinh Loc B Commune located in the west of Binh Hung Hoa B Ward with an area of 17,400 hectares is also a place of informal settlements with about 2,500 illegal houses (see Annex 1 and 2 for data of Binh Hung Hoa B Ward and Vinh Loc B Commune).

3.1.2 Infrastructures

Both community units have the same access to Highway 1A, Interregional 5-6 Road which was a rural pathway that connected former communes Binh Chanh Suburban District (see Figure 3-2). Distances from the Highway 1A to C.U.120 and C.U.16 are 1 and 1.3 kilometers. Seven meter wide and winding the road today hasn't been upgraded with the bumpy surface and puddles of water after rain. Roads within the community units are four to five meter wide with the same conditions as Interregional 5-6 Road.

Electricity system is available in the area with the supply of the city's electric company. The whole area has no water supply and sewerage system. People use deep well pumps for underground water around 30 meters below the ground. The quality of water is rather good; the alum level is not significant. However, underground water exploitation due to inaccessibility of clean water supply system not only in informal settlements but also in formal ones is one of causes of environmental problems in Ho Chi Minh City. In other areas nearby underground water sources are polluted by untreated waste water from industrial factories as well as residential areas. Waste water in both the two community units are absorbed directly into the ground though the sewerage system of each house. All houses use septic tanks even in 12 meter rooms for rent; therefore residents do not consider waste water as a cause of environmental issues in the area. Telecommunication service has been supplied by two public companies since 2004, coinciding with the time of bus systems to the area.

Picture 3-1: A road in C.U.120



Picture 3-2: A public kindergarten on Interregional 5-6 Road



3.1.3 Public services

Two public kindergartens are located in the area. Local elementary, junior high schools and dispensaries are 4 kilometers far from the units. Vinh Loc B Commune has no high school, the same as Binh Hung Hoa B Ward. Both districts have no public hospitals. Binh Tan District has a private one 9 kilometers from the area. Public hospitals that residents go to are located in the inner districts with the nearest distance around 12 kilometers. A small market that called “spontaneous market” located along 50 meters of Interregional 5-6 Road, near the intersection with Highway 1A is the main market of the area. Another smaller market with around ten sellers is located close to C.U.120. Both markets run only in the morning and sell fresh foods such as meat, fish, and vegetables. Residents in the two community units buy foods in these markets everyday.

3.1.4 Housing conditions

Observed in the interviews of 20 families in both community units, the housing conditions are not based on the families' income but on their ability to pay at the time of building even though most of them had to borrow money for the house construction. (See part 3.6.1 for prices of housing construction). Many families could not build right after land transactions. The longest time between construction and transaction is 41 months. 20 families among 34 respondents who

purchased plots built their houses after more than a year. The reason is that they had to generate money for the construction.

Table 3-1: Elements in permanent and temporary houses

Category	Permanent house	Temporary house
Foundation	Concrete	Brick
Column	Concrete	Brick, wood
Beam	Concrete	Brick, wood
Wall	Brick, paint	Brick (no paint), tole, thatch
Roof	Tole, concrete	Tole, thatch
Door, window	Glass with iron frame	Wood
Floor	Patterned tile	Cement

All houses are built by self-help. Table 3-1 shows elements in permanent and temporary houses. The solid ground is an advantage for housing construction in the area. Many families just built housing foundations with brick, helping them to reduce costs and time of construction, especially in illegal building situations. An interviewee in C.U.16 said that his house was degrading fast because of quick construction to avoid government agencies. Other ways of reduction of construction costs are using discarded building material that they collected somewhere else, for instance wood pieces and tole sheets; brick wall without mortar cover. All houses have septic tanks for the toilet.

Because three sides of the house are not possible to have windows there is no proper air ventilation and natural light; hence the room are warm and dark, especially rooms at the back. In order to avoid this disadvantage on long plots, residents usually use an open space at the back for drying ground. Figure 3-3 is a typical plan in such way not only in the research area but also in the whole city. The plan of a temporary house is showed in Figure 3-4. The house has two main spaces, including a living room also used for income generating activities and another one for bedroom and kitchen. Lesser wall is another way to save construction costs in this case. Some houses and rented rooms have wooden loft used as bedrooms (see Figure 3-5 and 3-6). This space is also warm and dark. Income generating activities take place in the living room with the minimum area of nine square meters.

Figure 3-3: Typical plan of 4x15m houses

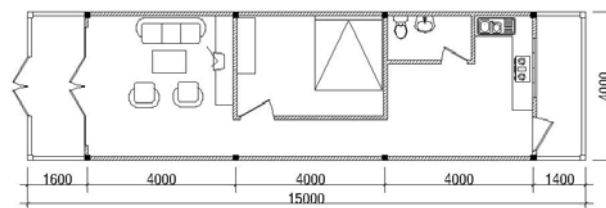


Figure 3-4: Plan of a temporary house

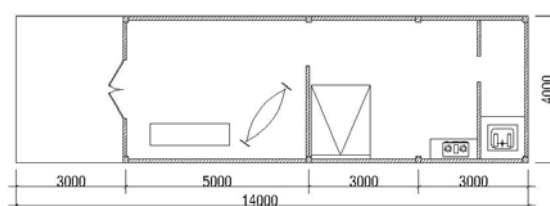


Figure 3-5: Plan of a 4x8m house

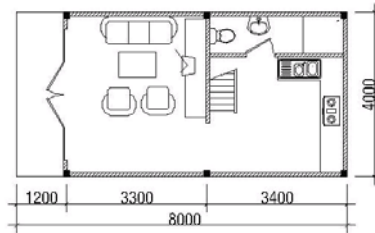
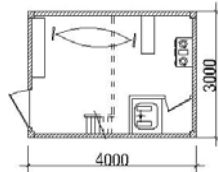


Figure 3-6: Plan of a rented room



Picture 3-3: Temporary construction at the back yard of a house in C.U.16



Picture 3-4: Kitchen placed next the main bed in a home found in C.U.16



Picture 3-5: Different housing conditions in C.U.120



Picture 3-6: A wooden loft of a rented room found in C.U.16



Picture 3-7: Temporary materials used in a house in C.U.16



3.2 Buyers – residents in the two community units

As mentioned above data of residents is collected mainly from questionnaires and interview. Questionnaires are delivered to 58 families chosen randomly in C.U.120 and all 58 families of C.U.16. The numbers of families answering the questionnaire are 32 in C.U.120 and 34 in C.U.16. Interviews are conducted with

10 families in each community unit. Data of demography is compared with data from archival records. Data of residents presented in this part based on two groups, including families with permanent residence, i.e. non-immigrants and others with temporary one, i.e. immigrants.

3.2.1 Community Unit 120

Picture 3-8, 3-9: Existing housing and infrastructure conditions in C.U.120



3.2.1.1 Demography

Among 32 families (131 inhabitants) answering the questionnaires, 17 with the population of 79 persons are non-immigrants; the remaining are 15 immigrant families with 52 inhabitants. Not all these 15 families came from other provinces. There are three of them lived in the inner districts before moving to the area; however they are still considered immigrants. The average size of families is 4 persons. Only 9% of the population in the 32 families are over 60 year old, 20% are under 18; and 71% are from 18 to 60 year old. The rates are nearly the same for both groups of residents; non-immigrants and immigrants (see Table 3-2).

Table 3-2: Demography and level of education data of residents in C.U.120

Category	Non-immigrants	Immigrants	Total
Number of families	17 53%	15 47%	32
Population	79 60%	52 40%	131
Persons per family	4.6	3.5	4.1
Demography			
Under 18	14 18%	12 22%	26 20%
From 18 to 60	55 69%	38 69%	93 72%
Over 60	10 13%	5 9%	15 12%
Level of education			
University graduate	2 4%	9 24%	11 12%
Intermediate	10 18%	3 8%	13 14%
Skill training	1 2%	4 10.5%	5 5%
High school graduate	3 5%	4 10.5%	7 7%
Not yet finished high school	39 71%	18 47%	57 62%

3.2.1.2 Level of education and occupation

Level of education is assessed for population from 18 to 60 years old⁹. The data shows low level of education of people in C.U.120. About 62% of them do not

⁹ In Vietnam, 18 is the age of high school graduation. Ages for retirement are 55 for women and 60 for men. The research assesses the education level of residents based on these age numbers, i.e. between 18 and 60 years old.

have high school degree and only 12% finished university. Education level is different between two groups of residents. The immigrants have higher level of education than the non-immigrants, with higher percentage of university graduates (24% vs. 4%) and lower percentage of persons who haven't finish high school (47% vs. 71%). (See Table 3-2)

Occupations of the residents vary. The occupations of higher educated residents include a grade school teacher, a technical assistance, electricity engineers, civil engineers. Those who have lower level of education work as factories' workers, construction workers, motorbike drivers, small traders, and hired workers¹⁰. Construction workers said that they faced difficulties in finding jobs since the government agencies have prevented all housing construction in the areas. In the group of non-immigrants, hired workers whose jobs are based on simple work of neighbors said that resident density was not crowded and they were also poor; therefore their jobs were not as stable as in the inner districts. About 37% of families have income generating activities in their house, 47% for non-immigrant group and 27% for immigrant one. Activities found include teaching, the hairdresser's, paper flower making, nylon cloth separating¹¹, small cloth piece trading, industrial tailoring, building material shop, pharmacy, and groceries. Separating nylon cloth is also observed in some community units nearby in Binh Hung Hoa B Ward. Pieces of cloth have to be boiled before separating, causing polluted air from dense smoke of coal fire.

3.2.1.3 Income and expenditure

The average income per person per month is VND702,000 (US\$44); VND630,000 (US\$39.3) for non-immigrants and VND782,000 (US\$49) for immigrants (see Figure 3-7). All are below the average income of Ho Chi Minh City which is VND1.1 millions (US\$69)¹². There are two immigrant families living under the poverty line of Vietnam and seven in both resident groups under the poverty line of Ho Chi Minh City¹³. Highest income among non-immigrants is VND1.7 millions (US\$104) per person per month; and the lowest income is VND357,000 (US\$22.3). These numbers in immigrant group are VND1.5 millions (US\$93.7) for the highest and VND250,000 (US\$15.6) for the lowest.

The average expenditure in C.U.120 is VND544,000 (US\$34) per person per month. Two groups of residents have different income but they have the same level of expenditure (VND540,000 for non-immigrants and VND549,000 for immigrants) (see Figure 3-7). There are 15 families, six in the the non-immigrant group and nine in the immigrant group have income higher than expenditure,

¹⁰ Hired labours do whatever simple work mostly for their neighbours, for example cleaning houses, collecting children, delivering goods, etc.

¹¹ Nylon cloths such as raincoat are separated into normal and glue ones by hand.

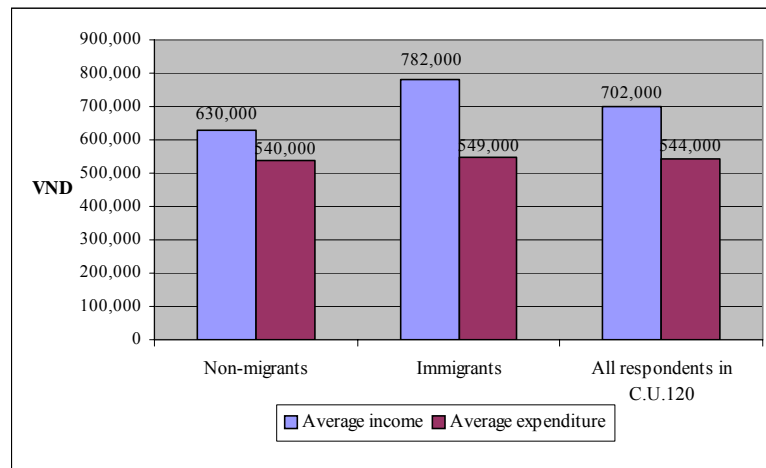
¹² Data of 2004 by Statistic Office of Ho Chi Minh City

¹³ According Document 2128/LĐTBXH-KHTC on July 5 2005 by Ministry of Labor, Invalids and Social Affairs, Vietnam poverty line for 2006-2010 is VND260,000 (US\$16.2) per person per month. Poverty line of Ho Chi Minh City is VND500,000 (US\$31.2) per person per month, which was regulated in 2005.

making up 47% of family number. For the whole family the lowest saving is VND400,000 (US\$25) a month and the highest is VND2.5 millions (US\$156).

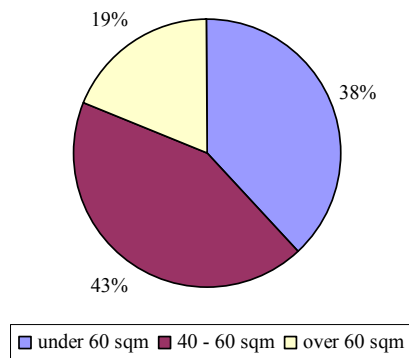
With the average income equal to 61% of the city average income and 22% of families living under Ho Chi Minh City poverty line, families living in the community unit are poor. However their income is not homogeneous with differences between the highest and the lowest (6.7 times). Immigrants earn more partly because they have higher level of education as mentioned before. Nearly half of families can save money every month; among them are the poor. One important reason is that up to 87% of families had to borrow money to pay for their property.

Figure 3-7: Average income and average expenditure data of residents in C.U.120



3.2.1.4 Plot areas

Figure 3-8: Plot areas in C.U.120



The 32 families in C.U.120 occupy 1,791 square meters of land. Average land area is 56 square meters per family and 13.7 per person. The largest plot is 200 square meters and the smallest is 32. Sizes of plots vary. The lengths ranges from 8 to 20 meters and the widths are from 3.5 to 10 meters. Up to 81% of the 32 plots have areas under 60 square meters (see Figure 3-8). There is no big difference between two resident groups with 58 square meters per family for non-immigrants and 53.6 for immigrants. Highest

area per person is 66.7 square meters and the lowest is 6.3. Data show it is not true that the poor living in smaller areas than others. Three families living in 32 square meters of land plots have income higher than average income of the unit; they built two or three story for more space. Meanwhile poor families are living in plots of 50 or 60 square meters.

(See Annex 5 for detail information of C.U.120 gathered in questionnaires)

3.2.2 Community Unit 16

Picture 3-10, 3-11: Existing housing and infrastructure conditions in C.U.120



3.2.2.1 Demography

In C.U.16, there are 34 families answering the questionnaires. 17 families belong to the non-immigrant group with the population of 88 persons; the remaining 17 families belong to the immigrant group with 77 persons. Three out of the 17 immigrant families previously lived in the inner districts. The average size of families is 5.2 persons per family. About 5% of population is over 60 year old and 29% of them are under 18, 66% is in between these two ages. There is only one elderly immigrant person who is living in C.U.16, and up to 29 are under 18 years old, making up 37% of the number of immigrants. These numbers in the group of non-immigrants are 8% for the elderly and 26% for those under 18. The immigrants are younger because they have more children and less the elderly in their family. (See Table 3-3)

Table 3-3: Demography and level of education data of residents in C.U.16

Category	Non-immigrants	Immigrants	Total
Number of families	17 50%	17 50%	34
Population	88 53%	77 47%	165
Persons per family	5.2	4.5	4.9
Demography			
Under 18	19 29%	29 22%	48 38%
From 18 to 60	62 66%	47 69%	109 61%
Over 60	7 5%	1 9%	8 1%
Level of education			
University graduate	6 10%	5 11%	11 10%
Intermediate	20 32%	9 19%	29 27%
Skill training	4 6%	1 2%	5 5%
High school graduate	10 16%	12 25%	22 20%
Not yet finished high school	22 36%	20 43%	42 38%

3.2.2.2 Level of education and occupation

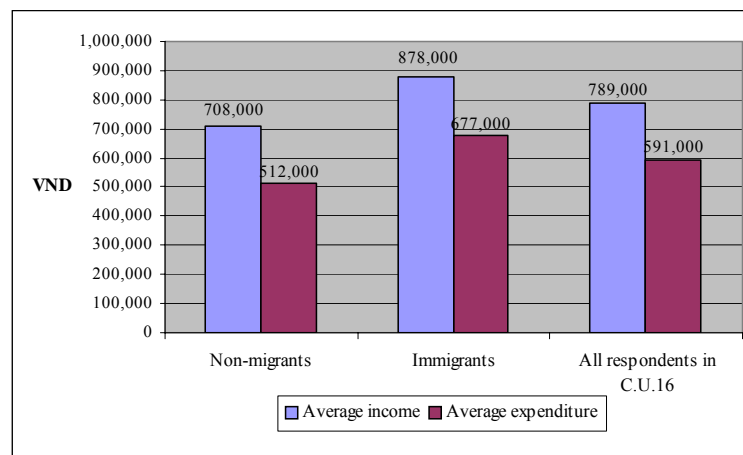
About 38% of population aged between 18 and 60 haven't finished high school and 10% have university degree. There is no difference in the level of education between non-immigrants and immigrants in C.U.16 (see Table 3-3). Occupations of university graduates include constructors, a designer, a civil engineer, and officers. Half of families have livelihoods at home, such as carpentry, shoe making, repairing motorbike, industrial tailoring, wooden sculpturing, making iron, mechanical equipments, making football net, embroidering courbary beads, breakfast shop, groceries, and land and housing brokers. Other occupations are making sofa, truck drivers, motorbike drivers, construction workers. From a

village in a northern province, three housewives, each of whom has three children are worrying about jobs. Their old jobs, embroidering courbary beads is unstable and the employer is living so far that they cannot get there everyday. Only one of them is still working for this employer.

3.2.2.3 Income and expenditure

Average income of these 34 families is VND789,000 (US\$49) per person per month, VND708,000 (US\$44.2) for non-immigrants and VND878,000 (US\$55) for immigrants (see Figure 3-9). These figures are higher than those of C.U.120. Only one non-immigrant family is living under Vietnam poverty line. Five families have income under Ho Chi Minh City one, making up 15% of total family number. Highest income in the group of non-immigrants is VND1.5 millions (US\$93.7) and the group of immigrants is VND2 millions (US\$125) per person per month. The lowest ones are VND257,000 (US\$16) in non-immigrant group and VND300,000 (US\$18.7) in immigrant group. Income differences between the highest and the lowest is 7.8 times in C.U.16.

Figure 3-9: Income, expenditure data of residents in C.U.16



Average expenditure is VND591,000 (US\$37) per person per month. These numbers are different for two groups of residents with VND512,000 (US\$32) for non-immigrants and VND677,000 (US\$42.3) for immigrants, showing that families have higher income, also have higher expenditure (see Figure 3-9). Similar to income data, these figures of expenditure are also higher than those in C.U.120. There are 25 families who have savings every month, accounting for 73.5% of household number, higher than C.U.120 with 47%. Among them are 13 non-immigrant families and 12 immigrant ones. The highest saving is VND4 millions (US\$250) and the lowest is VND300,000 (US\$19) a month.

Residents in C.U.16 earn and spend more than those in C.U.120. Highest income belongs to immigrants of both units. One explanation is that they have lower number of person per family (3.5 vs. 4.6 in C.U.120 and 4.5 vs. 5.2 in C.U.16). The lowest income belongs to the group of non-immigrants in C.U.120 which are residents with lowest level of education among groups in both community units.

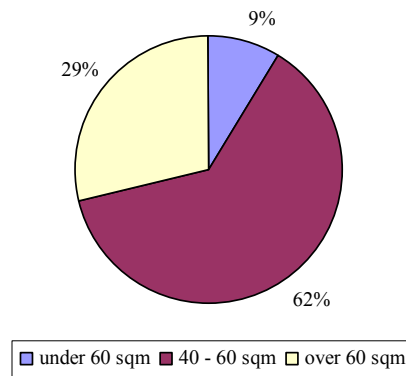
3.2.2.4 Plot areas

The average plot area per family in C.U.16 is 65.7 square meters, 71.5 for the non-immigrant group and 60 for the immigrant group. Largest plot is 160 square meters and the smallest is 24 square meters. The average plot area per person is 13.5 square meters. There is no difference of area per person between two resident groups with 13.8 for non-immigrants and 13.2 for immigrants. Highest land area per person is 60 square meters and the lowest is 6.7. About 62% of the 34 plots have an area from 40 to 60 square meters. Areas over 60 square meters account for 20% and only three plots are below 40 square meters. (See Figure 3-10) Lengths of plots range from 6 to 20 meters, widths are from 4 to 8 meters, mostly 4 meters (79%). Like C.U.120, the family living in the smallest plot, 24 square meters has higher income than the average income of the community unit. Among the five poorest families whose income are under Ho Chi Minh City poverty line, 3 of them are living on 70 square meters of land, 2 are living on 60 square meters. Data in both families shows that it is not the poorest living in smallest land plots.

(See Annex 5 for detail information of C.U.120 gathered in questionnaires).

The residents in both community units are buyers directly involved in transactions in informal settlements in the research area from 1998 up to now. They represent not only buyers but also current sellers because some residents now want to sell their property. Sellers, another actor in transactions are presented in the next part.

Figure 3-10: Plot areas in C.U.16



3.3 Sellers

Previous sellers were local farmers and big speculators who bought large areas of land then subdivided them and sold. As mentioned earlier, in 1999 the city government had a decision to encourage private companies to invest in infrastructure in the city periurban. These companies then could subdivide land and sell for private use. Three years later in 2002, this decision was withdrawn because of its bad effects with the increase in residential areas without infrastructures in the periurban, as well as the increase in land prices. Agricultural land was subdivided not only by private companies but also by big speculators and local farmers.

In C.U.120 the main land owner was an original farmer which had 2700 square meter. In 1998 she sold 1000 square meters for a man for 20 gold tael bars¹⁴ which is now worth VND240 millions, equivalent to the price of a 100 square meter plot today. The man then subdivided 1000 square meters of land into many small plots and sold them. They are two previous sellers in C.U.120, both have LUCs. The original farmer today has the remaining plot of about 700 square

¹⁴ Tael is a unit of weight used in east Asia approximately equal to 1.3 ounces

meters. The earliest case of small speculators, who bought one or a couple of subdivided plots for future benefit was in 1999 when a family in C.U.120 bought a 42 square meter land plot from a person that do not have the LUC. About 23% of families in C.U.120 and 26% of families in C.U.16 purchased their property from persons who are not LUCs' owners. One woman in C.U.120 said that she is the forth owner of her house. The profit from transactions has made many people to become speculators themselves even up to today. A broker said that there are still some people purchasing houses or plots for profit. He advised the researcher to pose as a speculator so that the sellers would reduce the price. A house or land plot can be sold by many sellers. However there are other reasons for sale currently.

Asking by phone about the reason for the property sell, a resident in C.U.120 said that he need money for their business. His family could stay with his parents living nearby. Another man in the same community unit said that he wanted to pay his debt and he had no way but selling his only valuable property. After selling he would rent a small room. This immigrant man still manages to live in Ho Chi Minh City but not the other in C.U.16, who said that he had to return to his village because he could not live in the city where finding job was very difficult for him. It is clear that the economic difficulty is one of factors pushing residents to sell their property in informal settlements the periurban. Two other men, who are small speculators wanted to sell their second houses in the area because these houses were difficult to rent. According to them, the rent cost of the whole house was not affordable for residents. It was better to send the money generated from these properties to the bank for extra income every month, or to invest in other businesses. One of these two man wanted to sell his second house nearby for VND200 millions. If this amount of money was sent to the bank with the rate of 0.71% a month¹⁵ he would receive VND1.4 million every month, nearly double the average income C.U.120. Explanations can be either they have difficulties in generating income or the property price has increased so slowly or even unchanged that the future value is not significant in comparison with current one. This shows the stability of informal real estate markets in the areas nowadays. Transactions between sellers and buyers in informal settlements in the city periurban are facilitated by local brokers responsible for giving information of properties.

3.4 Brokers

About 49% of transactions in both community units were introduced by local brokers, showing their important role in land transactions as well as the encroachment process of informal settlements in the city periurban (see Figure 3-11). There are a lot of local brokers in the area. Within one kilometer of Interregional 5-6 Road, six

Picture 3-12: A table of properties for sale on Interregional 5-6 Road

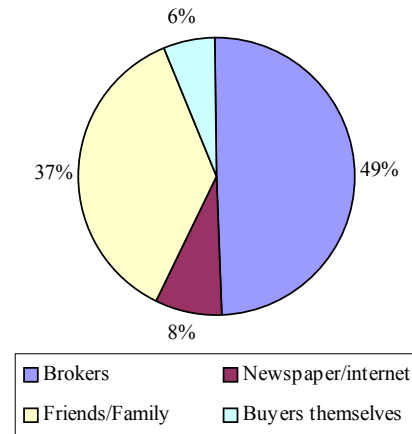


¹⁵ The rate of three month saving in Asia Commercial Bank, the biggest non-public bank in Vietnam

advertisement tables of properties for sale are found. In C.U.16 there are three residents working as brokers in the same way, putting such tables in front of their houses.

Four brokers were interviewed when the researcher posed as a buyer. They all said that they had the information of around twenty properties in the area or further. The seller came and asked them to introduce his or her property. They also got information from their social network, i.e. neighbors, relatives, friends who live nearby. They receive around 2% of the transaction value. For a transaction of VND200 millions (US\$25,000), the broker would get VND4 millions (US\$250), about five times higher than the average income of both community units. It is a real high income job, explaining why there are still a lot of brokers in the area even when the number of transactions decreases recently.

Figure 3-11: Source of information about the property



Some brokers have earned a lot of money from active informal land market before. However it is also a risky career because according to a local female broker, the seller could be away but she was still living in the area; hence she would be blame if the buyer was evicted by government agencies because of illegal transactions and housing construction. Posing as a buyer, the researcher was convinced by brokers with information of an “unplanned” area; however no respondents in the questionnaire said that they got information of future plans of the area from brokers. They did not believe in planning information from brokers who always wanted successful transactions. Brokers play the role of giving information of properties, but not information of planning. It is social network of residents, including their friends, families and neighbors playing both roles and more.

3.5 Social networks of buyers

The roles of buyers’ social networks are presented in figures 3-11, 3-12 and 3-13 in giving information and loaning money. Around 37% of respondents in both units said that they got the property information from introductions of their friends or family members. 33% of them said that information of future plans in the area was given by neighbors, 24% from friends or families.

Around 82% of families in both community units could not afford their property. They had to borrow mostly from friends or families, 82% of cases (see Figure 3-13). There are 5 families in both units borrowing money from the bank. They have to mortgage other things for the loan. Three cases in C.U.16 who are from a north province of Vietnam got the loan by mortgaging the LUCs of agriculture land of their parents. The interest they pay a month is not much, according to them, just around tens of thousand VND (a couple of US dollars) a month. Two cases which have stable jobs borrow money from their companies.

Four cases from evicted areas purchase their property by compensation money of the city government. One case gets money from a kind of association - “choi hui”¹⁶ – which is popular in Ho Chi Minh City as a way for people generating money, especially for low income families. It is clear that the social network plays a crucial role in affordability to pay of the families in the area, even helping them with the bank loan.

Beside giving information and generating money, they also together purchased houses and plots in the area. In C.U.16 two brothers bought two houses in 2006 because of a lot of people living together in their previous house in an inner district. Another case is three friends from a village of a northern province, now living next to each other. Their close relationships help them much in daily life in new living place.

While the seller and the buyer are direct actor involved in the encroachment process of informal settlement in the periurban of Ho Chi Minh City, the local broker and the buyer’s social network play important roles as facilitators for success transferences of land use rights in the area. The next part presents land and housing transactions in order to understand when and how the process has taken place with direct roles of the buyer and the seller.

Figure 3-12: Source of information about future plans of the area

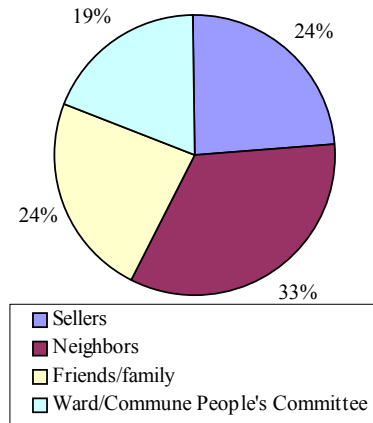
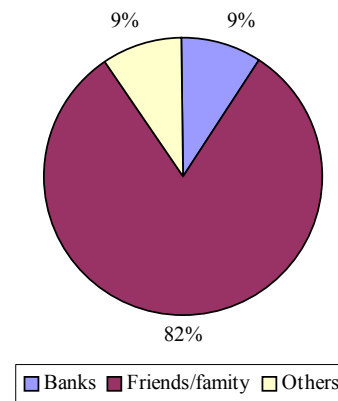


Figure 3-13: Source of money to finance properties



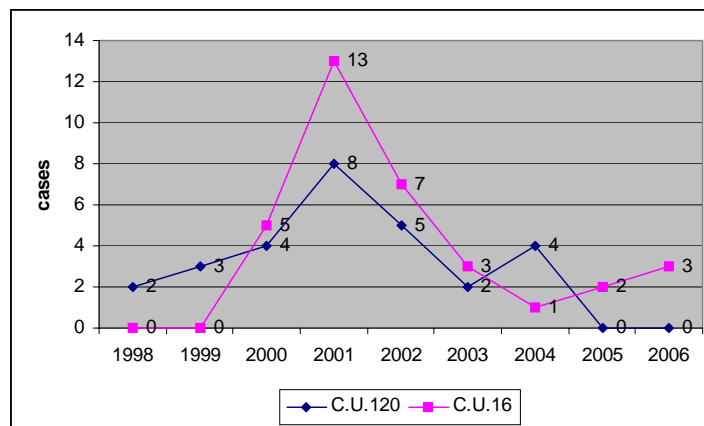
3.6 Land and housing transactions

Land transactions started in 1998 in C.U.120 and two years later in C.U.16, showing the expansion of encroachment process. However housing construction started in 2000 in both community units. Land transactions increased from 2000, reaching the peak in 2001 and decreasing in 2002, showing the effectiveness of Decision 08/2002/CT-UB prohibiting all subdivision of agricultural land (see

¹⁶ Slingsby & Do (2002) explain such an association as: “a popular but risky game known as “choi hui” (this mean” associated playing”). This is a traditional kind of small group credit where people “bid” to purchase the money in circulation from the group and the difference between the bid price and the amount in circulation is, in effect, the interest.” (Slingsby & Do 2002, p. 21)

Figure 3-14). In 15 cases transferring from 2003 up to now ten families bought houses and five bought only plots. All transactions in 2005 and 2006 are housing transactions. In order to understand current transfer transactions the researcher posed as a buyer, then was advised to purchase houses rather than land plots because of the strictness of government agencies today. There is a big plot with the length of 20 meters. The buyer could buy a plot with whatever the width based on their ability to pay. According to a local broker the number of transactions has decreased since Law on Land 2003 in which only accepts the existence of houses built before July 1 2004. He said that before the law, there were about three to four cases a day asking about available houses or plots; however today sometimes only one comes. The following parts present each element of transactions including prices, payment and procedure.

Figure 3-14: Numbers of land and housing transactions in the two community units from 1998 to 2006



3.6.1 Prices

3.6.1.1 Land prices

Land price data are collected from 33 families of both community units that bought land plots and answered the question of land prices. Data in both community units shows that the prices are unstable in time (see Figure 3-15). Normally land prices are based on the location and area. Land plots on less attractive location such as along small or blind roads have lower prices. Smaller plots have higher prices per square meter than bigger plots because the total price of the smaller plot is still lower than the bigger one; and this price is affordable to majority of the families. For example in the residential project in Binh Hung Hoa B Ward, a 60 square meter plot costs VND270 millions (US\$16900), i.e. VND4.5 millions per square meter; meanwhile a 90 square meter plot cost VND360 millions (US\$22,500), i.e. VND4 millions per square meter.

Land prices, according to the farmer have been increasing up to now. A man in C.U.16 bought his first plot with the price of VND450,000 (US\$28) in 2002 and the second one with the double price one year after that. Another man in the same area sold his property in 2002 for VND85 millions (US\$5,300) 28 days after he bought it with VND65 millions (US\$4,000). However, data show land prices changed unpredictably. Prices of 60 square meter plots in C.U.16 where all houses have nearly the same location show the unpredictability (see Figure 3-16). Two

plots were sold in March 2001 for VND1.3 millions (US\$81) per square meter, then three were sold from June to October the same year for not as much as half of the above price. Land price then increased again and reached the same price, VND1.3 millions per square meter in February 2000. In the same month, a person bought his property with VND800,000 per square meter, equal to 60% of the top price. This price, VND800,000 was contracted in August 2003, one and a half years later. Unpredictability of land prices needs studying properly to identify main causes and mechanisms of informal markets.

Figure 3-15: Land prices in the two community units

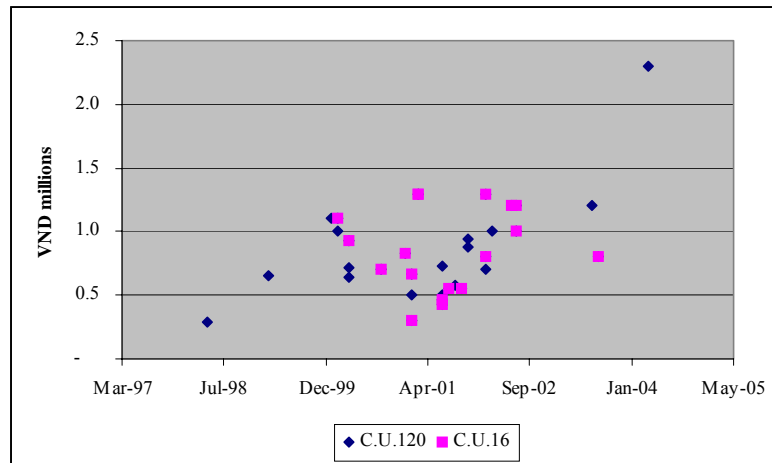
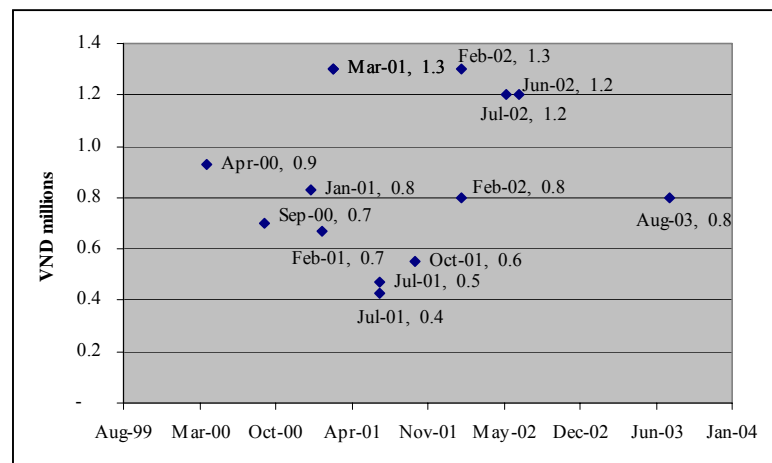


Figure 3-16: Land prices of 60 square meter land plots in C.U.16



3.6.1.2 Housing construction costs

Housing constructions costs depend on the quality of each housing elements and the area of the house. Construction costs of a one story permanent house, four meter width and 12 meter long, with concrete foundations, columns and beams are around VND60 to 80 millions. This house cost higher than others because the buyer can build additional storeys safely. A temporary one with the same area costs from VND 20 to 30 millions for construction. Time of construction is an important factor because building material prices have increased especially

cement and steel, a reason for temporary construction. As mentioned before many families reduce construction costs by building the whole structure with brick or wood, using discarded building materials, reducing the number of walls, and brick walls without mortar, and cement floor. Construction costs calculated by constructors nowadays are based on housing conditions and floor areas, including VND500,000 (US\$31) per meter for a temporary house, VND1 million per meter for a semi-permanent one (normally one storey dwellings), and VND1.5 millions per meter for permanent construction (dwellings with more than one storey).

3.6.2 Payment

If the buyer doesn't pay one time he or she pays the deposit, ranging from one to 20% of the transaction value. 21% of families in both units do not pay the deposit. The lowest deposit among those collected in the questionnaires is VND1 million (US\$62). Nine cases in both units with such deposit are transactions in 1998 and 2001. Lowest deposit in latest cases in 2006 is VND2 millions (US\$124), equivalent to 1% of the property value. There is no requirement for the amount of the deposit unless it is not lower than 1% of the property. A respondent bought a plot from the above farmer said the seller did not require how much deposit was. It depended on him. Even if he did not buy the plot the farmer would pay back the deposit to him because the plot was still of her own and it did not lose the value. After the deposit the buyer pays one time (79% of cases) or two times (18%). One case paid six and one case paid ten times. The farmer said that people paid many times because they could not generate enough money. 87% of payment in C.U.120 and 94% in C.U.16 were done in cash, the remaining in gold tael bars. Data shows flexible payment in informal land and housing markets. Moreover using cash for payment is contrary to the trend of using gold tael in formal markets for houses in the center districts.

3.6.3 Completed procedures

There are about 65% of families in C.U.120 and 97% in C.U.16 who have purchased their properties without notification from any government agencies, which is mentioned in Chapter 2. They use transaction contracts between the seller and the buyers, called "giay tay", meaning hand written papers. According to residents, the formal procedure is also unnecessary, time consuming and complicated. There is only one case submitting their required documents at Binh Tan District People's Committee. The remaining, ten families in C.U.120 and one in C.U.16 have notification at ward level agencies. The above data shows that residents living further are more willing to purchase their properties without formal procedures.

The flexible of payment facilitates residents to purchase properties in informal settlements while land prices even unpredictable are fit for their ability to pay (see part 3.7.1 for comparison between informal and formal prices, and between prices and income). Moreover the obstacles of formal procedure explain why there are large numbers of illegal transactions in both community units. The next part presents other reasons and important concerns of residents living in the research settlements located in the periurban of Ho Chi Minh City.

3.7 Residents' important concerns and reasons for buying properties in informal settlement in the city periurban

The residents' concerns when buying their property are different between the two groups of residents. 92% of non-immigrant respondents in C.U.120 said that they chose the location because of reasonable prices, 34% said they want larger areas and 16% said because of quiet places. Concerns of immigrants in C.U.120 are 50% for low prices, 40% for jobs and 20% for quiet places. These numbers show different preferences between two groups in C.U.120, the same as C.U.16. For non-immigrants in C.U.16, the price is their most concern with 58%, 25% for their jobs and 17% for quietness. 64% of immigrant families said they chose the location because of jobs, 22% for the reasonable price and 14% for the quietness. Only two non-immigrant families in group 1 of C.U.16 who bought their property in 2006 said that one of reasons was "unplanned" area, i.e. their houses would not be evicted. They get this information from Vinh Loc B Commune People's Committee, even there is no decision or plan agreeing this information.

Data of people's most concerns among infrastructures, location, security, prices, possibility of regularization and housing area shows that most families chose prices, possibility of legalization and infrastructure. Some families from the inner districts are interested in housing area which is larger than their previous one and security. By asking the residents about their willingness to swap their existing illegal house for a legal apartment, one more preference of the families is identified, i.e. to live in individual dwellings. Below is the discussion of the different concerns of the families and their reasons for settling in informal settlements in the periurban of Ho Chi Minh City.

3.7.1 Informal and formal land and housing prices

Formal land prices in the closest residential project which is in Binh Hung Hoa B Ward are VND4.5 millions (US\$ 281) per square meter for a 60 square meter land plot and VND4 millions (US\$250) per square meter for a 90 square meter one. These prices are nearly double the recent prices of informal land markets in the area which are from VND2 to 2.5 millions per square meter. The above price of a 60 square meter land plot, VND270 millions (US\$17,000) is nearly equal to a house with good conditions on 75 square meter land plot which was purchased by a family in Unit 2006 in July 2006, VND260 millions (US\$16,200). It is clear that the prices in informal land market even high today are still much lower than in formal one.

Prices in formal land markets seemed reasonable for income of families, previously. Dividing the price of plot that the family purchased to their income a year, i.e. without expenditure the results range from 0.5 to five times with 7% of the results higher than three. Dividing a 60 square meter plot today (without housing) to their income a year, there are 80% of results higher than three times. The data show that prices today are not reasonable any more. The new comer has to generate a lot of money to afford current prices of properties in the area.

3.7.2 Possibility of regularization

Data of planning information shows that 26% of respondents in C.U.120 and 47% in C.U.16 did not look for information of future plans in the area. Either they did not care about it or the information was not clear according to their neighbors

because all remaining respondents who did find such information in C.U.120 and 74% in C.U.16 said that they did not have adequate information. (See Figure 3-12 for sources of information about future plans in the area). Unclear information made residents or buyers confused but in their mind there was a confidence of future regularization.

The question asked to families was about their awareness of possibility of regularization as well as eviction by the government when they bought their properties. About 16% of families in C.U.120 said that the government definitely would legalize when 58% supposed they could, 23% didn't know. Only one respondent said that the government would not legalize because the infrastructure was in bad conditions and housing construction in the area was prohibited. In C.U.16 about 44% families said they feel sure about the possibility of regularization, the same rate with those said the government could legalize. Only 12% said they had no idea about it. Data shows people in C.U.120 feel lesser confident about the future regularization than in C.U.16, the same as possibility of eviction.

About 23% of families in C.U.120 said the government will not evict their houses when in C.U.16 60% said so. 39% of families in C.U.120 and 21% in C.U.16 said they may not be evicted. Percentages of those who don't know about the possibility of eviction are 32% in C.U.120 and 18% in C.U.16. Families in C.U.16 feel sure about the possibility of not being evicted more than in C.U.120. There is no difference between two groups of residents, non-immigrants and immigrants in both units. Data shows many families do not sure about future legalization but they believe that the government would not evict their houses. This can explain why people are more willing to settle in the area in time. Even though living in the same area, residents in C.U.16 which is located further are more confident about possibility of regularization as well as possibility of not being evicted than those in C.U.120.

3.7.3 Infrastructures

Infrastructures as described earlier are in bad conditions with degrading roads, no water supply and no sewerage system. All families pump water from 30 or 70 meter deep down below the ground to plastic tanks put on the ceiling or terrace. For drinking water, people buy 20 liter vessels of treated water, which cost from VND8,000 to 12,000 (USD0.5 to 0.8) a vessel. Waste water as well as rain water is absorbed directly into the ground. The absorbability of the ground is good, according to a local man, because the area has not been concreted much like in the inner districts, all roads are still old pathways and the area is still low density. However on some roads in C.U.120 which has higher building density than in C.U.16 there were puddles of water existing a couple of days after a rain. Roads in C.U.16 are better than those in C.U.12, wider and dryer after rain.

Electricity is available and electric meters of the city electric company are free today. However families moving to the area before 2000 in C.U.120 had to pay electricity from others nearby because of inaccessibility of electricity. The cost every month according to them was double today's cost even they tried to save by using only a few electronic facilities such as lights and fans. In the late of 2000 the community unit had electric pillar system which was invested by the local farmer after families forced her to do so. It is reported that big speculators also built up electric pillars to attract buyers in other areas of the city periurban.

Today the city company uses this system for delivery of electricity. Another family moving to C.U.16 in 2001 had to live without electricity in five months. Without legal documents, they had to pay the land owner VND2.2 millions (US\$140) for an electric meter of the city company.

Garbage collection started in 2001, and considered good today. A family goes to each door to collect garbage three times a week. Each family pays them VND12,000 (US\$0.8) per month. Not all families in the area use garbage collection. A teacher in C.U.120 said one of her pupils told her not to pay for garbage collection, but just bring the garbage somewhere and throw it away. In such residents' thinking, it is not necessary to pay for garbage collection, they can do by themselves.

Picture 3-13: The toilet in a temporary house found in C.U.16



Picture 3-14: A deep well pump used in a family in C.U.16



Picture 3-15: Water tanks on the top of houses found in C.U.120



3.7.4 Location

For non-immigrants this location is good because quiet and ventilated space as well as security and larger area. A man said that his previous house in the inner districts was on a narrow alley, which made it easy to catch fire; moreover it is unsafe. According to him the environmental conditions in the previous place was not good, this location is better for his sick mother. Three immigrant families in C.U.16 also move to this place because after one year living in five square meter rented rooms in the inner districts the bad environment there made their children sick. 42% of non-immigrants families in both units said that they bought their property for a larger house which is for their privacy and their income generating activities. For immigrants a good location means where they can own a house for stable life in the city. They don't want to live in rented rooms any more. Further location with bad conditions of infrastructures but large space is still better than those in the inner districts.

All families use motorbikes as the main transportation mean. About 25% of respondents are using other means; including biking, walking and bus. In both community units, the average commute distance daily of immigrants is shorter than non-immigrants (11 km vs. 14km). The explanation is that non-immigrants were still working and studying in previous places while immigrants could change for closer ones. The flexibility and adaptability of immigrants are their advantages in the city life.

3.7.5 Single house

People do not want to live in high rise building. For the question “Are you willing to swap your house for an apartment in good quality with the same area, in the same location with good infrastructures?” percentages of families answering “no” are 81% in C.U.120 and 97% in C.U.16. Three families agree to swap because of bad existing infrastructure and they want it better. Only one family in C.U.16 said “yes” with one condition that the apartment is on the ground floor.

The reasons for disagreement of swap are inconvenience, noisy and badly ventilated air, impossibility of income generating activities, climbing the stair, and cannot afford monthly fees. Three families in both units are satisfied with housing today. Six families said that they just didn’t like to live vertically; five among these six families come from the inner districts. A man whose previous house was evicted in 2004 said that his family was offered an apartment on 12th floor but they refused to live because he lost his job after eviction; so his family income mainly from his wife could not afford monthly fees of the apartment building.

3.7.6 Current expectations

About 52% of families in C.U.120 want their property legalized, 60% said they want better infrastructures, 30% wish for better security and 9% for public services including schools, hospitals and markets. In C.U.16 about 73% of respondents wished for legalization, 63% for better infrastructure, 13% for security and 7% for public services. Data shows that the first expectations of residents in the two community units today are regularization and better infrastructures. However up to 87% of families in C.U.120 and 77% in C.U.16 did not know how much they would pay for their LUCs. Only 3 families in C.U.120 named and valued the right tax. 23% families in C.U.16 said that they knew the property tax for regularization but all misunderstood and underestimated the property tax. The tax of their property in 2006 is 40 times higher than their answers. There are 80% families in C.U.120 and 90% families in C.U.16 were willing to pay property tax for regularization because of, according to them, a stable life and benefits of the government and people. These numbers can reduce when they know the right amount of property tax. The remaining residents said they would not pay the tax because of economic difficulties.

3.8 Government agencies

Data from government agencies is collected by interviewing key officials at both ward and district levels. Applying the bottom-up approach after collecting questionnaires the interviews started at Binh Hung Hoa B Ward People’s Committee and Vinh Loc B Commune People’s Committee, then continuing with officials in Binh Tan District People’s Committee and Binh Chanh Suburban District People’s Committee. (See table 1-2 for the detail of public official interviewed)

3.8.1 Urban Order Management Team

At both level of governments, there are UOM teams which are directly involved in illegal housing construction. These teams go to their fields every day to check and penalize illegal cases of construction. Most illegal housing construction are under penalty of UOM teams at ward or commune level, which is under VND500,000

(US\$31). Other cases are under management of districts' UOM teams such as illegal factory buildings or housing construction penalized many times. Searching the field is daily work of teams and they cooperate with each other by phoning every time they discover illegal construction cases. The cooperation is only vertical, i.e. between district and ward teams but not horizontal, between various districts or wards even their fields closed each other. Table 3-4 shows the number of official in each team and their responsible area.

Table 3-4: Data of UOM teams

Level of government	District		Ward/Commune	
	Binh Tan	Binh Chanh	Binh Hung Hoa	Vinh Loc B
Name				
Area (hectares)	5,200	25,300	733	17,400
Population (persons)	410,000	239,000	32,700	29,760
Number of wards/communes (district level) or neighborhoods/hamlets (ward level)	10	16	6	6
Number of officers	55	60	11	11

All officers going to the field every day are men and young, whose ages are around 25 as observation. Numbers of officers working in a certain area of UOM teams are based complicated situations of illegal construction in the area. All teams work seven days a week and 24 hours a day. There are always officers working at the office to receive phone calls from the area they are responsible for. They go to the field by motorbikes and sometimes have to work at night because residents tend to build their houses at that time. The team also has cooperation with leaders of community units in which they phone the team every time they discover an illegal construction case in their area. The areas of Binh Hung Hoa B and Vinh Loc B are as large as an inner district of Ho Chi Minh City so that, according to team leaders, it is difficult to check, moreover the large area increase monthly fuel costs which is more than those they are offered. For example, according to the leader of the UOM team of Binh Chanh Suburban District, one officer in his team get the salary of VND700,000 (US\$44) plus VND450,000 (US\$28) for fuel fees a month; however in reality the cost for fuel is around VND800,000 (US\$50) monthly. The basic salary and the extra fee for fuel per month are regulated by the city government. That teams' officers can get higher income or not depends on the budget of the government agencies at district or ward level, hence according to him, officers in Binh Chanh Suburban Districts get lower income than Binh Tan District. All salary of officers in the teams interviewed is not more than VND1 million (US\$62.5) per person per month.

All team leaders said they could not be sure whether their officers get bribe from residents or not. Only the team of Binh Tan District has a way to avoid bribe by changing the field of officers once per two weeks. The team leader said that if an officer worked in an area for a long time he would have close relationships with residents in that area. The tolerance of officers is reported in the UOM team of Vinh Loc B Commune. According to the team leader these officers are local residents. It is difficult for them to penalize their neighbors; their parents always get complaints from others because of them. Strong conflicts between the team and residents are reported at all teams interviewed.

3.8.2 Notification of land transactions at Land Management Offices

Notification of land transactions are done in ward or commune people, and under management of the LMO. There are there persons working at the LMO of Binh

Hung Hoa B Ward as well as Vinh Loc B Commune People's Committee. Among these three officers, one is responsible for land use planning which is mainly checking whether land use in the area is suitable for plans or not, one is responsible for housing construction which is related to building regulations in the area; and the other is responsible for checking disputes among residents. Both officers interviewed said that they could not handle too much work.

The fees for notification are not significant, under VND100,000 (US\$6.2). In Vinh Loc B Commune, the transferor is required to support the commune's fund for infrastructures, but it is not obligation. From January to June 2006 the fund collected VND297 millions (US\$18,500) from 150 land transactions, nearly VND2 millions (US\$130) per transaction. It is not a small amount of money for low income families. According to vice-chairman of Vinh Loc B People's Committee the commune collected a couple of VND billions in 2000 and 2001 via land transactions. This kind of contribution has not been applied in Binh Hung Hoa B Ward any more from 2003, the time of establishing of Binh Tan District. A man in a land dispute observed in the LMO of Binh Hung Hoa B People's Committee said that he sent VND8 millions (US\$500) to the fund of previous commune - Binh Hung Hoa at the time of his transaction.

According to interviewees at both LMOs, the number of transactions is decreasing. For the question of limitation of agricultural land area which can be transferred, two various responses were given, which are 100 square meter for the LMO of Binh Hung Hoa B Ward and no limitation for the LMO of Vinh Loc B Commune. In fact there is no regulation for the limitation in laws; and this is also the response of leaders of NREOs of both districts.

3.8.3 Land Use Right Certificate delivery at Natural Resources and Environment Offices

The responsibility of LUCs delivery belongs to NREO of district people's committee. The LUC is delivered for the buyer only if the seller has his own LUC. No limitation of agricultural land area for transactions is the response of both leaders of both offices in Binh Tan District and Binh Chanh Suburban District. However the transferor would be warned, according to the leader in Binh Tan District, if he or she bought a 40 square meter plot, which is the lowest area for housing construction based on regulations on housing. In Binh Chanh Suburban District the transferor has to prove that he or she is working as an agriculturist by an approval document of the government agency where he/she lived previously. This requirement follows a decision of the city government in 2003, according to the leader of NREO in Binh Chanh Suburban District.

LUC delivery today is done in large scale for all families in the area if it is planned as residential land use. The process is on going for dwellers in some informal settlements in Binh Tan District. There are two main constrains for LUC delivery for these illegal houses, according to the leader of NREO of the district. The first one is that the dweller does not afford property tax for regularization. The second is that the seller is not willing to give his or her LUC. These sellers always ask an amount of money because buyers now get benefit from increasing land prices. There are thousands of LUCs stuck in the NREO of Binh Tan District because of these two reasons.

3.8.4 Planning and upgrading programs

Regarding plans for the area, the vice-chairman of Binh Hung Hoa B Ward People's Commune surprisingly didn't know whether there was a land use plan or not. His counterpart in Vinh Loc B Commune said the plan was on going but he didn't know why it took a long time for the plan since it was presented a couple of months before. Both of them said the plan is crucial for the area because it is a basic legal document for regularization, and they need it urgently. The two detail land use plans of research areas in Binh Hung Hoa B Ward as well as in Vinh Loc B Commune are in process. According to an officer of Binh Tan District UMO, this process is going well and is being prepared for public presentation. However the plan for the area in Vinh Loc B Commune is stuck because of a document of Ho Chi Minh City Department of Urban Planning and Architecture, saying that the plan need following the general plan of Binh Chanh Suburban District which started in 2004 and is not yet finished. The office in the UMO of Binh Chanh Suburban District said that he had no idea on when the general plan was approved because of various ideas between public agencies at all levels. Lack of agreement and cooperation between government agencies is one of big constrains of planning process in Ho Chi Minh City.

Upgrading programs are different between Binh Hung Hoa B Ward and Vinh Loc B Commune, based on the characteristic of a ward – urban area and a commune – a suburban area. An upgrading program in Binh Hung Hoa B Ward is funded not only by Binh Tan District but also by the ward people' committee itself, as well as by residents. The program with participation of residents aims to improve 26 alleys in the ward, mainly focusing on upgrading road surface and installing sewerage system. Collecting which alleys improved is based on the density of the area with the goal of serving as many inhabitants as possible. The program is still under discussion among residents. With an area 2.5 times wider and the agricultural land area equal to the area of the whole Binh Hung Hoa B Ward, Vinh Loc B Commune concentrate upgrading programs on rural roads which are long and narrow. (See Annex 1 and 2 for the data of Binh Hung Hoa B Ward and Vinh Loc B Commune). Mainly widening roads and improving local channels, these programs which funded by Binh Chanh Suburban District and Vinh Loc B Commune, including contribution of land transferors as mentioned above has less participation of communities in the area. Moreover, according to the vice-chairman of Vinh Loc B Commune People's Committee, the commune is building up some classrooms in a rented land plot due to the lack of classrooms in the local elementary school. No upgrading program for informal settlements is in their agenda. According to him, there are still more important infrastructures that need upgrading. It is clear that with the distance of only 300 meters, the two studied community units has different performance from the government agencies.

The encroachment process of informal settlements in the research area is described in this chapter with data collected in the fieldwork in Ho Chi Minh City, Vietnam. To understand it clearly the next chapter discusses main related issues with application of theories and literature reviewed in Chapter 2.

Chapter 4 Data analysis

This chapter analyses data presented in the previous chapter in order to understand the encroachment process of informal settlements in the periurban of Ho Chi Minh City, Vietnam; as well as to link international theories presented in Chapter 2 with the reality of the two cases in Ho Chi Minh City. The first part is the discussion of the demand side with analysis of push and pull factors of two groups of residents, non-immigrants and immigrants. For supply side, the respond of informal land and housing markets is analysed in the next part. The third part analyses residents' awareness of the illegality in their situations, as well as the possible government intervention, including regularization, eviction and legal procedure in order to understand their willingness to settle illegally. Finally the future of informal settlements in the city periurban is discussed with the current trend of policies and implementation of government agencies of Ho Chi Minh City.

4.1 Informal settlements – housing opportunities of different groups in the city

It is clear that not only the poor now living in informal settlements in the periurban of Ho Chi Minh City, especially nowadays when land prices have gone up, the number land transactions is also decreasing. The poor in the context of Ho Chi Minh City make up only 18% of families in both community units. The 14% of respondents have income which is equal or 20% higher than the city poverty line, i.e. VND600,000 (US\$38) per person per month. The remaining, 68% of families cannot be called poor in the context of the city. The reality of informal settlements in the periurban of Ho Chi Minh City is similar to those in developing countries. It is necessary to consider the close correlation of informal settlements to not only the poor but also other groups of residents. Housing conditions are not different between the poor and others. Especially, in terms of the residence status, it is important to understand, in the case of Ho Chi Minh City, the factors making non-immigrants to move out from the inner districts and to settle in illegal houses in outer ones, as well as immigrants to decide to purchase their illegal property in informal settlements of the city periurban.

4.1.1 Non – immigrant families

Non-immigrant families in both community units have lower income are than immigrants. The fact shows the movement of poverty from the inner districts to the city periurban, causing it poorer than inner areas (the average income of both units is lower than the city one).

Push factors of the movement are important because most of them have legal dwellings in the inner districts. Around 35% of families in the two community units said that they have to move because of economic difficulties. This is also one of the reasons for residents to sell their property currently in informal settlements, as mentioned above. Residents use the money generated from selling their legal property for paying debts, investing in businesses, sharing for their grown up children, or settling in a larger space which is suitable for their current income generating activities. Their economic difficulties come partly from the lack of micro finance for residents while the city's poverty reduction programs aim to support families under the city poverty line only. Residents can mortgage

their legal houses for a bank loan; however banks still require them to prove their stable income because they want to be sure about the ability to pay the loan of families. If the borrower cannot pay the loan it takes the bank two to three years to take back the borrower's property because of a complicated and long procedure, including the decision of the court, time for auction, etc. In order to apply the theory of De Soto mentioned in Chapter 2, the first step is to simplify the above procedure. Ministry of Natural Resources and Environment is now considering this issue.

The movement of non-immigrants out of inner districts is an alarm for housing conditions there. Previous living conditions are described as (1) overcrowding because of small area or too many people living together (2) narrow and blind alleys which not only promote crime and fire hazard but also are not ideal for income generating activities (3) unhealthy environmental conditions due to noise, poor ventilation and poor lighting. Therefore, the periurban areas even with the absence of basic infrastructures, such as, water supply and sewerage systems, are considered more convenient than those in inner areas.

Surprisingly, up to 80% of non-immigrant families interviewed previously lived in Tan Binh District or Tan Phu District which are the closest the inner districts. One of important reasons is that these families still have connections with their previous place of their residence. Such connections are (1) education - children have to study in the district that they register the permanent residence, (2) jobs - people do not change their jobs which is close to their previous stay. Kinds of job connections can be working places or sources, i.e. residents work at home through working sources they already get before; and (3) relatives - it is easier for their relatives to visit them, especially for the elderly. According to these families, this direction of movement is more convenient than other options.

Another important reason is housing eviction in the inner districts of Ho Chi Minh City. One man said that in the year 2000 all families in his previous living place rushed to outer districts to look for other houses before theirs were evicted, i.e. thousands of families were preparing for their new dwelling in the same way while apartments in high rise buildings offered by the government are not fit for their income as mentioned before. He did not want to rent a small room which is affordable for their income but not suitable for his family of three including his 15 year old son. This man and another one said during the interviews that they needed to find out a place to live even temporary stay because of illegality and they did not know what the future was. Housing ownership is a crucial reason, facilitating all activities in his family, including his son's studying and his wife's teaching, an important income generating activity for the whole family. The situation of being evicted made it easier for his family to ask for housing improvement in 2004, which was also forbidden¹⁷.

Unclear planning information is one reason for housing sale in the inner districts as well as refusal of responding questionnaires. The man whose house was evicted said that time of eviction was not clear and they were always warned to move by government agencies there. The reason for this action of the government, according to him was to prevent housing transactions in the area because after transactions buyers would lose their property without any compensation. Because of unclear information, families in his area had to look for

¹⁷ Housing improvement which changes the house's architecture is forbidden.

their new houses by themselves in 2000 and only found out that four years later their houses were demolished. The leader of C.U.120 sold his house in Tan Binh District partly because he didn't know if the house was evicted when the opposite area of his house was cleared for a residential project. He said that when delivering questionnaires some families were worried about the purpose of the research, which relates to planning or not. They told the leader that they sold their house because they were not sure if their previous place was "planned" or not, and now again their house conditions were asked. In their mind, "planned" means "evicted".

In summary, for families with permanent residence main reasons for settling in the periurban are economic difficulties and the lack of finance support from the government, their preferences for larger and better living place, the shortage of formal housing options when evicted, and unclear planning information which encourages relocation. Explored in the research the first and the final reasons are specific for Ho Chi Minh City case when the remaining is mentioned in chapter 2. Unlike non-immigrants immigrants have other views.

4.1.2 Immigrant families

Immigrant families have higher income than those with permanent one, a crucial condition for them to settle in the area. An important factor is that they have the lower numbers of persons per family than those of non-immigrants. Most of them are young couples starting their lives in Ho Chi Minh City. According to the interviewees, their parents who are rural poor with many children cannot help them economically. They all have to borrow money for their present property in the area. But their income is a guarantee for their capacity to pay. One more reason for purchasing their property is the same as those with situation of eviction: they don't want to live in rented rooms. According to a woman interviewed, she can save money by giving up paying rent, which is VND300,000 (US\$19) a month for a five square meter room in the inner districts and nine or 12 square meter one in the periurban. It is better to save this amount of money to pay the loan of their property.

Push factors for immigrants are various. Some residents don't want to go back to their homeland after finishing university. With the university degree they get a stable job in the city, which also means a stable life. Other said they don't want to continue agricultural work as their parents. According to a woman, her family of three children could get only 650 square meter agricultural land plot for growing rice, which was not enough for their family while they also had to pay many kinds of taxes. She can earn more here, in the city even though her job is unstable. Another woman said her family lived only on her husband's income. The husband, a truck driver working informally, can earn VND4 millions (US\$250) a month, about four times higher than average income of a civil servant working for ward people's committees. However the man, according to his wife, has to work very hard. It is clear that poor conditions in rural areas and Ho Chi Minh City, a source of good jobs even informal are strong push and pull factors for immigrants.

An important factor is that their temporary residence status is not a barrier any more for public service access both education and health care. In city hospitals today people are not asked for their residence status any more. The vice-chairman of Vinh Loc B People's Committee said the commune government

decided to admit immigrant children studying in local schools despite of the lack of classrooms. If not, he said, social problems would be unsolvable with uneducated residents. One of purposes of household registration system in Vietnam, preventing rural-urban migration does not exist nowadays.

For conclusion, higher income jobs with advantages of the city' amenities are facilitating factors for immigrants settling in the city; however it is not the rural poor is owning properties in informal settlements in the periurban of Ho Chi Minh City. As mentioned above, those who cannot afford to live in the research area are selling their properties.

Income of non-immigrants and immigrants analyzed above are fit only for informal land and housing markets as mentioned in chapter 3. Moreover the large numbers of transactions in the research areas in 2000 and 2001 show easy accessibility of this market, another factor encouraging residents to settle in the city periurban. The following part discusses issues of informal markets with influencing factors including government's policies.

4.2 Informal land markets – prices, demand and supply

In informal markets the housing demand is huge and does not fit for prices of formal supply. As mentioned above in Binh Hung Hoa B Ward the land prices in formal markets are double as much as the current in informal ones, which is also high. The demand is from not only immigrant families who come to the city without housing possession but also from residents with permanent residence with concerns of changing living places as mentioned above. Moreover it is necessary to consider those who are living in rented rooms such as the rural poor, factories' workers, students, etc. Because the income of these groups is not fit for the prices of even informal markets, their housing demand (or the demand of rooms for rent) also increases the demand of second house even illegal among residents. The increase housing demand reflects the failure of formal markets and the demographic drive of city expansion as well as the encroachment process of informal settlements in the city periurban, mentioned in chapter 2.

Land supply in informal markets was quite easy and cheap without investments in infrastructures but electricity system, which was delivered well for rural area in Ho Chi Minh City. Big land owners or speculators just built up electricity pillars and connected their system with the public one. All families in the system use one electric meter if they could not have their own ones. Low costs of such easy investments encouraged people participating in informal land supply. The big land developer who bought 1,000 meters of agricultural land from the farmer in C.U.120 owned many big plots like this. There were other big speculators like him and many other small ones who bought one or several land plots then sold or rent their property. There is a higher profit expectation which encourages speculation in informal markets as described in *The Vicious Circle* (Smolka 2004). It is important to consider the effects of Document 695/CV-UB-QLĐT in 1999 by the city government that promoted private companies to supply serviced land in the city periurban. The document can be seen a kind of deregulation which was exploited by developer to lower investment costs as mentioned in Chapter 2 (Smolka 2005). In fact, there were companies just finishing detail plans and sold plots without or low cost and low quality infrastructures. Their actions encouraged others including big speculators and

farmers to do the same. There is no research on comparisons of supply and demand in both formal and informal land and housing markets in Ho Chi Minh City until now. Housing demand is huge for a big city like Ho Chi Minh, however informal agricultural land supply was also not small with many sellers in previous years, which can partly explain why prices are unstable and unclear as mentioned in Chapter 3.

Such instability of prices in the area is difficult to understand. The markets were very active with a lot of sellers and buyers as well as the support of many local brokers. The leader of C.U.120 said there were a lot of advertisements on newspaper in 1999, the time he bought his property. According to the vice-chairman of Vinh Loc B Commune People's Committee, the buyer could buy a land plot then sell it for a higher price in a couple of hours. The increase of land and housing prices in informal settlements is presented in Vicious Circle (Smolka, 2004) mentioned in chapter 2. The benefit could encourage the buyer to purchase quickly without comparing land prices as long as the total cost is fit for their finance capacity. Prices could be unclear due to the lack of information while government agencies have no roles in information delivery. Data shows three families in C.U.16 getting information from local brokers, buying their property with much higher values than other in the same time, paying the seller one time without any deposit; moreover they are immigrant families with high income in comparison with average income of the community unit. However these reasons are not enough to explain the unpredictability of land prices in informal markets in research area. There must be other causes that affect the price of agricultural land and need to be explored more in further research. Government intervention is also a cause for changing land and housing prices. The leader of C.U.16 said that Decision 08/2002/CT-UB in March 2002 which prohibits all activities of agricultural land subdivision including transactions and land fill stopped the increasing speed of land prices in the area in 2002. And now Law on Land 2003 which admits the existence of illegal houses built before July 1 2004, i.e. houses in the area will be not evicted increases the price again, especially housing prices.

Land in the research area is still agricultural land according to the general plan of Binh Chanh Suburban District, which was approved eight years before in 1998. According to the leader of C.U.120, land had been used to grow rice and vegetable until 1999, which does not occur today. Just some cows are observed in the area, eating grasses on vacant land plots. All activities, including agricultural, industrial, residential and commercial take place, showing different use of land in the area. The area is an entire community with groceries, markets, pharmacies, education and health care services, etc. Why residents here could build up their own community beyond laws and regulations? The following part explains reasons behind, which are related to residents' awareness of regulations and formal procedure.

4.3 Residents' awareness of regularization and procedure

The willingness to settle in the area, as explained by residents interviewed, is that if the others could stay and so can they. They foresee a crowded area with increasing construction and it would be without the firm regulations of the government agencies. Renting another house nearby his plot, a man whose housing construction was stopped said that there were many families like him. And if the government did not prohibit the construction in the last 18 months

nearly all vacant land in the area could be full of houses. Their thinking is that if the area is occupied by many families it would be regularized by the government.

Temporary stay is another explanation of some families. They needed a place to live and that was a forthcoming thing they had to do even though it was temporary. Such response is given not only by families from evicted area, who needed a dwelling place urgently, but also from others who are Vietnamese southerners. The thinking of temporary stay without taking care of long term situation is fit for the personality of southern people in Vietnam¹⁸. It is also important to consider the traditional behavior of Vietnamese, which mainly followed general social value than laws¹⁹.

The possibility of eviction explained by a man interviewed in C.U.120 can be true. He said the government will evict areas in the city center before ones in the periurban. Actually the city government clears houses in areas that they need land for a certain program which is now mainly for urban revitalization such as evicting precarious houses on channels in city center or widening roads. In the periurban eviction is for the development of new projects however it will cost investors a lot in areas of high or middle density. There are no such projects in the area since the first transactions started until now, therefore eviction seems impossible.

Complete procedure that people use today reviewed in Chapter 2 includes five steps which are related to government agencies at both ward and district level. As presented in Chapter 3 up to 65% of families in C.U.120 and 97% in C.U.16 have no notification from any government agencies even though the fee at commune or ward people's committees is not significant. According to residents such notifications which just ensure impossibility of future disputes are not necessary. The previous land or housing owners cannot take their property. It is impossible not only for the big developer to take back the property of ten families, but also the small speculator because he or she doesn't have legal documents. These are reasons for residents believe that transaction contracts between the seller and the buyer are enough.

The ability to pay tax for regularization is another issue. The tax for a 60 square meter land plot in 2006 in the research area would be VND18 millions (US\$1,125), two times higher than average income per person per year of families in both community units. Even though most families agree to pay they don't know or underestimate the total amount of payment; especially the tax could increase when their property is legalized. One time tax payment will be a barrier while one third families without saving and they still have to pay the debt for their property.

¹⁸ According to Tran (1994) the main characteristic of rural villages in the south of Vietnam is the openness because of the population changes. It was easily for residents to relocate in new unexplored places for better jobs. The southerners are broad-minded because of advantages from the nature and climate.

¹⁹ The kind of behaviour based on the autonomy of rural villages in the north of Vietnam. A village was considered as a small nation with its own regulations (Tran 1994). The intervention of feudal, and then, colonist governments did not change much the organization of villages. Vietnamese has a popular proverb saying that "The king's rule stops at the village gate" (*Phep vua thua le lang*), showing the democracy of feudal governments and rural villages in Vietnam; on the other hand the traditional behaviour which based on residents' norms than national laws. This can lead to the behaviour of not following laws and regulations such as in transportation.

In summary, illegal transactions and constructions are encouraged by the large number of residents doing the same ways. They foresee the future of a high density community that the government would not or could not evict but regularize. Ability to pay taxes for regularization is unclear because the residents now do not know how much taxes they would pay. The high numbers of families who are willing to pay taxes reflects their expectation of future regularization, an element in The Vicious Cycle of Informality (Smolka 2005) showed in Figure 2-2.

4.4 Government intervention and the future of informal settlements in the periurban of Ho Chi Minh City

4.4.1 The previous tolerance of the government

The civil servants interviewed considered tolerance as the weakness in urban management. In some districts of Ho Chi Minh City there were supports of public officers in large scale agricultural land transactions, hence some of them was put in jail. The weakness or ignorance can be recognized through payment of penalty for illegal housing construction. In the same time there were both families paying and those not paying the penalty. Before 2004 ward or commune government agencies had the right to penalize residents with houses with an area of under 40 square meters while district government agencies could not handle remaining housing construction in such a large area. Moreover after paying penalty the construction could continue without any warning of government agencies. Thousands of houses were constructed illegally in the same way. Some residents interviewed said that they were lucky because they built their house before July 1 2004. Those who do not have enough money for housing construction now have to wait for the detail plan of the area, which can change the land use from agricultural to residential.

4.4.2 Current unexpected conflicts between residents and urban order management teams

The conflict is between public officers whose responsibility is to check and stop illegal housing construction and those who need a house to live; moreover they don't want to lose their land which is very valuable for them. In order to avoid the team, residents build their houses at night, on holidays; and as fast as possible. A house with brick foundations and walls, metal roof can be built after one night with around ten workers. Solid ground is an advantage of the research area in comparison with others in the south of the city. Using old or temporary building materials such as thatch for wall and roof, cajuput tree for columns on the one hand blind public officers; on the other hand reduce to the lowest construction costs. UOM teams cannot do anything when in the morning all members of the family are living there with the elderly, pregnant woman, children, etc. A team leader said any clearance action of a complicated case has the existence of not only the police but also ambulance, members of many local social associations. It is difficult to act, according to him, because of poor conditions of residents but they have no way.

The strictness is from Decree 126/2004/ NĐ-CP in 2004 ²⁰, the implementation guideline of Law on Land 2003. The strictness on one hand reduces the number of housing construction; on the other hand increases the bribe because of risk situations for public officials. A woman in C.U.16 said that she had to pay VND5 millions (UD\$312), one tenth of the total amount of her housing construction to the UOM team of Vinh Loc B Commune. The fee for them according to her is double today. Actions of this team are reported differently. In some cases they knocked down all construction even concrete foundations; in other ones they knocked down only a gap on a brick wall. UOM team of Binh Hung Hoa B Ward does the same way. According to a woman in C.U.120, the house next to hers was allowed to build temporarily by the team. When the owner concreted the first floor the construction was stopped. Such actions cause mistrust and disappointment in communities. Low salary can encourage officials in urban order management teams to get bribe from residents. Can money solve their conflicts? If yes this kind of fees will increase housing costs in informal settlement in the periurban of Ho Chi Minh City.

4.4.3 Future of informal settlements in the periurban of Ho Chi Minh City

From Law on Land 2003 with its guidelines and the strictness of government agencies, the encroachment process of informal settlements in the research area seems stop with a small number of land and housing transactions as well as housing construction. The strictness is for illegal construction only. The paradox is that housing construction is prohibited but agricultural land is possible for any land area. However, housing construction prohibition reduces willingness of agricultural land transactions. The strictness of government agencies shows its effectiveness. If they do in such previous way with much tolerance the encroachment process will continue to expand strongly. However due to their tolerance thousand families have houses. The question is that if not for the tolerance what their housing conditions could be. For residents from the inner districts they would have continued to live in their houses or rented rooms with bad living conditions. For residents who had to sell houses because of economic difficulties they would have rented rooms. For immigrant families, continuing to live in rented rooms would have been their only choice. All may be the only future housing option of residents.

Actually numbers of rooms for rent are reported increasing dramatically and many families can live well on costs from renting. According to the vice chairman of Vinh Loc B Commune People Committee, farmers in the commune today give up farming with risks of epidemics such as bird flu, it is better to build small rooms for rent. When formal low cost housing markets do not run like today, renting markets in which governments both national and city do not play any role except renting standards would work well. Renting will increase the density in any area it take place with following issues of security, infrastructures, living conditions, etc.

²⁰ Decree 126/2004/NĐ-CP which gives government agencies at ward or commune level the right to penalize all housing construction regulates that the land owner have to clear the construction by themselves and restore the existing conditions before.

The research area will be legalized when the detail plans are approved. However the two community units with the distance of 300 meters will have different intervention from government agencies. C.U.120 which belongs to Binh Tan District will be legalized sooner with the detail plan on going efficiently. Upgrading programs from the district government even not in large scale has been implemented from now. Meanwhile, the detail plan of the area in which C.U.16 is located has to wait results from the general plan of Binh Chanh Suburban District which still has numerous difficult issues. Moreover, no upgrading programs have been implemented in the area because of a vast area of the commune. As mentioned above there is no horizontal cooperation between two districts as well as between Binh Hung Hoa B Ward and Vinh Loc B Commune agencies in their policies and programs for informal settlements in the area. Informal settlements in suburban districts have more disadvantages than those in districts.

Chapter 5 Conclusion and recommendation

The final chapter gives a total picture of the encroachment process of informal settlements in the periurban of Ho Chi Minh City through the two cases of community units presented in Chapters 3 and 4. This part also gives suggestions for formal housing markets in order to appropriately respond to the housing needs and preferences of the communities, as well as for the government agencies to have better urban management of the existing and future informal settlements.

5.1 Summary

1. The encroachment of informal settlements in the city periurban is a process participated by various actors which have occurred in different periods of time. In the late of 1990s when the process started, farmers and big speculators were the main plot suppliers in the city periurban with advantages from low investment costs and the decision of the city government encouraging public companies to supply serviced land, which can be considered as a policy of deregulation. The process increased and reached the peak in 2000 and 2001 with the high numbers of land and housing transactions, parallel with the increase in land prices in the city periurban. The process would continue to rise if there were no a policies in the city in the early of 2002 which withdrew the above decision and prohibit all kinds of agricultural land subdivision in the periurban of Ho Chi Minh City. From that, only small speculators and residents in informal settlements were involved in the transactions. The encroachment process of informal settlements hence decreased dramatically but housing construction still continues until Law on Land 2003 with its guidelines in 2004, which accepts the existence of illegal houses built before July 1 2004. The process has minimized currently with a few cases of housing construction while plots for sale are not attractive because construction is prohibited.
2. Informal settlements are housing opportunities not only for immigrants but also for non-immigrants who are poorer. The movement of poverty creates socio-economic issues in informal settlements in particular and in outer districts in general. The willingness to sell a legal property for an illegal one is an alarm for bad living conditions and unstable life of residents given their economic difficulties; they have to manage by themselves without efficient finance supports from the government not only through their income generating activities but also in their own housing construction. Immigrants owning properties in informal settlements in the city periurban are those who have higher income, which is a guarantee for a stable life in the city.
3. The willingness to settle in the area is encouraged by the large numbers of families who have moved in the area together in 2000 and 2001. Residents got more confident when more and more people settle in the periurban, believing that the area would become a high density residential area. They built themselves a full community without regarding their illegal situation, which partly explained by Vietnamese traditional behaviors toward laws. Government agencies with their tolerance as well as, as they said, the weakness of management could not handle the encroachment process of informal settlements.

4. Most land transactions without notification from government agencies show unnecessary procedures in residents' opinion. Land and housing transactions were facilitated with flexible payment, the participations of a lot of local brokers; and much supports from social networks in terms of financing, delivering information and living close together. Land prices in the area have been increasing, unstable and unpredicted in time of active informal markets running in the area; becoming more stable and increase dramatically since Law on Land 2003. The law implies that the area would become a permanent residential area because the existing houses built before July 1 2004 will not be evicted. However the tolerance from state government in Law on Land 2003 does not encourage the encroachment process of informal settlements because of the strict enforcement of regulations of government agencies today.
5. The strictness with regular control of UOM teams at both ward and district level has reduced the number of illegal housing construction. The right of penalty is now under ward or commune agencies, the lowest level government, giving them more control on the phenomenon in their territory. There are conflicts between those who enforce the law and the residents with illegal housing construction. Regularization and upgrading programs in the periurban have more advantages in districts; however face obstacles in suburban districts because of vast rural area. There is weak cooperation between government agencies between administration boundaries of districts.

The encroachment process which has taken place over a short period of time shows disadvantages and challenges for the city government in dealing with current informal settlements as well as land management in the city periurban. Moreover the formal land and housing markets need changes to meet the demand, preferences and desires of the majority of population. The next part recommends considerations for the city government based on above issues, as well as further research on the periurban and the land and housing markets in Ho Chi Minh City.

5.2 Recommendation

5.2.1 Intervention to deal with existing informal settlements in the periurban of Ho Chi Minh City

This part applies current trends of intervention by the government presented in Chapter 2, including legalization, re-blocking and densification, upgrading and prevention in order to determine which means are suitable for the existing situations of informal settlements in the periurban of Ho Chi Minh City.

1. *Legalization*: It is the most significant action that residents in informal settlements are expecting today. In their minds, the property would not be disputable but not be legitimate as well. Legalization means a stable life for them; and if the city government takes their property they will offer them much higher compensation.

Legalization needs detail plans as a legal document, approving the change from agricultural to residential land use. Detail plans are always stuck or take time due to current barriers not only because of the Vietnam planning system, but also disagreements among government agencies at all levels. Moreover, detail plans in the city periurban normally include the area of informal settlements as well as agricultural land nearby. In the case of the site in which C.U.16 is located, the area

of informal settlements is only half of the total area; the remaining is still agricultural land of which the future use is not easy for government agencies to decide. This is the reason why the plan needs following the general plan of the whole district. It is necessary to divide this plan into two separate ones, or narrow the plan to focus only on the area of informal settlements, where the government knows that they cannot evict illegal houses and consider their existence. As a result of decentralization process in Vietnam, the current planning under the district governments is an advantage for them in dealing with problems in the area. This suggestion can be done in their hand.

Property taxes when legalization is an obstacle for residents in informal settlements. Some families said they would manage to pay taxes for their LUCs by borrowing from their relatives or friends again as the way they bought their property. If they have stable jobs, the bank would give a loan which they can use to pay the debt and their income generating activities or their housing improvement. The state government now is applying dept of taxes written directly on LUCs for poor families²¹. However it is worthless to have the bank loan by mortgaging LUCs. Tax payment should be more flexible such as multi-time payment.

2. *Re-blocking and densification*: It is difficult to undertake re-blocking and densification due to the high land prices while the location is not attractive. High land prices in the area would discourage any investor with affordable compensation. Area with high density including those plots that haven't been built is another reason. There are still vacant plots just because owners cannot build their houses at the moment. Moreover large plot areas with rather big houses in semi-permanent structure are barriers of re-blocking.

3. *Upgrading*: This is the most possible method and the expectation of residents in the area as well. An action plan needs to be done with the participation of not only community but also facilitators, such as architects, urban planners, engineers, economists, etc. Such professionals are all absent in small scale upgrading programs nowadays in Ho Chi Minh City, which are run under government agencies at ward level. There are also no none-government-organizations for technical assistance. A clear plan of actions will define what to be done in short term and long term.

Residents in the research area also defined specific physical items needed for upgrading, including roads and sewerage system. Only a few families mentioned clean water system in the questionnaires because they know the system is the most difficulty. Clean water is not accessible in some areas of the inner districts much less the outer ones. The underground water is still available in areas of the city periurban, but what the future is if more and more families use it. There is an alarm from areas in the inner districts about the sudden drop of underground water level. Therefore it is necessary to take into account the water system in long term upgrading programs for informal settlement in the city periurban.

Increasing residents' awareness of protecting environment is an urgent action. The fee for garbage collection actually is not significant, and it can be reduced if the area gets higher density. A campaign is necessary to encourage all families in the area to use garbage collection and to keep a clean environment.

²¹ Poor families still can get LUCs without paying property taxes immediately. Their dept of taxes will be written on LUCs and cleared when they pay them all.

The ability to pay of residents though data of income and expenditure shows one advantage for finance support from residents. Upgrading programs will also create simple skill jobs as well as income generating activities. It is very helpful for the unemployed in the area. Infrastructure once upgraded will encourage residents to improve their houses.

4. *Prevention*: Government agencies now strictly enforce laws and regulations as a prevention instrument to deal with the encroachment process of informal settlements in the periurban of Ho Chi Minh City. Their actions have stopped the speed of the expansion process. The city government should consider finance supports for families because economic difficulties are among main reasons for them to sell their houses not only in the inner districts, but also in informal settlements in the city periurban. They would illegally settle further where fit for their remaining income, starting the formation of informal settlements in further location.

As discussed in Chapter 2, prevention means also include using key elements of structuring urban space so that informal models incorporated into the realm of legality. This approach is found in the research difficult to apply in the context of Ho Chi Minh City. Informal settlements themselves are formed and developed in the city periurban because it is the closest location available which can be easy to access urban amenities. Moreover with strategies of forming sub-centers the city government will invest in main roads for good connection. On the other hand, these roads will give accessibility for dwellers in informal settlements.

It is important to combine the possible means for existing informal settlements in the city periurban. In some public officials' view, for example the leader of NREO of Binh Tan District, it is necessary to upgrade such settlements before delivering LUCs. However, residents are more willing to participate in upgrading programs with their finance support when they have secure tenure. Upgrading programs now are still being implemented in Binh Hung Hoa B Ward without regularization programs. The two government agencies in Binh Hung Hoa B Ward and Vinh Loc B Commune should cooperate in such programs for better synergy. One more important consideration is how to manage land use after the city has ideas of investing in such key infrastructures. In reality if there is any information of setting up a new large scale project, land there will be immediately occupied and the value will increase.

5.2.2 Consideration of the requirements for formal land and housing markets

The current formal land markets respond to the need of upper income group of residents due to high land prices in the city periurban. By Ministry of Construction, the new standard for row houses regulates the lowest area of 36 square meters for a plot in residential projects, with the length of 9 meters and the width of 4 meters. It is an opportunity for middle and low income groups to access land because a small area reduces the total price. However there haven't been any projects with such small plots until now because the standard is still new. Thirty six square meters are reasonable for a family. (There are 20% of plots with areas of 40 square meters and lower in both community units studied in fieldwork.) The city government should consider this new standard for their low cost housing programs which only focus on high rise apartment buildings.

The bias of residents about living in high rise buildings makes it difficult for such low cost housing programs. The quality is the most important consideration. Many low cost apartment buildings degrade quickly after a short period of time, leading to the issue of management with responsibilities of actors involved, including the investor who is the city government, construction companies, management companies who are public ones. Management is important not only for buildings but also infrastructures and surroundings to ensure security and the use of facilities. The government should subsidize the running and management costs for such buildings. The fact is that only families with stable income can afford living in high rise apartment buildings. The third consideration is the appropriate dwelling designs, taking into account the local climate and the residents' lifestyle.

The government should combine land plots for housing and high rise apartment buildings in their housing programs. Many families in two cases studies live only on their income generating activities at home. This is the reason why they refuse to live in high rise apartment buildings. Meanwhile there are families with stable income without income generating activities at home can afford to live in high rise buildings. In the long term strategies the government should work on policies facilitating private companies involved in low cost housing programs which now all are under the city government.

5.2.3 Recommendations for land management in the city periurban

This part highlights recommendations for land management in the periurban of Ho Chi Minh City, where rural and urban land uses overlap with strong effects of the urbanization process.

- Land use plans: The use of land for agricultural work needs studying because of its current value. Methods of land sharing and land readjustment applied widely in the world are still new in Ho Chi Minh City as well as in Vietnam; hence there is the need for further research on application of these tools in the current context of the city.
- Participation of main actors, including the government, developers, professionals and residents will facilitate land use plans; making them more realistic, efficient and effective; on the other hand limiting ideas imposed by the government.
- Agricultural land transactions: The city should have regulations of agricultural land transactions by limiting transferable land area to ensure the right use of land. It is also a way to discourage people to transfer land illegally. The city government also needs play a role in giving information of land prices even in informal markets to avoid the unpredictability as in the research cases, helping residents to access land with the right current value in the markets. A further research on informal land and housing markets is necessary to understand its system in which many low income families are and would be involved. Transparent information of real estate in Vietnam needs to be recovered with a more important role of the government.
- Information of land use planning: Planning information delivered reliably and validly will make real estate markets transparent. Unclear and hesitant attitude of public officials on future use of land can give people more willingness to

transfer land use right illegally; moreover encourage them to sell their property in the inner districts.

The questions of the encroachment process of informal settlements in the periurban of Ho Chi Minh City are answered internationally as well as in the city context. There are some further issues which are still unclear and need to be studied more in the context of Vietnam and the city. The encroachment process of informal settlements shows that urban management in the periurban is a difficult issue for Ho Chi Minh City as well as other big cities in developing world. Some recommendations presented in the final part can be done in short term, especially when the process of decentralization of Vietnam has taken place with more responsibilities of government agencies at district and ward levels in terms of urban management. From that, residents in informal settlements can believe in a near future without worries about their current illegal situations.

The state government now has a plan to push up the urbanization population of Vietnam from 21 million persons in 2004 to 46 million urbanites in 2020. The large number of new urbanites shows the huge future demand for housing in cities in Vietnam, especially when most of these urbanites are rural-urban immigrants because Vietnam now tries to keep the current natural growth rate of population (1.1%). If there are no good strategies the encroachment process of informal settlements in the periurban will take place strongly not only in Ho Chi Minh City but also in other cities of Vietnam.

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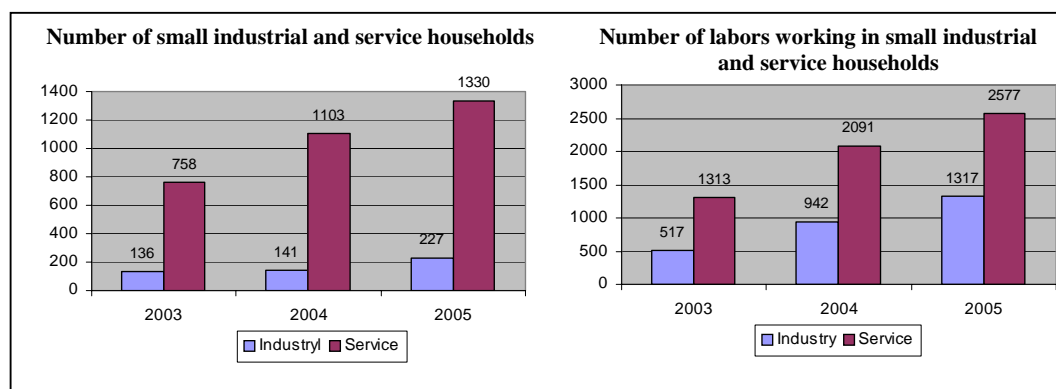
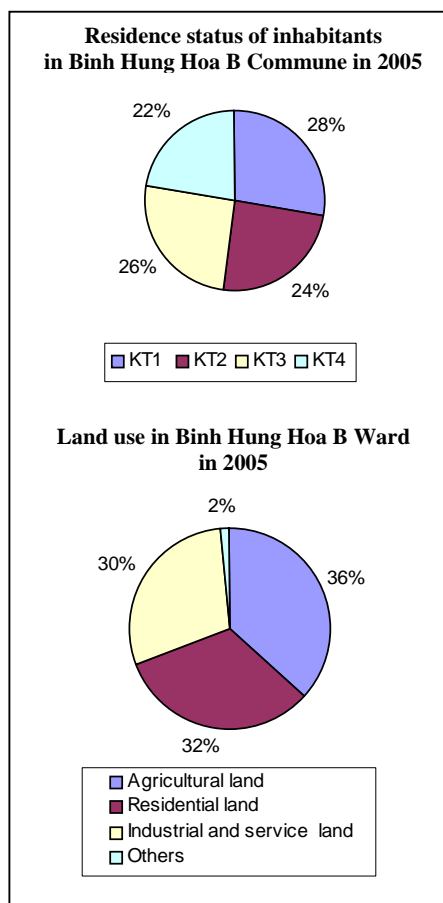
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ANNEX

1. Data of Binh Hung Hoa B Ward

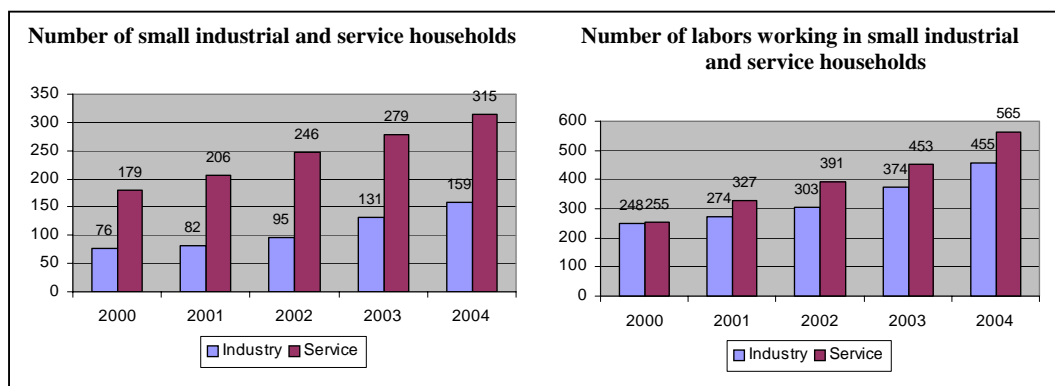
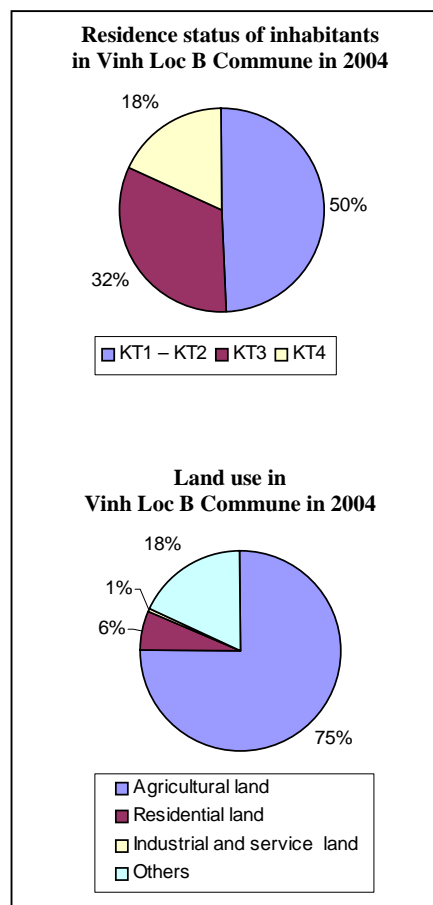
Area (square kilometers)	7.33
Population 2004 (persons)	28.304
Density (persons per square meter)	3,861
Number of families 2004	7,841
Number of persons per family	3.6
Resident status 2005 (persons)²²	
KT1	9,120
KT2	7,860
KT3	8,359
KT4	7,351
Industrial activities 2005	
Number of small industrial households	
2003	136
2004	141
2005	227
Labors in small industrial households	
2003	517
2004	942
2005	1317
Service activities 2005	
Number of small service households	
2003	758
2004	1103
2005	1330
Labors in small service households	
2003	1313
2004	2091
2005	2577
Land use 2005 (hectares)	
Agricultural land	269
Residential land	236
Industrial and service land	217
Others	11



²² KT1, KT2, KT3 and KT4 are residence status in household registration system of Vietnam. In the research, inhabitants with permanent residence, i.e. KT1 and KT2 are non-immigrants. The remaining are immigrants with temporary residence, i.e. KT3 and KT4.

2. Data of Vinh Loc B Commune

Area (square kilometers)	17.4
Population 2004 (persons)	29,760
Density (persons per square meter)	1,706
Number of families 2004	7,921
Number of persons per family	3.76
Resident status 2005 (persons)	
KT1 – KT2	10,680
KT3	7,008
KT4	3,998
Industrial activities	
Number of small industrial households	
2000	76
2001	82
2002	95
2003	131
2004	159
Labors in small industrial households	
2000	248
2001	274
2002	303
2003	374
2004	455
Service activities	
Number of small service households	
2000	179
2001	206
2002	246
2003	279
2004	315
Labors in small service households	
2000	255
2001	327
2002	391
2003	453
2004	565
Land use 2004 (hectares)	
Agricultural land	1,306
Residential land	111
Industrial and service land	10
Others	317



3. Map of C.U.120



4. Map of C.U.6



5. More data of C.U.120 from the questionnaires

	Non-immigrants	Rate (%)	Immigrants	Rate (%)	C.U.120	Rate (%)
Land areas						
Total land area (square meter)	986		804,5		1790,5	
Average land area per family	58,0		53,6		56,0	
Average land area per person	12,5		15,5		13,7	
Highest land area per person	66,7		26,7		66,7	
Lowest land area per person	6,3		6,4		6,3	
Sellers						
Now living in the area	13	81	14	83	27	87
Now not living in the area	3	19	2	17	5	13
LUC owner	12	75	12	80	24	77
Non LUC owner	4	25	3	20	7	23
Source of information about properties						
Brokers	11	68	7	47	18	58
Newspaper/internet	1	6	1	7	2	6
Friends/Family	2	13	7	47	9	29
Others	2	13	0	0	2	6
Source of information about future plans of the area						
Do look for planning information	11	69	12	80	23	74
Do not look for planning information	5	31	3	20	8	26
Sellers	3	27	4	33	7	30
Brokers	0	0	0	0	0	0
Neighbors	4	36	4	33	8	35
Friend/family	1	9	4	33	5	22
Commune PC	3	27	0	0	3	13
Do have adequate information	0	0	0	0	0	0
Do not have adequate information	11	100	12	100	23	100
Payment						
Cash	13	81	14	93	26	87
Gole teals	3	19	1	7	4	13
Affordable	3	19	1	7	4	13
Do not affordable	13	81	14	93	26	87
Source of money financing the property						
Bank	0	0	2	14	2	7
Friends/family	11	85	12	86	23	86
Others	2	15	0	0	2	7
Completed procedure						
LUC completed transferring	1	6	0	0	1	3
Notification at ward or commune PC	5	31	5	33	10	32
None (just between the seller and the buyer)	10	63	10	67	20	65

	Non-immigrants	Rate (%)	Immigrants	Rate (%)	C.U.120	Rate (%)
Transportation						
Average distance (km)	14		11		13	
Longest distance (km)	25		15		25	
Nearest distance (km)	6		2		2	
Motorbike	17	100	15	100	32	100
Bike	1	6	1	7	2	6
Bus	1	6	2	13	3	9
On foot	0	0	0	0	0	0
Possibility of legalization						
Definitely will legalize	3	19	2	13	5	16
May legalize	7	44	11	74	18	58
May not legalize	1	6	0	0	1	3
Definitely not legalize	0	0	0	0	0	0
Don't know	5	31	2	13	7	23
Possibility of eviction						
Definitely will not evict	4	25	3	20	7	23
May not evict	6	38	6	40	12	38
May evict	1	6	1	7	2	7
Definitely will not evict	0	0	0	0	0	0
Don't know	5	31	5	33	10	32
Income generating activities						
Yes	8	47	4	27	12	38
No	9	53	11	73	20	62
Swap for an apartment						
Yes	3	18	4	27	7	19
No	14	82	11	73	25	81
Taxes for regularization						
Know	3	18	2	13	5	16
Don't know	14	82	13	87	27	84
Willingness to pay taxes						
Yes	10	67	12	80	22	73
No	5	33	3	20	8	27

6. More data of C.U.16 from the questionnaires

	Non-immigrants	Rate (%)	Immigrants	Rate (%)	C.U.16	Rate
Land areas						
Total land area (square meter)	1215		1019		2234	
Average land area per family	71,5		59,9		65,7	
Average land area per person	13,8		13,2		13,5	
Highest land area per person	35		60		60	
Lowest land area per person	6,7		7,7		6,7	
Sellers						
Local persons	14	82	13	76	27	79
Non local persons	3	18	4	24	7	21
LUC owner	13	76	12	71	25	74
Non LUC owner	4	24	5	29	9	26
Source of information about properties						
Brokers	8	47	6	35	14	41
Newspaper/internet	2	12	1	6	3	9
Friends/Family	6	35	9	53	15	44
Others	1	6	1	6	2	6
Source of information about future plans of the area						
Do look for planning information	11	71	7	41	18	53
Do not look for planning information	5	29	11	65	16	47
Sellers						
Sellers	2	17	1	14	3	16
Brokers	0	0	0	0	0	0
Neighbors	3	25	3	43	6	32
Friend/family	5	42	0	0	5	26
Commune PC	2	17	3	43	5	26
Do have adequate information						
Do have adequate information	4	33	1	14	5	26
Do not have adequate information	8	67	6	86	14	74
Payment						
Cash	15	88	17	100	32	94
Gole teals	2	12	0	0	2	6
Affordable	6	35	2	12	8	24
Do not affordable	11	65	15	88	26	76
Source of money financing the property						
Bank	0	0	3	20	3	12
Friends/family	8	73	12	80	20	77
Others	3	27	0	0	3	12
Completed procedure						
LUC completed transferring	0	0	0	0	1	2
Notification at ward or commune PC	0	0	1	6	10	29
None (just between the seller and the buyer)	17	100	16	94	20	59

	Non-immigrants	Rate (%)	Immigrants	Rate (%)	C.U.16	Rate (%)
Transportation						
Average distance (km)	13		11		12	
Longest distance (km)	20		25		25	
Nearest distance (km)	3		3		3	
Motorbike	17	100	17	100	34	100
Bike	0	0	4	24	4	12
Bus	2	12	3	18	5	15
On foot	0	0	6	35	6	18
Possibility of legalization						
Definitely will legalize	8	47	7	41	15	44
May legalize	6	35	8	47	15	44
May not legalize	0	0	0	0	0	0
Definitely not legalize	1	6	0	0		0
Don't know	2	12	2	12	4	12
Possibility of eviction						
Definitely will not evict	10	58	10	58	20	58
May not evict	4	24	3	18	7	21
May evict	1	6	0	0	1	3
Definitely will evict	0	0	0	0	0	0
Don't know	2	12	4	24	6	18
Income generating activities						
Yes	10	59	7	41	17	50
No	7	41	10	59	17	50
Swap for an apartment						
Yes	0	0	1	6	1	3
No	17	100	16	94	33	97
Taxes for regularization						
Know	0	0	4	24	4	12
Don't know	17	100	13	76	30	88
Willingness to pay taxes						
Yes	15	88	17	100	32	94
No	2	12	0	0	2	6

7. Questionnaire

<ul style="list-style-type: none"> • Number of family members: <ul style="list-style-type: none"> - Total number: Male: Female: Under 18: Over 60: - University graduates: Intermediate education: - Skill training: High school graduates: - Permanent residence: Temporary residence: • Household head: Age: <input type="checkbox"/> Male <input type="checkbox"/> Female Qualification: Occupation: • Monthly expenditure of the whole family: VND millions • Monthly income of the whole family: VND millions
<ul style="list-style-type: none"> • Size of the land plot: length: m width: m • Size of the house: length: m width: m • Time of property transaction: month..... year..... • Total money of transaction: VND millions or gold tael bars • Kind of transaction: <input type="checkbox"/> Only land transaction <input type="checkbox"/> Land and housing transaction • If only land transaction, time of housing construction: month..... year.....
<ul style="list-style-type: none"> • Information of property delivered by: <ul style="list-style-type: none"> <input type="checkbox"/> Brokers <input type="checkbox"/> Agencies <input type="checkbox"/> Newspaper/internet <input type="checkbox"/> Friends/Family <input type="checkbox"/> Others: • Information of the seller: <ul style="list-style-type: none"> <input type="checkbox"/> Now living in the same area <input type="checkbox"/> Now not living in the same area <input type="checkbox"/> Having LUCs <input type="checkbox"/> Not having LUCs <input type="checkbox"/> Other..... • Did you look for information of future plans in the area?: <input type="checkbox"/> Yes <input type="checkbox"/> No If yes, information of future plans delivered by: <ul style="list-style-type: none"> <input type="checkbox"/> The seller <input type="checkbox"/> Brokers/Agencies <input type="checkbox"/> Neighbors <input type="checkbox"/> Friends/Family <input type="checkbox"/> Ward People's Committee <input type="checkbox"/> District People's Committee <input type="checkbox"/> Others: Was information of future plans delivered adequately?: <input type="checkbox"/> Yes <input type="checkbox"/> No • Payment of transaction: <ul style="list-style-type: none"> Kind of payment: <input type="checkbox"/> Cash <input type="checkbox"/> Gold tael bars Did you pay the deposit: <input type="checkbox"/> Yes <input type="checkbox"/> No If yes, the amount of deposit was: VND millions or gold tael bars How many times was the remaining amount paid: times • Ability to pay <ul style="list-style-type: none"> Did your family have the ability to pay, i.e. not borrow or be offered: <input type="checkbox"/> Yes <input type="checkbox"/> No If no, who loaned the money? <ul style="list-style-type: none"> <input type="checkbox"/> Banks <input type="checkbox"/> Company <input type="checkbox"/> Friends/Family <input type="checkbox"/> Others..... • Completed Procedure: <ul style="list-style-type: none"> <input type="checkbox"/> at Ward People's Committee <input type="checkbox"/> at District People's Committee <input type="checkbox"/> none (only hand written paper)
<ul style="list-style-type: none"> • Previous stay conditions: <ul style="list-style-type: none"> - Location: <input type="checkbox"/> inner district <input type="checkbox"/> other outer district <input type="checkbox"/> other provinces - Area:m² - Infrastructures: <input type="checkbox"/> not good <input type="checkbox"/> ordinary <input type="checkbox"/> good

<ul style="list-style-type: none"> • Why your family decided to change living place: • Why your family decided to chose this location: 		
<ul style="list-style-type: none"> • Your assessment about infrastructures at time of transaction <ul style="list-style-type: none"> - Electricity <input type="checkbox"/> inaccessible <input type="checkbox"/> not good <input type="checkbox"/> ordinary <input type="checkbox"/> good - Clean water <input type="checkbox"/> inaccessible <input type="checkbox"/> not good <input type="checkbox"/> ordinary <input type="checkbox"/> good - Sewerage <input type="checkbox"/> inaccessible <input type="checkbox"/> not good <input type="checkbox"/> ordinary <input type="checkbox"/> good - Garbage collection <input type="checkbox"/> inaccessible <input type="checkbox"/> not good <input type="checkbox"/> ordinary <input type="checkbox"/> good - Environment <input type="checkbox"/> not good <input type="checkbox"/> ordinary <input type="checkbox"/> good • Your assessment about security in the area: <ul style="list-style-type: none"> - At time of transaction: <input type="checkbox"/> not good <input type="checkbox"/> ordinary <input type="checkbox"/> good - Nowadays: <input type="checkbox"/> not good <input type="checkbox"/> ordinary <input type="checkbox"/> good • Distances which family members have to commute everyday (go to work, school, ...) Furthest: Nearest: • The main transportation mean: <input type="checkbox"/> Motorbike <input type="checkbox"/> Bike <input type="checkbox"/> Bus <input type="checkbox"/> Walking 		
<ul style="list-style-type: none"> • Your assessment of possibility of regularization at time of transaction <ul style="list-style-type: none"> <input type="checkbox"/> absolutely will regularize <input type="checkbox"/> can regularize <input type="checkbox"/> may not regularize <input type="checkbox"/> absolutely will not regularize <input type="checkbox"/> don't know 	<ul style="list-style-type: none"> • Your assessment of possibility of eviction at time of transaction <ul style="list-style-type: none"> <input type="checkbox"/> absolutely will not evict <input type="checkbox"/> may not evict <input type="checkbox"/> can evict <input type="checkbox"/> absolutely will evict <input type="checkbox"/> don't know 	<ul style="list-style-type: none"> • Rank your most concerns from the 1st to the 6th at time of transaction <ul style="list-style-type: none"> Infrastructures Location Security Price Possibility of regularization Land/housing area
<ul style="list-style-type: none"> • Do you have income generating activities at home? <input type="checkbox"/> Yes <input type="checkbox"/> No <ul style="list-style-type: none"> - If yes, what is the kind of activity: - The area of this activity: m² • Do you use your house or part of your house for rent? <input type="checkbox"/> Yes <input type="checkbox"/> No <ul style="list-style-type: none"> - If yes, the area for rent is: m² - Rented area is used for: 		
<ul style="list-style-type: none"> • Are you willing to swap your house for an apartment in good quality with the same area, in the same location with good infrastructures? <input type="checkbox"/> Yes <input type="checkbox"/> No Why? 		
<ul style="list-style-type: none"> • Do you know the property taxes for regularization? <input type="checkbox"/> Yes <input type="checkbox"/> No • If yes, the amount of taxes will be: VND/m² Which are the kinds of property taxes: • Are you willing to pay taxes? <input type="checkbox"/> Yes <input type="checkbox"/> No Why? 		
<ul style="list-style-type: none"> • Your expectation about the area you are living in: 		

8. Issues elaborated in interviews

a. Interviews with the officials of government agencies

- How does the encroachment process of informal settlements take place in the area?
- Who are the direct and indirect officials involved in controlling the process?
- When do they work, normally?
- What and how do they do?
- How is the vertical and horizontal cooperation between government agencies?
- What are problems in fulfilling their responsibilities?
- What are the instruments now to manage the area?
- Their view of previous and current regulations and instruments?
- Their suggestions for new regulations or instruments?

b. Interview with residents (besides sub-questions)

- How did they know about their property?
- Did they try to find information about their property? From whom? How?
- Why did they change their houses?
- Why did they choose this location?
- Is their land/housing area enough for their family? Why?
- What was the procedure they finish after they bought your property? Why?
- Do they know the completely procedures of a transfer transaction?
- Do they know how much of taxes and fees they have to pay if regularization?
- Are they willing to pay?
- How could they afford the property?
- Did they find difficulties from government officials when they built or improve houses?
- Do they have to pay extra money for them?
- What do they think about the possibility of regularization? How? Do they think that the government will take their property?
- Do they find it difficult for them with their temporary residence?