Temporary Upgrading: How Permanent are the Results?  
A Case Study of Strategies to Improve Tenure in Ho Chi Minh City

by

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Submitted to the Department of Urban Studies and Planning on May 16, 2002 in partial fulfillment of the requirements for the degree of

MASTER IN CITY PLANNING
AT THE
MASSACHUSETTS INSTITUTE OF TECHNOLOGY

June 2002

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Acknowledgements

I would like to thank Dr. Anna Hardman and Dr. Aprodicio Laquian for their unwavering patience and commitment. They helped me recognize my insights and navigate this frequently unforgiving process. They will leave a blueprint in my brain for conscientious research. Thank you.

Also at MIT, I’d like to thank Dr. Reinhard Goethert for exposing me to the issues of informal settlements through SIGUS Vietnam, 2001. I’d like to thank my fellow classmates Diana Aubourg, Rossana Dudziak, Sushila Maharjan, and Shahid Punjani for their intelligent dialogue, friendship, and support. Their presence at DUSP has enriched my experience of the program and will always be a primary aspect of my memory here.

In Vietnam, I’d like to thank my translators Mr. Vo Linh, and Mr. Binh for making the interviews possible, and the University of Architecture at Ho Chi Minh City. I also owe a big thanks to ENDA, for their generous welcome and collaboration. I’d especially like to thank Mr. Bong Anh Tuan, Ceinwen Giles, and Mr. Taan. Thanks also to Mr. Ludovic Dewaele from Villes en Transition for his good-natured honesty and trust.

And last but not least, I absolutely would be remiss without thanking Sandy Wellford, Alice Twohig, and Rolf Engler for their understanding and assistance.

Catherine (Kat) Diaz
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ABSTRACT

An Khanh is an informal settlement in District 2 of Ho Chi Minh City, and the site of a Master Plan that may displace up to 7,000 households. A major part of the Master Plan proposes expanding the commercial core of Ho Chi Minh City across the Saigon River to the shores of An Khanh and other peri-urban communities in the District. In spite of this impending development, NGOs and community residents have been actively upgrading and installing infrastructure along the riverbank and throughout the settlement. What are the reasons for this apparent inconsistency between the Master Plan proposals and the community and NGO responses? Is their upgrading investment an irrational decision in the face of probable displacement?

This thesis will examine the relationship between upgrading and the attainment of tenure security. Previous studies on upgrading and tenure have established a theoretical framework in which tenure is usually a necessary condition for slum upgrading. However, in some circumstances investments are used as a tool to strengthen claims to tenure. In the case of Vietnam, there is the added dimension of transitional property rights within a restrained civil society. How does this affect the negotiation and expectation of secure tenure? The evidence from An Khanh in this thesis sheds new light on the relationship between upgrading and community efforts to attain tenure security within this context.

Thesis Advisor: Dr. Anna Hardman
Thesis Reader: Dr. Aprodicio Laquian
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“Crossing the Saigon River on the three minute ferry-ride from the commercial business district of Ho Chi Minh City to District 2 of An Khanh, is to traverse a separation that is much wider than the River. On one riverbank, modern high-rise hotels and shops look out onto activity along tree-lined streets that are as busy as any other major city. On the riverbank of An Khanh, some households live in wooden structures suspended on stilts above a river that at once represents a community, a source of livelihood, a toilet, and a dumping ground clogged with garbage.” (Catherine (Kat) Diaz, Special Interest Group in Urban Settlements, January 2001)

This is what I wrote after my first exposure to the community of An Khanh. I was a participant in the 2001 Special Interest Group in Urban Settlements (SIGUS) workshop in Vietnam. SIGUS is a workshop that brings together students, professionals, NGOs, and community organizations from different countries to carry out research on and make
recommendations for a specific urban settlement each year. SIGUS Vietnam focused on several informal settlements in Ho Chi Minh City, from which I chose to focus on An Khanh and the surrounding communities of District 2. In Ho Chi Minh City, there were many startling juxtapositions that are common to both developing and developed countries all over the world, but certain features about An Khanh seemed to be anomalies.

The approved Master Plan for the city that called for the impending removal of up to 7,000 households over the next 2-3 years from An Khanh and other sites. The imminent relocation made the abundant upgrading activity in the settlement seem counterintuitive. Why would households with average incomes of 25 $USD per month make such risky and costly investments in the face of highly probable government resettlement plans? Further, why were local NGOs investing in upgrading projects when they could focus scarce resources on preparing a community for resettlement? My observations were incompatible with the conventional assumptions underlying most urban upgrading projects that tenure security was a necessary condition for upgrading. I was compelled to return to An Khanh in February 2002 to try to find an explanation.

**Limitations of Research**

This research is limited because some of what I learned about An Khanh came from sources I cannot openly use or cite. It was also difficult to obtain accurate or official estimates for the community's fluctuating population. The interviews and information I gathered in the community had to be conducted carefully because resettlement is a sensitive issue for both district officials and residents. According to the Resettlement Action Plan for the East West Highway Investment and Construction
Project, 91% of An Khanh residents do not have house titles. New and amended land laws have changed compensation rates for resettled communities to reflect market values of land and location. Because rates vary according to length of residency, legal status, and other dwelling characteristics, residents have incentive to overstate their length of residency in the settlement. However, because there are no official land use maps that show changes in residential patterns over time, this will be difficult to verify even for the government.

Another limitation is that Vietnam and other transitional economies do not readily fit into the established theoretical and empirical analyses of tenure and upgrading investment. Migration and rapid urbanization have produced conditions in Vietnam similar to those in many urban areas in developing countries. It is estimated that at least 35% of the urban population in developing countries live in informal settlements (Jimenez, 1985; Hoy and Jimenez, 1990). Non-socialist developing countries do not necessarily guarantee less chaotic or obdurate housing policies and property rights. Vietnam’s political, economic and institutional frameworks reflect its history and current transition to a market economy. Because of these unique characteristics, the relationship between tenure and upgrading investment may have developed differently. Although Vietnam does not readily fit into the frameworks of prior research on tenure status and investment, the pattern I observe of investment before tenure can reveal information about household perceptions of security and upgrading.

Understanding the Vietnamese context in which tenure security perceptions develop is important to grasping what seems chaotic and peculiar to Western concepts of property rights. It may be rational for marginalized households to invest in housing first
and negotiate tenure status later. There has been very little ethnographic research in Vietnam on a household level. In Ho Chi Minh City, households view tenure as something relative to a bundle of other issues rather than title alone.

Ho Chi Minh City has developed a large informal housing market which can serve as a good basis for empirical research on transactions and decisions made within this economy. Further, because formal approaches to housing policy are also in transition, there is a unique opportunity to compare before and after changes. Over time, it will be useful to see how upgrading strategies and the higher compensation rates they elicit can transform settlement patterns to become more sustainable.
CHAPTER 1

Introduction

Current Background

The beginning of Vietnam’s *Doi Moi* renovation policies in 1986 precipitated unprecedented growth in the country during the 1990s. Annual GDP grew at over 8 percent during the mid-1990s. After 1996, foreign investments and the economy slowed down. Urban growth rates, however, have not slowed. Urban populations are expected to increase at a rate of 6 percent per year for the next 25 years. Although 70-80 percent of the country is agricultural, projections estimate that the population in core urban areas will triple by 2020. (UNCHS, 2002) Current figures for Vietnam’s urban population are approximately 15 million people.

Ho Chi Minh City is a primate city that is crucial to the economic growth and regional stability of the southern portion of Vietnam. Abundant natural resources have earned the south the informal description as the food basket of the country. It produces a quarter of the country’s GDP, and is the site of 35% of Vietnam’s trade. Housing stock in Ho Chi Minh City comprises 570,000 dwelling units distributed over an area of 36,000 square kilometers (Pham, 1997; Legrand, 2001).

The rapid pace of growth and foreign investment has encouraged many rural and urban migrants to seek affordable housing arrangements in the urban peripheries. The Land and Housing Department estimates that there are 67,000 slum dwellings in Ho Chi Minh City, which house at least 300,000 residents (University of Hawaii and UNCHS, 2002). As a result, Ho Chi Minh City has grown more than three times the rate of rural
populations (O’Rourke, 2001). With a total population of more than 6 million people and a GDP of more than 60 billion VND (national GDP is 300 billion VND), Ho Chi Minh City is historically recognized as the economic core of Vietnam and an important engine of growth for the country (Japanese Bank for International Cooperation, 2001). It has received 85% of total foreign investment within the country (University of Hawaii and UNCHS, 2002), and has a robust informal economy.

**Historical Background**

Vietnam, currently characterized by its transitional economy and rapid urbanization, is also known for its long, tumultuous history of war. Both elements are important in understanding the current spatial and legal arrangements of its cities, and especially the informal settlements within Ho Chi Minh City. Before French colonization, China exerted the most influence and represented the biggest threat to Vietnamese security. There has been a great deal of migration between the borders over the centuries. The Chinese market Cho Lon reflects that history, and is a major economic core of Ho Chi Minh City. Although China and Vietnam have at times exhibited a symbiotic relationship because of their shared borders, foreign aid, and similar political institutions, much of their interactions have been characterized by difficulties. This stems from a history of war and differences in their relationship with Russia.

French colonization of Vietnam began in the 19th century, when French troops arrived in Ho Chi Minh City in 1858. In 1940, Japan sent forces to Indochina to work alongside the French colonial government as an ally of the Vichy regime.

The Japanese turned over more land to industrial crops and stockpiled rice, diverting the area’s meager resources to their efforts at colonizing Asia. The French dominated sales of rice through government offices, distorting a market and making it unprofitable for southerners to ship the grain to the
North. In 1942 the government instituted compulsory purchases of rice, often forcing peasants to hand over three quarters of their crops at obscenely low prices. The black market price rose to twenty times what the colonial authorities were paying (Templer, 1998).

Between 1942 and 1945, “the French put 500,000 tons of rice into storage in the two years ahead of the famine, while more than 2.5 million tons were exported to Japan” (Templer, 1998). By 1945 there was a major famine in Vietnam caused in large part by agricultural policies that were implemented by both the French and the Japanese. The famine enabled Ho Chi Minh and the Viet Minh to galvanize the Northern part of the country, which led to the Revolution. Ho Chi Minh also declared independence from France in 1945, but independence for Vietnam was not actually won until 1954.

The country was partitioned into dual governments according to the Geneva Agreements in 1954. In the North, property left behind by the French Colonial government was redistributed to state workers. After independence, the American government increased its involvement in South. This ripened into the escalation of the American war in 1965 (Vietnam War), and did not end until the fall of Saigon to the Communist Revolution and the reunification of the country in 1975. Immediately, reunified Vietnam became embroiled in another war with Cambodia and the Khmer Rouge, as China backed the Khmer Rouge and invaded Vietnamese borders. This war did not end until 1991, giving Vietnam a consecutive history of war over at least 40 years. In addition, the United States imposed an economic embargo on the North in the 1950s, and on the South after reunification in 1975. The American embargo was not lifted until 1994. The country suffered severe flooding disasters that killed and displaced thousands of people. Infrastructure and countless areas in the country were destroyed, resources depleted, and massive internal refugee populations were created.
New Economic Zones and Migration

Up to 10 million persons, almost half the estimated 1973 population for the South, had been displaced by the fighting between 1965 and 1974 (Gunnewiek and Mosselman, 1995). In the South during 1973, former president Thieu launched a government-assisted resettlement program for urban dwellers that wanted to leave the cities because of war. In Saigon,¹ half a million people applied for the government-assisted resettlement, and another half million were expected to leave the cities (Gunnewiek and Mosselman, 1995).

The reunification process in 1975 created many new migrants throughout the country. People from Northern cities were able to move to the South. At the same time, the reunified government instituted a system of residential permits and established New Economic Zones in rural areas. Households had to register with the local police for a residential permit in order to legally reside in an area. The aim of the New Economic Zones (NEZs) was to redistribute the population and economic base of cities to suburban and rural areas for security and political reasons. The policy had both security and political aspects and the policy incorporated a dual resettlement plan. One component was resettling war refugees. The second component was clearing the city of the former regimes supporters, and particularly of military and police personnel. At the same time, slum dwellers and the urban poor were to be resettled in the NEZs (Pham, 1997).

Though less than planned, these resettlement schemes, coupled with a system of household registration, effectively deflected population away from major urban areas and into more remote frontier areas. While most of those who moved remained in the rural areas where they were resettled, between 20 and 50 percent returned to their native villages (Cour, 2001, as cited in University of Hawaii, UNCHS, 2002).

¹ Ho Chi Minh City was known as Saigon before the Communist Reunification of the country in 1975. It was renamed after the leader of the Communist Revolution shortly after the fall of Saigon in April of 1975. Currently, District 1 of Ho Chi Minh City is still technically called Saigon.
Originally, the first residents to move to rural NEZ's were volunteers displaced by the war. Approximately 7,000 families were involuntarily relocated to rural NEZs after reunification in 1975 (Pham, 1997).

Toward the end of the 1970s and early 1980s, both the population resettled in NEZs and former war refugees returned to the city. They came without legal residential permits and most had little choice of where to settle except the slums (Pham, 1997).

They sought anonymity in major urban areas where they moved in with relatives or set up shacks along canals, in city parks, on dikes and in cemeteries. In Ho Chi Minh City, where many returnees sought refuge, the city administration quietly acknowledged this large unregistered population as early as 1979 through their inclusion in the national census. (University of Hawaii and UNCHS, 2002).

The slum-dwellers in Ho Chi Minh City are long-term urban residents who for various reasons cannot afford anything other than slum housing, rural migrants who have relocated either for economic reasons or after natural disasters, and returnees from New Economic Zones (Gunnewiek and Mosselman, 1995; Pham, 1997). Farmers from the countryside migrate to cities because of centralized agricultural policies and disparities between rural and urban areas. Most of the rural and formerly urban migrants are not officially registered to live in Ho Chi Minh City, and NEZ returnees lost their residence permits when they were relocated. As a result, a large proportion of the population in Ho Chi Minh City is still without residential legal papers, which affects both land tenure and access to public services in current settlements.

Following is an overview of the different phases of Vietnam’s housing policy development.
Housing Policy During the State Subsidy Period Before Reform, 1954-1985

Prior to the Communist Revolution and reunification of Vietnam in 1975, many Vietnamese housing policies in the North were implemented, including a National Housing Program for state employees and government staff in urban areas. Many state bureaus and enterprises contributed their own resources to support this aspect of state subsidies for government employees. The proceeds from housing investment were included in government annual 5-year plans. The State Subsidy Period was not without its problems, however, as one study conducted in 1985 reported that it normally took two years for a housing application to be approved (Luan, et al, 2000; Asian Development Bank, Ministry of Construction, Low Income Housing Main Report, 2001). In addition, the state subsidy period produced inequalities among the urban population between state and non-state workers, and among different groups of state workers themselves (Luan et al, 2000). The different sub-stages of the subsidy period reflect 10-year periods from 1954-1985.

Housing policies did not change much from the 10-year period after the war of resistance from French colonial rule. In the period from 1954 to 1964. Property left behind by the French was transferred to the new Vietnamese government and redistributed to government workers. The housing demands of other urban residents were viewed as a low-priority as many residents were still shifting from urban to rural areas, and from the North to the South. Urban growth was slow, and the government was still recovering from war damage and a lack of funds.

From 1958 to 1975 the urban population of the South increased rapidly. The percentage of the urban population living in the Greater Saigon region decreased as a
result of the rapid growth of other Vietnamese cities (Thrift & Forbes, 1986, as cited in Gunnewiek & Mosselman, 1995). This decrease in the population of Saigon was largely due to the diminishing security for the population in the last few years of the war.

**Housing Construction in Sub-stage 1965-1975**

The amount and type of housing construction during this period was very different in the North and the South due to different urbanization patterns and political structures. In North Vietnam, the state budget was spent on the construction of 2-5 floor apartment buildings following the Soviet model (Asian Development Bank, Ministry of Construction, Low Income Housing Main Report, 2001).

The North Vietnamese government focused more on housing construction and government subsidies for state employees during this period because officials lacked experience in urban planning and management. These policies became the basis for national policy after 1975. Housing construction outstripped the capacity of basic infrastructure availability such as electricity, water supply, drainage, and environmental sanitation.

Due to unclear legal titles and bureaucratic red tape, the government did not take measures to encourage maintenance, upgrading, or the private construction of housing. This in turn helped set the stage for housing deterioration and environmental decay. State employees were only required to pay one percent of their salary for rent. As a result, the maintenance costs for the housing could not be met and the bulk of state-produced housing stock quickly fell into disrepair, coupled with a rapidly degrading environment due to the lack of adequate service capacity.
National Program for Improvement, or Sub-Stage 1975-1985

Despite a proliferate pace of state housing construction in other urban areas in the country, housing stock in Ho Chi Minh City increased by only 14.5 percent in the 10 years before the renovation period from 1975 to 1985. (HCMC Statistics Department 1995a; Luan et al, 2000).

The reunified state launched a National Housing Program to provide housing improvement in urban areas, which was co-implemented by the Ministry of Construction and research institutes. This program was conducted on the principle of “equal distribution,” with significant subsidy from the state budget (Asian Development Bank, Ministry of Construction, Low Income Housing Main Report, 2001). In the 1980s, new housing models were introduced that emphasized higher quality and more aesthetic buildings under the philosophy of “community and government working together” in some areas.

Although many of the buildings were still 4-5 floors Soviet-style apartment buildings, there was an effort to improve design. However, heavy subsidization encouraged passive behavior toward the upkeep of housing because it was viewed as the state’s responsibility. Consequently, by the early 1990s, only 30% of government staff, mainly in the urban areas of the north of Vietnam, had government housing. The remaining 70% had to arrange their own housing, often in very poor and haphazard conditions (Asian Development Bank, Ministry of Construction, Low Income Housing Main Report, 2001). The government of Vietnam viewed this as an inability to meet the target for a “socialist housing model” (Asian Development Bank, Ministry of Construction, Low Income Housing Main Report, 2001). Thus, the renovation period
ushered in sweeping changes for the economy and daily life of Vietnam, with new housing policies and a different set of challenges.

**The Renovation Period of Reform, 1986-2001**

Economic reform was first implemented in 1986, with the initiation of a multi-sector economy. The government eliminated subsidies for housing and replaced them with policies that encouraged households to produce their own housing. These policies included the transfer of state ownership properties from state control to the market, through a regulation called the Housing Ordinance of April 6, 1991, which allowed the sale of state-owned housing to current tenants (Asian Development Bank, Ministry of Construction, 2000). This ended the state-subsidy system of housing provision and replaced it by the market. The state began to sell houses to their occupants at prices far lower than the properties’ actual worth. It also granted land to civil servants and armed forces for self-building (Boothroyd et al, 2001).

“"The price of state-owned, formal housing is determined by its remaining value with newly built house values, and its usable value adjusted co-efficient” (Ministry of Construction, Asian Development Bank, Low Income Housing National Workshop, July 2001). After the sales, the state intended to use the money from these transactions to finance a housing development fund. However, sales for privatized housing from the state developed much more slowly, with very limited results.” (Ministry of Construction, Asian Development Bank, Low Income Housing National Workshop, July 2001). After passing laws that helped to stabilize the market economy, the state took on a more indirect role in facilitating housing development. It directed aid through financial systems, and encouraged economic organizations to take part in house development in
order to meet residential needs (Ministry of Construction, Asian Development Bank, Low Income Housing National Workshop, July 2001).

This was part of a larger framework by the state which set out to create favorable conditions for housing investment by establishing management organizations and units in the cities. The new policies in large part accomplished the goal of housing production, and increased the diversity of housing producers (Luan et al, 2000). Housing resources increased by 1.5 times higher than in the period from 1960 to 1975 (Asian Development Bank, 2000). In urban areas, 85% of households own their own private housing, 13% are tenants of state-owned or private houses, and the remaining types of ownership account for 1.5% (Ministry of Construction, Asian Development Bank, Low Income Housing National Workshop, 2001).

By 1990, one-third of new housing was built by individuals using their own capital. In 1992, the investment in housing production by residents who obtained building permits was double the state budget for housing. It is estimated that an equal amount was invested by residents who did not obtain building permits. A house construction boom, mainly by households, can be seen everywhere. Houses mushroomed as people tried to improve their living conditions on their own by building new houses and by improving their existing accommodation, including nominally state-owned housing (Luan et al, 2000).

In Ho Chi Minh City, 86% of housing structures and 93 percent of floor space were added between 1986 and 1993 (Luan et al, 2000). "From 1987 to 1989, about 4000 apartments were added annually rising to 8800 in 1990. Thus, there has been a doubling of housing production every 2-3 years" (Luan et al, 2000). Between 1986 and 1993, state-produced housing comprised 40% of new housing and urban households produced 60% of new housing (Ho Chi Minh City Housing and Land Department, 1995). The housing stock increases at an annual rate of approximately 2.5% compared with estimated population growth of 3.6% (Legrand, 2001).
Land Policy and Administration

Land is an important input for housing policy everywhere, but in socialist
countries land is the property of the state. In Vietnam, like all socialist
countries land is officially owned by the state. Private land ownership officially does not exist. Individuals
and enterprises can lease the land, but can only claim ownership to the structures and
investments made on the land. Since Doi Moi, Vietnam's reform measures and
transitional economy necessitated a change in the legal framework of land use rights and
law. The government no longer has the resources to meet the growing housing demand
of its population without the private sector. As a result, since 1988 new laws and decrees
have been promulgated, amended, and supplemented to guide land management within a
changing economy. A series of measures, such as the Ordinance on Residential Housing
amendments in 1998 and 2001, have all gradually changed the administration of land.

The Land Law of 1988 stated, "Land is the property of the people and is subject
to exclusive administration by the state." It recognized land as the possession of
something other than the state. It also categorized a variety of types of property rights
according to the law, allowing for leasing land on a long-term basis, the right to benefit
from labor and investment, and the right to sell dwellings on the land. It prohibited
selling or purchasing land, leasing land for rent, and unused land. If land is left unused
for 12 consecutive months the State can revoke land use rights on that parcel of land.
The 1991 Ordinance of Residential Housing recognized housing as a commodity that can
be sold, rented or mortgaged. With this law, the land is owned by the state, but owners of
legal residential houses receive Land Use and Building Owner Certificates. Land Use
Certificates (LUCs) are long-term leases to use the land issued by the central and local government. They must accompany Building Ownership Certificates, which certified legal construction of a house. These papers are often referred to as Building Ownership and Land Use Certificates (BOLUCS).

The unbundling of land and ownership rights created a great deal of inefficiency. A person could own a dwelling on the land without legal title to the land, because ownership is transferable while legal tenure is not. Also, land tenure is issued on a long-term basis, whereas building ownership is permanent unless transferred by the owner. “The law appeared to be an obstacle to an efficient market. The state maintained a high degree of control through the issuing of land use rights. This control together with the separation of ownership between land and buildings has resulted in a number of illegal transactions” (Gunnewiek and Mosselman, 1998). Disparities also increased between those with access to the formal market built commercial property rather than residential developments, and the price of land surged as speculation decreased the supply of available, residential land (Pham, 1997). Top state employees were given land in lieu of government apartments, whether they had housing or not. This created an opportunity for many of them to sell surplus land on the market and make a profit without any prior investment. The poor and most economically disadvantaged did not have access to the market, nor were they able to participate in formal sectors because of their lack of residential permits and title to legal land (Pham, 1997).

In April of 1992, the National Assembly and government passed the Fourth Constitution, and a second law in 1993 that was amended and supplemented by land laws in 1998 and 2001. The laws of 1992 and 1993 failed to change the separation between
ownership and land tenure, because although people could now transfer land use rights, they could not lease or mortgage those rights (Pham, 1997). The amended law in 1998 protects the legal rights of “land users,” and grants them 5 rights of land use law: to exchange, transfer, lease, bequeath, and mortgage land. Additionally, there were a number of decrees which stipulated detailed procedures for Land use Certificates, the duration of land assignments, land leases, land for constructing residential houses, and resettlement compensation values (Asian Development Bank and Ministry of Construction, Low Income Housing Main Report, 2001; Legrand, 2001).

On the district level, Ho Chi Minh City issued Decree 5 in 1995, which changed the land-pricing framework to compensate urban land according to market value. In spite of these decrees, compensation has been inconsistent, and the length of time to obtain a legal land use certificate is still a major obstacle and hindrance to applying for legal land use rights.

**Official Tenure Definitions**

Land occupancy status and household tenure are largely determined by three basic distinctions: residence permits, the status of the house, and land use certificates (Legrand, 2001). Residence permits are official documents that are given by the authorities on a district level to households that are legally permitted to reside in an area. Legally, most new households are required to register with the local districts in their new area of residence. Residence permits were implemented during the second 5-year Plan Period between 1976-1980. It was a method for the government to control the size of cities after relocation of slum dwellers to NEZs and to discourage rural migration. Many
benefits were tied to the permits, such as ration cards and the allowance to purchase food and cloth at official prices (Gunnewiek and Mosselman, 1995).

The varying status designations of tenure are also interconnected with residence permits. There are four official categories of land occupancy resident permits: “KT 1 – legal household; KT 2 – registered in another part of the City; KT 3 – long-term illegal resident with informal documents from the local authorities; KT 4 – the recent illegal resident with a 6 month permit, renewable from the local police” (Legrand, 2001). Resident permits are the basis for obtaining formal land occupancy and housing documents. Therefore, households without resident permits cannot obtain a Building Ownership and Land Use Certificate (BOLUC).

Households need KT1 or KT2 to be eligible for a Land Use Certificate (LUC). It is very difficult to obtain a land use certificate without a formal job and an officially registered house that has a proof of ownership. And yet, construction permits are only available to households with a land use certificate.

The households can be therefore defined in 3 categories: 1. legal: having the certificate of house ownership, land use right and residence permit; 2. “legalisable”: having the adequate conditions to receive the certificates according to the law; 3. illegal: illegally occupying a land, with no house permit, while being a temporary resident (Legrand, 2001).

The circuitous formality of legal land occupancy status is a particular issue in the separation between land and housing ownership for transitional economies. For the most part, these legal designations do not hinder the proliferation of illegal settlements, but they do determine access to education, healthcare, poverty support programs, utility connections, and in the case of relocation, compensation values.
Overview of Slum Housing

The housing sector has changed rapidly since the introduction of the reform period, with many changes in policies and in practice. Consequently, households build the largest share of new housing. Housing quantities have increased, and in some cases, housing quality has improved (Asian Development Bank, Ministry of Construction, Low Income Housing Draft Final Report, 2001). This has served an enormous demand for a variety of housing that the state could not provide. New housing and household upgrades comprise 75% of the housing stock, while housing produced by construction companies totals 25% (Asian Development Bank, Ministry of Construction, Low Income Draft Final Report, 2001).

Table 1: Value of Housing Constructed in HCMC

<table>
<thead>
<tr>
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<th></th>
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<tbody>
<tr>
<td>Total</td>
<td>3,567.5</td>
<td>4,854.0</td>
<td>5,580.3</td>
<td>3,818.7</td>
<td>4,200.6</td>
</tr>
<tr>
<td>Housing Sector</td>
<td>176.1</td>
<td>345.7</td>
<td>489.0</td>
<td>344.7</td>
<td>379.2</td>
</tr>
<tr>
<td>City</td>
<td>23.8</td>
<td>103.0</td>
<td>76.6</td>
<td>45.0</td>
<td>49.5</td>
</tr>
<tr>
<td>Districts</td>
<td>152.3</td>
<td>242.7</td>
<td>412.4</td>
<td>299.8</td>
<td>329.7</td>
</tr>
<tr>
<td>Self-built houses by people</td>
<td>2,902.9</td>
<td>4,329.2</td>
<td>4,009.6</td>
<td>2,927.9</td>
<td>3,220.7</td>
</tr>
<tr>
<td>Newly-built by other sectors</td>
<td>275.1</td>
<td>761.0</td>
<td>276.4</td>
<td>304.0</td>
<td></td>
</tr>
<tr>
<td>Repaired, upgrades houses</td>
<td>207.2</td>
<td>158.2</td>
<td>313.3</td>
<td>260.9</td>
<td>287.0</td>
</tr>
<tr>
<td>Grateful houses</td>
<td>6.2</td>
<td>20.9</td>
<td>7.1</td>
<td>8.8</td>
<td>9.7</td>
</tr>
</tbody>
</table>

Source: HCMC Housing Development Program Period 1991-2000 & Orientation to 2010

According to the 1999 Census, total household ownership grew from 95 % in 1990 to 99.9 % in 1999, in both urban and rural areas (Asian Development Bank, Ministry of Construction, Low Income Draft Final Report, 2001). The data reflects a transformation of housing in Vietnam, but the quality of overall housing and surrounding environmental conditions is still very poor. In Ho Chi Minh City, there are 150,000 temporary dwellings, including 43,000 dilapidated dwellings and 24,000 slum dwellings along the city’s canals and small rivers (Luan, et al, 2000, 2000).
The amount of space per capita is also shrinking due to rapid population growth and increasing demand. As a result, tens of thousands of households live in dangerously unhealthy conditions. Approximately 39% of households occupy a housing area of 36 square meters or less, which indicates that many households live in overcrowded conditions (Asian Development Bank, Ministry Of Construction, Low Income Housing Main Report, 2001). The average urban household size is 4.5 to 5 persons, and a housing size of 60 square meters or less is generally considered to be in urgent need of upgrading (Asian Development Bank, Ministry Of Construction, Low Income Housing Main Report, 2001).

**Table 2: Area of Housing Constructed in HCMC**  
(in square meters)

<table>
<thead>
<tr>
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<tbody>
<tr>
<td>Total</td>
<td>1,730.4</td>
<td>2,279.7</td>
<td>3,167.4</td>
<td>2,260.6</td>
<td>2,640.8</td>
</tr>
<tr>
<td>Housing Sector</td>
<td>178.4</td>
<td>197.0</td>
<td>372.0</td>
<td>274.7</td>
<td>302.1</td>
</tr>
<tr>
<td>City</td>
<td>35.8</td>
<td>51.1</td>
<td>54.7</td>
<td>34.6</td>
<td>38.1</td>
</tr>
<tr>
<td>Districts</td>
<td>142.6</td>
<td>145.9</td>
<td>317.2</td>
<td>240.0</td>
<td>264.0</td>
</tr>
<tr>
<td>Self-built houses by people</td>
<td>1,060.7</td>
<td>1,673.4</td>
<td>1,748.7</td>
<td>1,320.5</td>
<td>1,584.6</td>
</tr>
<tr>
<td>Newly-built by other sectors</td>
<td>196.5</td>
<td>585.4</td>
<td>221.1</td>
<td>265.3</td>
<td>265.3</td>
</tr>
<tr>
<td>Repaired, upgrades houses</td>
<td>259.0</td>
<td>316.4</td>
<td>447.5</td>
<td>434.8</td>
<td>478.3</td>
</tr>
<tr>
<td>Grateful houses</td>
<td>35.8</td>
<td>93.0</td>
<td>13.9</td>
<td>9.5</td>
<td>10.5</td>
</tr>
</tbody>
</table>

*Source: HCMC Housing Development Program Period 1991-2000 & Orientation to 2010*

“Of the total 54.4 million square meters of urban housing, 32 million square meters require immediate repair and maintenance, and 1.7 million square meters need to be removed for new housing construction. Due to the shortage of investment capital, millions of people continue to live in very bad housing conditions” (Luan et al, 2000; Viet Nam Ministry of Construction, 1996). However, effective regulations that ensure affordable housing and minimum standards are not in place. Further, the regulations in
place often work against informal housing. One example is a construction regulation that requires a minimum of 30 square meters for a Land Use Certificate (Legrand, 2001).

The link between illegal status and poverty is much more pervasive for informal settlements. Reports on the proportion of households to live without legal title to their dwellings varies from 70% to 90% of the population (JBIC Report, 2001; Legrand, 2001). Recent studies estimate that 15% of overall households in Ho Chi Minh City live in poverty. The official poverty level in Ho Chi Minh City is defined as persons living below 250,000 VND per month. In general, about 70% of the informal settlement population works as informal laborers, with typical earnings for residents who live along canals to range between 250,000 and 500,000 VND per month. The World Bank surveyed one settlement to find five percent of the workers surveyed earned less than 250,000 VND per month (Legrand, 2001).

**Historical Context of In-situ Upgrading and Slum Removal**

One rationale for slum clearance programs in Vietnam is that it is a necessary step in modeling the city into an image of modernism. “In Vietnam’s urban echelon, Ho Chi Minh City is the primate city that essentially functions as the crucible of economic and regional growth. As such, the State reasoned that its appurtenances must be perceived as ultimate expressions of modernity and of national prosperity” (Pham, 1993). Informal settlements are usually a patchwork of temporary and permanent housing, and contradict the strict lines of modernity.

Most informal settlements in Ho Chi Minh City are located alongside canals or inner urban areas such as alleys outside of the urban center. District 2 begins on the opposite side of the Saigon River, and fans out on a number on canals, waterways, and
labyrinthine alleyways. The peripheral and environmental qualities of these low-lying areas typify very marshy, flood-prone zones with little or rudimentary infrastructure. In addition, as more people relocated to slum areas in the wake of rapid urbanization and economic development, densities increased as more settlers partitioned more plots of land and household size increased. As a result of these conditions, the human waste, gray water, and solid waste that is deposited into the canals and surrounding areas has eroded environmental conditions to the point of irreparability in some circumstances. The city’s current policy approach towards slums has focused on either slum clearance or in-situ upgrading.

Although there have been some successful in-situ projects, most of the state program’s emphasis has been on slum eradication. In-situ upgrading and community collaboration have only recently appealed to the state as an option, since the realization that costs for large scale resettlement schemes are not sustainable (Pham, 1993). Because this is a relatively new approach, past pilot projects involving in-situ upgrading have shared mixed results. “Under the impact of renovation, major cities in Viet Nam are changing daily while the planning capacity and managerial arrangements remain extremely limited. As a result, it is easy to see the chaos of uncontrolled housing construction” (Luan, et al, 2000).

**Master Plans**

Urban planning in Vietnam is determined by a centralized administrative system based on the socialist model of a command economy. City development and planning are contingent upon a national strategy that is defined by the Ministry of Construction, which evolves into a Master Plan that must be approved by the Prime Minister. After this

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2 The exchange rate for VND to $USD is currently 15,000 VND for 1 USD.
approval, the Master Plan moves down to city and district-level administrations for
detailed specifications of plans that cover various wards. “While the ministry is positive
about the value of urbanization as an engine of economic growth, it is equally aware of
the potential dangers of uncontrolled urbanization in creating primate cities and
producing environmental damage” (University of Hawaii and UNCHS, 2002).

In 1997, the Prime Minister approved a Master Plan for Ho Chi Minh City with a
projected closing date of 2020, with 5-year implementation phases. It emphasizes the
national strategy of population reduction and redistribution of densities within inner city
areas (Legrand, 2001). Master Plans also emphasize initiatives that modernize its inner
city areas.

The institutional culture and ideology of the Vietnamese bureaucracy, positioned
in hierarchical administrative structures, tends to regard chaos to the opposite of
planning. More and better planning, regarded here as a rational-technical activity
carried out by experts, is therefore promoted as an antidote to “spontaneity”
brought about by non-compliance, under the old system of state planning, or by
market, under the new system (University of Hawaii and UNCHS, 2002).

To this end, Ho Chi Minh City’s plan requires each ward to devise different projects that
concentrate on road construction and enlargement, landscaped parks, canal sanitation and
environmental conditions, and the slum removal of precarious dwellings and polluting
industries and markets.

A master plan for the Ho Chi Minh City was formulated which entailed the
removal of 40,000 slum districts in 13 districts, with a compensation budget of
1,448 billion VND (130 million $US), and an estimated compensation payment
per household of 36 million VND (3,300 $US) (Pham, 1993).

Because of the institutional framework of a top-down, centralized planning
system, the field of urban planning and design is largely undeveloped. Therefore, the
issues of socio-economic impacts, sustainability, costs/benefits analyses, and cohesive time frames are often overlooked and in a seminal stage of development.

**Resettlement and Compensation Policy**

Even with government resettlement programs, legal households have found it difficult to purchase government-produced apartments even with the full compensation available to them. Illegal households have found it impossible.

With an average compensation amount of 1,350 $US, their only realistic option is to purchase a dwelling in another slum area that has not been targeted for dispersal yet. On average, the price of houses in slum settlements varies between 450 and 720 $US. On the whole, the only real impact that the relocation policy had on illegal households was to move them from one slum to another (Pham, 1997).

Illegal households are left with the two options of relocating to their region of origin or finding private housing. However, many have not lived in their region of origin for decades. Although change has been slow, legal reforms have been passed that attempt to deal with the issue.

A number of new decrees and legal documents set compensation values at market rates, whereas in the 1980s, the state would resettle people without compensation. After 1992, the Law of Land, which mandated compensation at fixed rates for agricultural and urban land. In 1997, the state promulgated a new policy with the decree 22/CP which was approved in 1998. The new decree aims to correct the problems and negative externalities of insufficient compensation packages of the first resettlement programs. The new decree focuses on the improvement of compensation values, and the recognition of compensation eligibility for KT 3 with informal documents.

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3 Decree 22/CP determines compensation for losses when the state recovers land.
4 KT 3 refers to long-term illegal residents with informal papers.
Criteria for compensation amounts will include the length of residency, house values, location of housing, and legal status. The revised Land Law of June 2001 has changed some of the criteria in land price evaluation to bring land values closer to market rates. In addition, a decree and a city level decision changed the price definitions for peripheral, formerly agricultural land to urban market values.\(^5\) New decrees also changed compensation prices\(^6\), and city level Decision 88 was passed in 2000 to redefine the regulations to obtain a land use certificate.

Since its inception in the year 2000, Decision 88 has issued 16,000 additional land use certificates in Ho Chi Minh City with an average rate of 2,000 per month (Legrand, 2001). The time requested for getting an official registration is now 60 days. In 1999, 225,100 plots of land had legal documents in Ho Chi Minh City, while 565,942 had partial documents. For the remaining illegal urban residents, the new decrees regarding urban land valuation and compensation will increase their resettlement packages. However, they will receive 25-30% of the land compensation that legal and “legalisable” land occupants receive (Legrand, 2001). Many informal residents are “legalisable.”\(^7\) It remains to be seen whether or not these new policies will foster sustainable resettlements.

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\(^5\) Decree 87/CP regulates price frameworks for land categories, and the city-level Decision 05 regulates the price for urban land in Ho Chi Minh City.


\(^7\) “Legalisable” refers to a residential status that has the adequate conditions to receive a certificate according to the law long-term residential with informal papers from the local authorities.
Chapter 2

Methodology and Theoretical Framework

"There is a pressing need, at both the scholarly and the policy-making levels, for a better understanding of the various ways through which rights to land are established, contested, controlled, and renegotiated. Such understanding can be achieved through taking into consideration the plurality of actors, norms, rules, and strategies involved.

... Responding to risks of loss and/or opportunities to gain, parties to a negotiation might be tempted to "exit" the prescribed arrangements by creating new facts on the ground and investing in alternative institutional arrangements" (Razzaz, 1993).

Methodology

The objective of this thesis is to investigate the proposition that households and NGOs are using upgrading and slum investment as a strategy to improve tenure status. Previous studies on tenure and upgrading advanced the theoretical framework that tenure security is a necessary antecedent to slum upgrading and individual investment in informal settlements. More recent literature argues that this is not the case. In the case of An Khan, household perceptions of tenure security will be considered within the context of possible resettlement and compensation. Therefore, the aim of this research is to examine how upgrades are made to strengthen tenure and compensation claims against possible removal, and why under the circumstances that may be a rational decision. A secondary question concerns policy implications regarding new land valuations and tenure definitions, and whether or not compensations for land at market price influence more sustainable resettlements.

I worked with a translator to gather information in the settlement and municipal offices from 24 households, 2 NGOs, and 1 government office. Interviews were semi-
structured, friendly and careful. People were chosen to some extent by whether or not they were willing to talk, so this research is not based on a random sample. The interviews are a collection of observations over the course of 1 month this past February in District 2. They were used in conjunction with research reports to examine the proposition that investments and upgrading are being used as a strategy to improve tenure in An Khan and surrounding communities of District 2. The fundamental goal of this research was to understand the rational reasons for what seemed like counterintuitive investment on a household level. It was a beginning in trying to answer the call for more research on the complex relationship between household perceptions of tenure and housing investment.

**Theoretical Review**

Much of the literature about upgrading informal settlements assumes that secure tenancy arrangements precede investment. The reasoning is that people who are insecure about their tenancy status will not invest in their housing. That is, informal residents make a rational assessment of investment and risk, and invest only when risk is low or non-existent. It is a rational assessment of investment and risk. It follows that granting secure land tenure induces increased housing investment through labor and self-help remedies, subsidies, and loans. Charles Abrams and John Turner are some of the original proponents of this argument, as well as Latin American researchers that conducted a study in Santiago, Chile (Turner, 1972; Abrams, 1966; Merrill, 1971 as cited by Angel, 1983). Most proponents have since accepted the premise that secure tenure is a necessity if squatters and residents of informal housing are to be motivated to invest in housing and
upgrading. Subsequent studies have found that these original findings are not always consistent with empirical facts on the ground.

This finding suggests that the assumption that housing markets are more active where land tenure is secure is not consistent. Households have not required land tenure security to meet housing demand. Moreover, informal housing markets have not been constrained by the lack of legality of land tenure (de Souza, 2001).

Tenure security may not be as important to upgrades and household investment as formerly thought. Upgrading before tenure may be a strategic way to increase security of tenure. This thesis does not argue against the issuance of formal tenure. Rather it proposes that secure tenure is not always a necessary condition for upgrading. In some cases, secure tenure can be damaging. “The slum upgrading literature recognizes that property values may increase significantly as a result of tenure legalization … which can lead to higher rents and therefore, the displacement of poor tenants” (Gilbert and Varley, 1991, as cited in Mukhija, 2002). The effect of displacement can lead to the spatial segregation of the very poor and the formation of new slums. Therefore, policy must consider the interplay of underlying assets, such as property rights, property values, and physical attributes (Mukhija, 2002).

There may be other unique political or socio-economic elements that exert influence on perceived tenure rights more than a household’s formal or legal status. These elements are always historically and culturally based. This notion has a long history even in a western context. The roots of American property rights can be found in the colonial laws of England and France. These metamorphosed into early American property rights through the principles of first possession and labor. The principle of first possession and occupancy recognizes possession as 9/10ths of the law, yet much of
American land was acquired through conquest (Johnson v. M’Intosh, 1823). Further, labor expended on the land amounted to “property in his own person” (Locke, 1690).

Early settlers of the western frontier were squatters that gained original property rights through conquest, justified by the utilitarian principle of entitlement through acceptable forms of labor on the land (The Fort Laramie Act, 1877). The entitlements of colonists to land rights were grounded in the belief that agricultural methods gave them a superior claim to living off the land. Native Americans’ methods of fishing and hunting were not considered to be the highest and most efficient expense of labor for the land. Thus, the settlers and the government disregarded many of the treaties between Native American tribes and United States that were formed in this era, and some have continued throughout this century (United States v. Sioux Nation of Indians, 1980).

In the early history of the United States, the tenets of possession and labor were fundamental in defining property rights, until the legitimacy of superior title to land could be established (Johnson v. M’Intosh, 1823). Contemporary urban squatters can also use the arguments of possession and entitlement through “sweat and equity.”

It can, therefore, be concluded that the household’s perceived land use rights are substantiated by the legal definition of possession of things (effectively making use of something). Possessors of land dispute the right to make use of the land (exploit land productivity), and are not necessarily claiming the right to private ownership. Possession requires this informal recognized form of ownership, as it exists in the minds of households, at least. Disputes are based on challenges to these perceived rights of possession (de Souza, 2001).

Property rights and the legal definition of title are structurally based in the historic and social relationships that come to define legal codes. The strength of individual claims to property depends on the historical, economic, social and cultural interactions that have shaped those laws. What mattered most in the early cases regarding the
justification of conquest, first possession and labor, is the identity of the title being judged and the community that bestows those titles. This has proven to be as true in the advent of American property laws as it is anywhere else in developing countries today.

The poor inhabitants of these nations – five-sixths of humanity- do have things, they lack the process to represent their property and create capital. They have houses but not titles; crops but not deeds; businesses but not statutes of incorporation. It is the unavailability of these essential representations that explains why people who have adapted every other Western invention, from the paper clip to the nuclear reactor, have not been able to produce sufficient capital to make their domestic capitalism work (De Soto, 2000).

However, this argument fails to recognize how poor residents of illegal settlements maximize their investments.

The owner-builders and the squatter-settlers, along with the practitioners of many other forms of locally controlled building and improvement, achieve their savings and match their infinitely variable demands with the access they have to locally available resources ... Being rent-free and close to work, urban facilities and relatives, this materially very poor dwelling actually maximizes the family's opportunities for betterment (Turner, 1976).

The poor are able to amass capital by creating property outside of formal markets. Informal markets exist because they satisfy a demand for those who are priced out of formal markets. The irony of De Soto's argument is that regularized property rights constrain the poor from building the capital that he so admires. Formal housing markets require standards that raise the price of housing. “Ironically, the lowering or even abrogation of 'minimum housing standards' which make possible lower investments in the housing structure has been resisted by several governments in developing countries” (Laquian, 1976). Further, many affordable housing projects are inaccessible to the urban poor because they are frequently employed as informal labor and do not have the employment references necessary for formal leasehold and financing mechanisms.
Squatters and poor residents of informal settlements are effectively excluded from the minimum standards of rational planning.

The definition of rational investment decisions depends largely on the economic and institutional framework of choices available to consumers. In earlier research on tenure, it was widely accepted that legal tenure status was a prerequisite for housing consolidation and investment schemes. However, this premise is culturally shaped by a history of property relations and cultural norms that have evolved into law and enforceable contracts. Different property relationships produce different cultural norms that may produce a different rationale.

For example, in Thailand, a preference for cooperation and a tight land market helped forge the practice of land sharing. Land sharing was introduced in the 1980s as a method to help reduce the spatial segregation of the urban poor (Angel, Chiratharmkijkul, 1983). During the period of rapid growth, both commercial and informal developments were increasingly pushed toward the fringe. As a compromise, landowners agreed to allow existing settlements to stay on the land by sub-dividing the property with a commercial development. Revenues from the commercial development would then subsidize the costs of upgrading and regularizing the settlement. This allowed developers to proceed in a timely manner without embarrassing confrontations over evictions. Residents of informal settlements gained upgraded living conditions and secure tenure status.

Land sharing means that slum dwellers, instead of being evicted, share the area on which the slum is located with the planned commercial properties ... In a mixed land-use system such as the one existing in Bangkok, using land for mixed commercial and residential development, or mixed residential development for different income groups poses no serious social problems” (Angel, Chiratharmkijkul, 1983).
It also maintains the proximity of low-income groups to middle and upper-income groups, allowing many in the informal sector of the economy access to economic opportunities they may otherwise miss.

The informal economy functions best when the mixture of income groups is allowed. In Thailand, where the patron-client system of contacts still flourishes, this is of special significance. In this system, closeness to people of influence can mean survival. Building contacts within and outside the community is the essence of participation in the economy (Angel, Chiratharmkijkul, 1983).

Land sharing created a few positive outcomes in Bangkok’s informal housing market that most likely would have resulted in eviction. Nevertheless, land sharing is not a panacea for halting eviction. Its viability depends on rapid urbanization and increasing land pressures that can induce incentives to negotiate. Vietnam’s rapid urbanization and transitional land markets provide the right incentives. However, the success of land sharing in Vietnam will hinge on the negotiation of tenure between the authorities, investors, NGOs, and residents.

Following is a summary of theoretical and empirical studies about tenure and upgrading that identify alternative patterns of interaction between perceived security, investment, and title.

In Jordan, Razzaz (1989) describes property relations that were transformed by group non-compliance in “Group Non-compliance: A Strategy For Transforming Property Relations – the Case of Jordan.” Razzaz argues that strict legal definitions of property rights alone give a myopic view of the dynamics that shape urban contexts. He defines property rights as the changes in property relations over time that delineate into a broader set of categories such as property rights, property claims, and property status.
The interaction between state organs and popular organizational arrangements leads to a dialectical process of mutual adjustment, resulting in property relations which reflect neither 'property rights' nor 'property claims.' Instead, mutual adjustment results in property relations that reflect a dynamic condition, which I refer to as 'property status' (Razzaz, 1989).

Razzaz argues that non-compliance with property laws is one of the primary strategies which can be used in transforming property claims into property status. In Jordan, the perspective of property claims and non-compliance were also shaped by cultural and colonial influences. After the First World War, the British and French governments gained control over the Middle East after the retreat of the Ottoman Empire. The British dismantled traditional communal land tenure arrangements and granted individual land titles in favor of those who cultivated their land. Those that used the land through the traditional lifestyle of grazing animals were not granted titles. However, British land titles never fully defeated traditional definitions of property status, and entire developed communities appeared in non-compliance with these new codes of property rights.

"Distinct from individual non-compliance with law, collective non-compliance is effective in transforming property claims into property status" (Razzaz, 1989). In the case of informal settlements, residents derive this status from the strength of collective claims of those around them. Even in the case of unorganized non-compliance, residents of informal settlements possibly make investment decisions based on the signals of their neighbors upgrading investments within their housing and residential status "market." Razzaz calls this "transformation in the absence of the state" (Razzaz, 1989). Improvements and housing consolidation send a strong signal of confidence that may create a pressure for dwellers of temporary housing to emulate.
The impact of investment and upgrades are not that different from property values as are investments in conventional real estate markets. The difference in informal settlements could be that the appearance of permanency is important. Households that are surrounded by upgraded structures without investing in upgrades themselves may perceive a bigger risk of appearing to be the most recent resident.

We also found that older squatter units are apparently perceived to be safer than newer squatter units, as the price differential for the former is lower than for the latter. In addition, it appears that attributes such as a concrete foundation, water and sanitation connections, a good roof and more than one storey signal low eviction risk (Friedman, Jimenez, Mayo, 1988).

Perceptions of tenure in a community of informal landholders can be developed and formed by facts on the ground rather than on paper. Within the context of group non-compliance, it is not difficult to understand why communities would find it rational to invest in the appearance of permanency. In Vietnam, for example, this thesis explores the premise that household and NGO upgrades are a way of improving the socio-economic status of a household and hence its tenure by eliminating the appearance of being “temporary” recent migrants. “At a micro-level, land tenure (legal) is less tangible evidence of improvements than physical improvements made to the houses of individuals or to the settlements as a whole (through the provision of services such as water and electricity” (de Souza, 2001). Through these informal and collective acts of non-compliance, settlements create strategies to improve tenure status.

In “The Relationship between Tenure Legalization and Housing Improvements: Evidence from Mexico City,” Ann Varley (1987) argues that we need more empirical information on the relationship between housing investment and tenure. Her argument is that earlier studies that see upgrades as a consequence of secure tenure have not been
supported by strong empirical evidence. She argues that one of the basic problems in earlier studies linking legalization with upgrades is that “security of tenure is not a fixed, objective concept, and that it is affected by a variety of other considerations: not only the legality or illegality of tenure. Changes in residents’ assessment of their security of tenure can also, therefore, be produced by other means” (Varley, 1987).

Varley suggests that the most important of these other factors, which influence perceptions of tenure security is the provision of public services, such as infrastructure. For this reason, she recommends that research on the relationship between tenure and upgrading be done in areas without integrated services and infrastructure installation. She argues that most residents interpret the installation of services as a de facto acceptance of their residency, and therefore spark increased household investment and upgrading. “The probable influence of such factors can sometimes be discerned in the results quoted in studies emphasizing the tenure factor, which thus, to some extent, undermine their own conclusions” (Varley, 1987). While this thesis does not dismiss the influence of integrated services on upgrading, it does suggest another important factor preceding formal service provision as a value for individual upgrades. Formal services are one of many incentives for upgrading. This research found many upgrades made before the provision of services, and others that were long after. Some studies show that households did not invest after installation of services (Kampung Improvement Program Jakarta – Surabaya: Analysis and Evaluation of Impacts of KIP Implementation in Jakarta, 1979).
Infrastructure development by itself falls short of generating housing investment. There appears to be, therefore, a demonstrable relation between land tenure and housing improvement. Tenure security, real or expected, is a necessary condition for generating significant domestic investments in house building (Angel, 1986).

Perceptions of ‘real’ or ‘expected’ tenure are subjective to a combination of historical, cultural and experiential circumstances that shape a property and its owner within a spectrum of property rights. An interpretation of tenure within the narrow scope of formal legal property rights overlooks the process and social relationships in which property rights and “status” are created. “In the process of conceptualizing their tenure security, households make judgments about their security based on both their own experiences as residents as well as on the history of their neighborhoods” (de Souza, 2001). The control over urban land and tenure status is a political issue. Strategies that pursue secure tenure for the urban poor will require appropriate political responses to the institutional framework in which property status is decided (Angel, 1986). In the following chapters, Ho Chi Minh City will serve as an example of how upgrades can be used as a strategy to improve tenure status.
CHAPTER 3

An Khanh, District 2: Background Information

Map 1: District 2 is the area colored in yellow (Quan 2)

An Khanh is an informal settlement that is about to be displaced by a Master Plan. It proposes to move at least 7,000 households. A local NGO and community partners have recently installed infrastructure throughout the settlement and along the riverbank. Households have also made upgrades since the announcement of the Master Plan. This area has one of the biggest threats of removal in An Khanh. What are the reasons for the apparent disconnect between the Master Plan, NGO and household responses? This case study will examine the possible reasons for NGO upgrading in areas that seem to be the
first designated for removal. I will analyze why upgrades in An Khanh are being used as a strategy to strengthen tenure and compensation claims against possible removal.

**Background**

An Khanh is a densely populated community in District 2, across the Saigon River on the opposite riverbank facing the commercial hub of Ho Chi Minh City. The District is accessible through a city ferry service that operates regular 3-minute trips across the river. Taking the ferry is a portrait of juxtapositions: on the riverbank of An Khanh, you depart from a shoreline choked with garbage, to arrive less than a kilometer away on the shores of luxury high-rise hotels.

Formerly a rural area, District 2 became integrated with the urban land administration in 1996, due to rapid urbanization and increasing land values in Ho Chi Minh City. The District remained rural for this long because the Saigon River was a natural barrier to the rest of the city. Rapid development in the mid-1990s prompted the city administration to convert these former agricultural and rural peripheries into urban land.

In 1996, as part of District 2, An Khanh was also integrated into the City’s administration. It hugs the eastern shoreline and continues inward past old burial grounds and canals. An Khanh is much denser than most of District 2, with 15,623 residents on 169 hectares of land. The only other area in the district that shares comparable density patterns is Thu Thiem, the central market and adjacent community. Conversely, density figures for the rest of District 2 region are considered low, with approximately 90,000 inhabitants on 5,000 hectares of land. Although District 2 is one of the largest districts in the city, it has little available land because of impending development and resettlement
plans for the area. District 1 also holds 140 hectares of land in reserve in District 2, in addition to projected development.

**Residential Status**

Most of the residents are seasonal laborers or informal market vendors, with unstable incomes ranging on average from approximately 15,000 to 50,000 VND with 20-25 days of work per month (1 $USD is equal to 15,000 VND). Access to the urban core via the 3-minute ferry ride is very important to their livelihoods. One resettlement study estimates that 25% of District 2 residents earn between 1-1.5 million VND per month, 12% between 250,000-500,000 VND, and 4% less than 250,000 VND (PCHCM, 2001). Officials classify poverty as incomes below 250,000 VND per month. However, very low incomes range between 250,000 – 1 million VND, and low income between 1-3 million VND per month (ENDA and VeT, 2001). Those that are comparatively better off are vendors in the central market, work for the government, or receive remittances from family members abroad.

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8 A team of researchers conducted this study from the Japanese Bank of International Cooperation and the People’s Committee of HCMC and District 2. Estimates are based on a sample of 362 households.
The proportion of poor households in Ho Chi Minh City is 15% (Legrand, 2001). It has been estimated that upwards of 70% of low-income people living in poor areas participate in the informal economy (Legrand, 2001). Because many authorities do not approve of the informal sector, informal vendors take a constant risk of having their materials seized. Many use their homes for living and preparing their wares for work. The proximity to the city is an economic necessity for these vendors. With the combination of informal residential status, informal labor incomes, and ineligibility for
social and public services, poor residents of informal settlements resemble illegal immigrants in developed countries. ³

Perhaps it is expected that one could report an apparent characteristic that separates these ferry riders from the rest of the city, but in appearances, there is little difference. Ferry riders to the District seem to reflect the same mixture of motorbikes and informal vendors as the rest of Ho Chi Minh City, except that in this case, many informal vendors are returning home. The one indicator that distinguishes the ferry ride to and from District 2, is the number of children that beg in the terminals of the ferry. Unlike street children in other areas of Ho Chi Minh City, these Vietnamese children have nothing to sell.

**An Khanh and the Master Plan**

An Khanh is one of several residential areas in District 2 that will be affected by a Master Plan. Unlike Thu Thiem and other District 2 communities, An Khanh is uncertain about its resettlement under the terms of the Plan. The City has notified residents of probable relocation, but the time frame is uncertain. Many residents are also not convinced that relocation is inevitable. For surrounding communities such as Thu Thiem and Bing Trung Tay, removal has already occurred. These communities have been on the front end of major changes that are about to transform District 2 from a peri-urban enclave to a regional hub. The Master Plan and international investors have designated major portions of this area for transportation links, industry, government and commercial use.

³The term informal refers to a sector that is not planned, controlled or legally permitted through the government. Residents are required to have a legal permit to reside in an area. Legal status is described in a previous chapter and in the following pages of this chapter.
Details of the Master Plan have been added to calculate the urban land values of formerly rural District 2. New laws for resettlement apply compensation rates that should reflect current market values for urban land. The implementation of this law has not yet been in effect. In addition, the Master Plan must adhere to national strategic goals. The national strategy aims to reduce the inner city population from 3.8 million in 1995 to 3 million in 2020, and redistribute city densities.

The projection is to have 7.5 to 8 million inhabitants for 2020 for the whole city with a more balanced density distribution. This implies the relocation of almost 1 million people from the 12 districts towards the 5 new suburban districts ... To achieve this plan the city has requested each district to develop different types of projects such as construction and enlargement of roads and park projects; eviction of precarious households and improvement of canal sanitation; eviction of unhealthy low-income blocks in the middle of the housing blocks; eviction of inappropriate constructions within the city such as polluting industries and markets. Unfortunately, the plans are not including cost estimates, socio-economic impact and definition of priorities (Legrand, 2001).

The detailed plan for District 2 has citywide, regional, and international implications. It calls for the expansion of the commercial core in District 1 across the River to District 2. Office buildings, government buildings, a trade center, open space and a major highway connecting the two parts of the city and region are approved for the area. The East-West Highway Project, funded by Japan Bank for International Cooperation (JBIC), is to run through Thu Thiem, the central market area and ferry terminal location of District 2. Japanese Bank for International Cooperation will also build a tunnel and bridge that will link District 2 to mainland and regional commercial districts. At least 7,000 households in District 2 will be removed for this plan (Japanese Bank for International Cooperation, 2001). Relocation for this plan is set to begin at the end of year 2002. In addition to the East-West Highway Plan, Japanese Bank for International Cooperation is also funding
the Ho Chi Minh City Water Environment Improvement Project. They will install a new sewage treatment system and city drainage system. This project will affect the resettlement of approximately 2,094 households in Districts 1,2,5,6,8, and Binh Chanh (Japanese Bank for International Cooperation, 2001). An Khanh is not directly impacted by the projects of Japanese Bank for International Cooperation. Its potential resettlement is contingent upon terms in the Master Plan that proposes to convert adjacent land into a trade center, green space, and a commercial core.

Presently, An Khanh is a combination of temporary, semi-permanent, and concrete structures that line the Saigon River and expand further into the District. There is only one formal road that cuts through the main market area linking the northern and southern ends of the District, but this road was built a little over a year ago. Most roads are narrow, very close to house doorways and consist of unpaved alleyways that serve as both pedestrians and motorbikes. Densities are high, and there is no open space that is not a polluted canal or littered with garbage. According to one resident, there are open spaces along the riverfront because previous settlers dismantled their dwellings and moved out.

The highest concentration of temporary structures is clustered along the riverbank and canals located within the settlement. Although many of these structures are made with materials such as corrugated sheet metal, plastic, and wood, they co-exist alongside very developed brick structures. Even the brick and concrete structures here are almost all informal because they do not possess Land Use Certificates (LUCs). Most are one story, but there are two story dwellings scattered throughout the settlement. Construction standards are not strictly observed, and houses are often constructed without
sufficient infrastructure. Many of the brick and concrete homes in An Khanh are highly developed. Temporary housing in Ho Chi Minh City accounts for 19% of total urban households (Low Income Housing Main Report, 2001, 2001). This housing type is generally made with materials that can be easily found or available. All of these houses or “shanties” are built without legal papers.

Government standards for acceptable housing in Vietnam require at least 60 square meters of useable space per household. Approximately 32% of the national population occupies this kind of housing. Housing smaller than 60 square meters is considered to be in urgent need of repair and upgrading. At least 68% of the national population lives in housing less than 60 square meters, and 39% occupy housing less than 36 square meters. (Asian Development Bank, Ministry Of Construction, Low Income Housing Main Report, 2001). Legal Building Ownership and Land Use Certificates (BOLUCs) are not granted to land plots smaller than 30 square meters, which is the size of the majority of poor households (Legrand, 2001). The average house space in District 2 is 43.2 square meters, with an average land space of 57.5 square meters (People’s Committee of Ho Chi Minh City Report, 2001). According to the same study, 66% of residents in An Khanh and 41% or residents in Thu Thiem built their houses after 1986 (Asian Development Bank, People’s Committee of Ho Chi Minh City Report, 2001). However, on average, the length of continuous residency on the same plot of land for the 24 households interviewed for this thesis was 23 years.

Size and house quality are not the only indicators of socio-economic status in Vietnam. Socio-economic status in informal settlements is also inextricably linked to residency duration.
Population densities of An Khanh have increased over the years, as migrants from rural areas and urban residents have moved here to seek higher incomes and escape from land scarcity and rising prices in the middle of the city. Some families have lived in An Khanh for up to 60 years. Original settlers lived in small communities that were separated or organized around large tracts of agricultural land. An Khanh is historically recognized as a working class area because the original inhabitants were employees of...
the French. They live in the old brick and concrete homes that were built by the French in the 1940s, and redistributed to Vietnamese employees after the War of Independence in 1954. Many inhabitants report living in the area from the 1940s through the 1970s, before being involuntarily relocated to rural New Economic Zones (NEZs) after the Communist Reunification.

**Tenure and Legal Papers**

Residency status and tenure have been affected by Vietnam’s history. Migration patterns, such as North to South after Independence, rural and urban migration during the wars, and Central to South due to displacement by severe floods. Residents must register with a district to be legal inhabitants of an area, and can be sent back to their region of origin. During the Vietnam War (American War in Vietnam), Vietnamese soldiers in Saigon fought with Americans against the North. The war was so close to home in An Khanh, that residents remember huddling in their houses as bombs fell there.

After reunification, many people were sent to NEZs and reeducation camps. This also created large migration flows as many tried to make their way back to the city illegally. In An Khanh, many residents had to leave their homes for up to several years. As a result, their legal residential papers were lost. Households cannot register for school, healthcare, and other poverty-alleviation programs without residential papers. Official law requires that all residential land and housing must be registered, before households can obtain a Land Use Certificate (LUC), and a House Owning Certificate (HOC). However, these are difficult to obtain without residential papers. By the year 2000, Ho Chi Minh City granted less than 10% of requests for LUCs (Ministry of Construction, Asian Development Bank, Low Income Housing Workshop, 2001). Some
of the comments in the residential interviews speak about enforced absences directly, and some possibly indirectly:

- “My family has lived here for 60 years, but I left and returned in the 1980s.”
- “I lived along the River in the 1960s, but then resettled on this spot in the 1980s.”
- “Before 1975, my father lived on one half of this land. After 1975 Communists wanted people to work on farms. My father refused and for this reason we have papers. I returned in the 1980s.”
- “I fought in the war from 1971-75, and was in prison briefly in the 1980s. I left my house closed up. I do not have papers.”

Regardless of where the families are from originally, they are deemed illegal by the authorities. The 9% of the population that do have LUCs in An Khanh either purchased them from the government for approximately 20 million VND, or received them from the French in a prior institutional framework before 1954.

Residency patterns are categorized into two classifications: yellow books and blue books. Legally, all new migrants and residents to an area must register with the district headquarters to receive a resident permit that dates the time of arrival. Those that register, get one of two kinds of papers: long-term residents of 6 years or more eventually receive a blue book of papers, and short-term residents of two years or less receive a yellow book. Officials report a 60 to 40 percent ratio between blue and yellow books in An Khanh. Although district headquarters report that the first residents arrived just before 1975, many families claim to have lived there much longer. This assessment is also supported by observations made by NGOs that work in the area.

10 There are four official categories of land occupancy resident permits: “KT 1 – legal household; KT 2 – registered in another part of the city; KT 3 – long-term illegal resident with informal documents from the local authorities; KT 4 – the recent illegal resident with a 6 month permit, renewable from the local police. Please refer to Chapter 1 for a detailed description of legal occupancy status.
Tenure and Taxes

The conventional indicators of tenure and property rights in most countries are legal papers such as titles, deeds, enforceable contracts, and taxes. In Vietnam, institutional frameworks that define clear property rights are weakly enforced, or in a stage of transition. As a result, tenure definitions and indicators are imprecise and unclear. There is still a 60 to 40% ratio between the formal and informal real estate market in Ho Chi Minh City (Asian Development Bank, Ministry Of Construction, Low Income Housing Main Report, 2001). Land transfers and sale of houses occur informally between parties without official documents. In An Khanh, for example, three people along the riverfront reported during interviews that they transferred their dwellings from one owner to the next with handwritten notes signed by both parties, without formal papers.

As a result of a well-developed informal economy, the state loses a great deal of revenue that it could otherwise derive from tax levies. The state is not able to control the informal market, because of overlapping agency roles and undeveloped informational systems regarding housing development. Informal housing and land use transfers occur because the parties do not have formal documents to transfer Land Use Rights (LURs) that register fees and taxes.

The real estate market in Vietnam is mainly an informal one at the present time. Land transfer and the sale of houses occur by way of ‘hand to hand.’ … The State is not able to control this informal land transfer market nor are they able to provide guidance to or influence that market (Asian Development Bank, Ministry of Construction, Low Income Housing Main Report, 2001).

Furthermore, land use law stipulates that land users that have been living on their land since 1993 have to pay a fee for land use.
Throughout the settlement, inconsistent numbers of households claim to pay taxes. Some have been told by the District to stop paying after the final approval of the Master Plan in 1997, and others claim to still be paying. Tax levies on those who occupy land before 1993 are problematic, because they do not have sufficient legitimate documents or easily obtain an LUC (Asian Development Bank, Ministry of Construction, Low Income Housing Main Report, 2001). Further, many land management agencies lack the proper land use maps and data to accurately assess the length of residencies.

“The Department for Housing and Land Cadastral in Ho Chi Minh City estimates that to complete the issuing of certificates for Land Use Rights and Housing Ownership Rights by the year 2005 will require the employment of 1,000 staff” (Asian Development Bank, Ministry of Construction, Low Income Housing Report, 2001).

According to my interviews in An Khanh, residents are still paying taxes that range from 30,000-100,000 VND per year. Payment amount depends on the width and square meters of the dwelling. Within An Khanh, self-identified taxpayers have included residents of temporary structures, as well as those in developed brick and concrete structures. Conversely, residents of both temporary and permanent housing also admit to not paying taxes at all.

The average living space per person is approximately 6 square meters (Legrand, 2001), with an average of 4-5 people per household. One traditional housing type in Vietnam is a tube house, with a very small width in the front that expands backwards like a tube. This housing type became popular because households were taxed according to the width of their property.
Infrastructure And Upgrades

The water and sewer infrastructure in Ho Chi Minh City was made for a population of 500,000 inhabitants when it was installed shortly after the arrival of the French in 1858 (Legrand, 2001). There are now more than 6 million residents in Ho Chi Minh City, and infrastructure capacities are overwhelmed for the entire city. Frequent power outages and utility production losses are a fact of life for everyone.

Approximately 41% of the population in Ho Chi Minh City is connected to the city network. Formal water pressure is often too low for access. Other residents find access to water and electricity services by connecting to informal residential networks, buying water from vendors, or using a shallow well (Legrand, 2001). Fire hazards are a problem in informal settlements because of a large numbers of households that share one connection.

Currently, Japanese investors are financing a new power station that will seek to legalize all illegal connections and offer official connections to households with KT3 residential status (long-term illegal resident with informal documents from the local authorities). There has been no other major infrastructure investment for Ho Chi Minh City since the initial infrastructure installation of the French colonial government (Legrand, 2001). Nevertheless, infrastructure in the urban core still contrasts sharply with the inconsistent and rudimentary condition of infrastructure in An Khanh.

Because of the peripheral location of the settlement, in An Khanh there was no link to the French-built city infrastructure. Legal electrical connections were not available to the settlement until 1990.
According to a recent survey of 362 households in District 2, 42% were connected the national electrical network, while 57% received their electricity from their neighbors (Asian Development Bank, Ministry of Construction, People’s Committee of Ho Chi Minh City Report, 2001). The government provided initial connections to households with legal papers, and some have resold utilities to their unconnected neighbors at rates 5-10 times higher than cost (Legrand, 2001). Legal water connections are less dispersed throughout the settlement, and in some areas long lines run to connected households because of the distance from pipes.

In District 2, approximately 81% of 362 households access water through neighbors, 9% from the formal water supply, 9% through retail, and 1% from wells (Asian Development Bank, Ministry of Construction, People’s Committee of Ho Chi Minh City Report, 2001). Although electrical connections are evenly divided throughout the settlement between formal and informal, formal water connections appear to be more difficult for the inner parts of the settlement because they are further away from the water lines. In addition, 62% of these households use the river as a toilet, 33% have private toilets, and 3% use public toilets. However, in an area with up to 90% of households without formal housing or land papers, the amount of formal electrical connections seems high. Formal access does not seem to be allocated strictly along legal and illegal status, but rather length of residency in the settlement.

Households along the River do not possess formal papers but report to have connections that were most likely obtained through the government’s installation. Formal service provision requires legal status, but in An Khanh many households along the River do not have full legal papers, but do have formal utility connections. For
formal electrical connections, households need to have a residence with a number and address. Those with less secure legal status must purchase from vendors or neighbors for up to 5-10 times the amount of legal connections (Legrand, 2001). Currently, residents without formal access pay informal rates ranging from 45,000 to 200,000 VND per month for water and electricity, depending on the size of the household. Formal electrical connections cost approximately one million VND for the access fee and meter box, and water connections from the government cost 2,500 per cubic meter. In a comparative study by the World Bank, it was found that on average poor households pay 80,000 VND per month more than legal households for water and electricity combine (Legrand, 2001).

**Spatial Divisions and Services**

Spatial divisions of service delivery in the settlement do exist, but it is hard to understand exactly why. Residents throughout the settlement reflect the same proportions of the overall population in Ho Chi Minh City that do not have papers for their homes or land use. Most residents in An Khanh do not have formal papers for their dwellings or land use, whether they live along the riverfront, in the interior, or along canals. But the division of services is different. There is no formal or informal waste collection along the riverfront, but households in the interior pay for garbage collection service that is provided through the District Office. For 7,000 VND per month, households of the interior can pay to have their garbage collected by small garbage collection wagons fused onto motorbikes and bicycles. Households along the riverfront do not have this service and use the river as a dumping ground.
The riverfront also has a higher concentration of structures that are considered temporary housing than does the interior settlement. Although there are developed brick homes along the riverfront that were left behind by the French, all of them are set back
from the river unlike the temporary structures that hover directly above. Only one of 10 dwellings above the river was made of brick, and it belonged to a household that built a large wooden extension onto their house for a highly organized, informal café business (Interview 2). This dwelling and business are along the riverfront, but the structure does not hang over the river because they consolidated that part of it in the 1980s. According to the café owner, households further down the river have fewer services because of their “socio-economic” status. However, my interviews with several households along the river and the interior, there were no marked differences in income status overall. And yet, these spatial patterns that exist along the riverfront and canals, also reappear in other settlements.

Project Management Unit 415 (PMU 415) made a survey in 1998 along the THLG Canal. It found out that if 79.8% of the households had an official residence permit at a minimum 20 meters from the canal, only 58.6% had this document at a 5 meter distance … Regarding land ownership, 41% of the families had regular documents outside the 20-m technical band along the canal against 7.9% only at a 5-m distance (Legrand, 2001).

In the case of Ho Chi Minh City, socio-economic status can also refer to a families political standing after the reunification of the Country. After 1975, many households in former Saigon were sent to NEZs and reeducation camps because of their political stance against the North. In An Khanh, and especially along the riverfront, a high number of households report leaving in the 1980s and returning. One individual had been sent to prison (Interview 7).11 It is common knowledge in Ho Chi Minh City that many cyclo drivers were former soldiers that fought in the war on the side of Americans (Stempler, 1998). As a result, this created a class of political outcasts, who could not qualify for legal jobs or housing, nor for the benefits of residential status, even though

11 Please refer to Appendix 1 for the Table of Interviewed Households in District 2.
most of them were from Saigon. Their socio-economic status was similar to the legal status of recent rural migrant residents. Most An Khanh residents along the riverfront all describe living in the area for generations and then leaving in the 1980s and returning without papers. Perhaps the non-service areas of the riverfront and canals are the least desirable areas, and the “bottom” of the river represents a division of services according to this political and socio-economic status.

**Community Infrastructure**

Institutionally, the Vietnamese government has a series of centrally located offices that are decentralized down from the national, provincial, and district levels. Within each district, there a series of wards and sub-wards or cells can make decisions about small-scale projects that do not clash with the Master Plan. Proposed projects vary from one district to another. The ward leader proposes high priority activities usually based on community input to the District leader, who then submits it to the district Urban Management for review. After review, the Urban Management makes recommendations that they hand over to the People’s Committee of the District. Mass organizations such as the People’s Committee of HCMC, Women’s Union, Youth Association and the Fatherland’s Union are involved on district levels as intermediary organizations between the state and the population at large. After receiving recommendations, the unions notify the wards of the projects selected for funding and available funds. The ward leaders then consult the community on the amount of contribution they are able to make.

New government reform policy states that projects should be “presented, discussed and controlled by the people” (Legrand, 2001). As a result of this new policy, the government has introduced the phrase “the State and the people working together” to
describe collaborations that include community input. However, this is oftentimes misunderstood, and Vietnamese institutions acknowledge the need to develop a new field of social workers. Because of the historical framework of command and control institutions, participatory development is still an unfamiliar concept. Therefore, the idea of “working together” may not be understood in the same way as participatory projects elsewhere. In Vietnam, the phrase has come to mean that communities contribute to the funding of the project.

There is an official partnership between the state and the citizen translated through direct obliged financial contributions: school, solid waste management, wastewater management, punctual upgrading. The management of the local infrastructure is directly under the responsibility of the local district authorities, which requests the cooperation of the inhabitants directly concerned by a specific problem. The requested ratio defined by the authority is 70% contributed by the authorities, and 30% by the population (Legrand, 2001).

Working together with communities, mass organizations are the Vietnamese equivalents of local NGOs. They help implement infrastructure improvements within the ward that are partially funded communities. In actuality, contributions on the part of the households can vary depending on the ward, ranging from 0 to 18%, and sometimes up to 50% (Legrand, 2001). An Khanh’s wards are comprised of approximately 20-30 households and led by an elected ward leader who is usually an elder or a military veteran. Sub-wards are organized on a smaller level, with households that are immediately adjacent to each other. In addition to infrastructure projects, households contribute money to a fund that can be used for a less fortunate family’s medical emergency bills, cultural events, or small upgrading projects. Temples within the ward help with the facilitation of community interaction, and the informal education of children that cannot afford to attend school.
Throughout the settlement, there is evidence of small-scale infrastructure devices that attempt to alleviate persistent obstacles. Residents in An Khanh identified flooding as a major obstacle. During the rainy season, water can rise as high as waist-level on some roads and impede people’s ability to work. Children that can afford to go to school cannot attend on these days. Informally, people attempt to address these obstacles in a variety of ways. In some areas, an attempt to mitigate flooding is visible by informal drainage techniques. Many residents in the settlement consider flooding to be a primary problem not only because it threatens the physical safety of dwellings, but also because it also interferes with the informal income generating activities of residents.

**NGO Development – An Integrated Approach**

Besides the local mass organizations of Vietnam, two French NGOs work in District 2. ENDA Vietnam and Villes en Transition (VeT) are two organizations that often collaborate, but in different capacities. ENDA focuses primarily on community development and environmental improvement, and VeT is an organization of architects, engineers, economists, and community developers. Both are French-based organizations, with projects that are funded by The French Ministry of Foreign Affairs, The French Rhone-Alpes Region, and NOVIB a Dutch NGO. Each organization has local offices in the country where they work and both organizations have offices in Ho Chi Minh City.
Table 3: Institutional and Residential Stakeholders

District 2

<table>
<thead>
<tr>
<th>Institution</th>
<th>Leadership</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government of Socialist Republic of Vietnam</td>
<td>Prime Minister</td>
</tr>
<tr>
<td>International Investors</td>
<td>Banks, Governments</td>
</tr>
<tr>
<td>People's Committee of Ho Chi Minh City</td>
<td>Party leader or Mayor</td>
</tr>
<tr>
<td>People's Committee of District 2</td>
<td>District leader</td>
</tr>
<tr>
<td>People's Committee of An Khanh Ward</td>
<td>Ward leader</td>
</tr>
<tr>
<td>Mass organizations: Youth Association</td>
<td>Community Organizers</td>
</tr>
<tr>
<td>International Donors</td>
<td>Banks, Governments</td>
</tr>
<tr>
<td>Residents of the area</td>
<td>Households</td>
</tr>
<tr>
<td>2 NGOs</td>
<td>International community developers</td>
</tr>
</tbody>
</table>

ENDA Vietnam focuses on environmental and social development projects within a local, bottom-up framework. Much of their efforts emphasize small-scale community pilot projects, and building positive examples of the participatory process for local and district authorities. They aim to use an integrated community development approach that can address a multiple array of obstacles for poor and low-income residents, while also building sustainable models of participation and collaboration with the leaders of the District and mass organizations. ENDA has worked in Vietnam since 1993, and has initiated a variety of local programs on community development and infrastructure.

ENDA and Villes en Transition (Vet) began working together in 1995, on a common urban project. Both NGOs have taken the time to build a permanent relationship with the institutional partners of the District and local mass organizations. In District 2 they work with the Youth Association, the Women's Union, the People's Committee of District 2, The District 2 Construction Company, and the People's Committee of An Khanh Ward. One of their most successful projects together to date has
been the resettlement project of another District 2 community, Binh Trung Dong. It is an example of the first successful sites and services project for poor families in Ho Chi Minh City, as well as the first to provide housing credit to these households. The project targeted 53 low-income families that were illegal residents dispersed throughout 11 hectares of land that overlapped with reserved land for the planned Trade Center. Guidelines in the Master Plan called for these families to be regrouped and moved to another area of the site along the parameters of the previous community while development plans commenced for the Trade Center.

ENDA and Vet helped resettle the families using an integrated approach with credit and savings programs, long-term loans, low-cost infrastructure and housing programs. In addition, the new site incorporated some elements of land sharing, because the families were resettled on peripheral land that was set aside for trade center development. As a result, the resettlement site was less remote than the initial site designated by the government. It also provided an important precedent of cooperation. The NGOs worked with the District 2 Construction Company for the first time to provide differently priced services and housing construction schemes. Part of the project’s agenda was also to establish a working and participatory relationship with the District authorities. Illegal households involved in the pilot project obtained building permits and 10-year leasehold agreements on the land with 2-year renewable contracts. ENDA describes this as the first step toward legalization, and aims to “improve the social and legal status of these families by improving their living conditions.” However, the families are still not fully legal under District or National Law, because they do not have residential permits.
One of the major achievements of this pilot project has been to improve living conditions through an integrated, low-cost approach, while also exposing the households and authorities to the benefits of participatory, integrative resettlement. ENDA and VeT have made a convincing case to the District authorities on the cost saving benefits of an integrated project in comparison to former slum removals and resettlement programs in high-scale government housing. Further, they introduced important cooperative strategies such as land sharing. Therefore, the major experimental risk of this project is not whether physical and social conditions can be improved in a cost effective, participatory manner, but if these improved conditions can create enough leverage to negotiate full legal tenure for the resettled households. At the moment, this cannot be answered. With most of the formal construction on the Master Plan and the East West Highway not expected to start officially until spring or fall, the this question in strictly evaluative terms awaits an answer.

**NGO Upgrading in An Khanh**

An Khanh is one of five communities in District 2 that will be affected by development either by the Master Plan, East West Highway Project, or the Water and Environment Improvement Project by Japanese Bank of International Cooperation. It is a more dispersed project affecting 869 households, on a smaller investment scale. The aim of ENDA’s project is to improve basic infrastructure availability and introduce low-cost, community-supported processes to both the residents and authorities. Because An Khanh’s fate regarding removal is uncertain, the upgrades and investments here are made before relocation rather than after. If the Master Plan is implemented, and requires their relocation, they are to move to the properties. According to official plans, the government
has constructed 5-story apartment buildings in An Phu and other outlying areas for their resettlement.

Photo 3: Government housing in An Phu for resettlement of An Khanh residents

Virtually none of the residents want to relocate to apartment buildings. Some cite the inability to earn an income far away from an economic core, and others cite the constraints on small micro-enterprises that require ground level space. Examples of comments from some of the residents in An Khanh and District 2 illustrate this point:
• “If I am resettled in An Phu, it will be difficult for me to make a living” (Interview 2: café proprietor).
• “If we were moved, we would have no way to earn a living” (Interview 5: informal laborer).
• “I do not believe the government will resettle me. If I have to pay rent, I will be homeless. I prefer compensation money” (Interview 7: unemployed male).
• We do not want to resettle in an apartment building. If we must resettle then we want enough money to resettle somewhere else” (Interview 19: family homeowners for over 60 years).

Additionally, many residents claim the provided compensation is inadequate to sustain them in government-produced housing. Recent studies have found that 20-30% of the poorest families cannot sustain themselves in government housing, and up to 30% of households are more impoverished after relocation (Pham 1997; Japanese Bank for International Cooperation, 2001; Legrand, 2001). In addition, there is early evidence that some families may have sold their apartments in the Binh Trung Dong project, and resettled elsewhere. More studies are necessary to determine where these households have relocated. Clearly, if they have moved to other illegal areas displacement has not been fully addressed by the current policy (Legrand, 2001).

For many of these reasons, if the project wards of An Khanh are designated for removal, they may also become candidates for ENDA’s integrated resettlement projects such as Binh Trung Dong. However, if Binh Trung Dong is a potential case for successful resettlement, An Khanh is a potential case for avoiding resettlement altogether. In the last 2 years, ENDA has invested in the community development of An Khanh through water pipe installation along the riverfront, flooding prevention, waste and recycling programs, and credit and savings initiatives. The property is less capital intensive than Binh Trung Dong, but more widely dispersed throughout the settlement.
As Binh Trung Dong is so far a successful example of a sites and services project for the poor, it is hoped that An Khanh can become a successful example of in-situ upgrading. Much of this depends on the willingness of District leaders, and even more importantly, authorities in city and national offices such as the People’s Committee of Ho Chi Minh City and the Department of Land and Housing Administration.

However, what is most interesting about this experimental in-situ upgrading project in An Khanh, is the lack of agreement about in-situ upgrading, even among the NGOs. Both ENDA and VeT worked together on the integrated resettlement project of Binh Trung Dong, although that prospect, too, is technically still at risk because the authorities have not explicitly made long-term tenure agreements. Residents of Binh Trung Dong rent the land with 10-year leaseholds, and 2-year renewal agreements. In the case of An Khanh, VeT decided not to collaborate in experimental in-situ upgrading because they could not get a 10-year guarantee from authorities that this settlement would not be moved. In a sense, their lack of collaboration in An Khanh encapsulates the theoretical debate about upgrading and tenure security. Because in-situ upgrading is still new in Vietnam and has not met with much success in the past, donors are reluctant. City authorities are familiar with the positive implications of in-situ upgrading, but in the past outcomes have been highly unstable.

In spite of the cost of slum removal attributable to removal, relocation, and compensation, authorities have removed upgraded sites in the past. One example is the Hiep Thanh community in District 4. After the completion of a successful in-situ upgrading project in the 1990s, the Peoples Committee of District 4 removed the community shortly after completion to clear space for new development (Pham, 1997).
There are more recent reports of removal after upgrades along the Nhieu Loc-Thi Nghe Canal. With the highly unpredictable combination of a transitional market, changing institutions, and a 10% increase in land price over the last year (Legrand, 2001), community development in Ho Chi Minh City is risky. However, the An Khanh community and NGOs must consider how much riskier in-situ upgrading is compared to sites and services in Binh Trung Dong. In the end, both projects represent investment in the face of possible removal. An Khanh as an in-situ investment, and Bing Trung Dong as a resettlement site for households. How do international NGOs and donors such as VeT’s consider An Khanh a higher risk than Binh Trung Dong? How should these projects be evaluated in the event of removal?

Part of the difficulty and goals in-situ upgrading is securing the cooperation of District officials, and creating a common understanding of participatory and community development processes. ENDA has secured the goodwill of the director of District 2, but the city and national authorities must also be convinced. The NGOS see the next phase of development as changing attitudes and impressions of slums as dirty and ugly, and receptacles of social evils. In-situ upgrading of the living conditions and environment of illegal settlements is a strategy both to gain secure tenure for the residents and to persuade officials to see slums differently. Under the circumstances of a weak civil society and inconsistent tenure security, the NGO sees in-situ upgrading as a valuable lesson to both community and institutional development. The two NGOs have adopted different tactics. ENDA’s approach in An Khanh has been to take the risk of in-situ development, while VeT has decided to work within the existing institutional framework.
of removal and resettlement. However, when all community development is risky, households, communities and NGOs must choose which risks to take.

Ultimately, both sites and services and upgrading must be considered necessary whether removal occurs or not, because progression also entails the slow and methodical changes that occur in accumulated experiences and attitudes. The projects implemented by ENDA and VeT set out to exemplify and demonstrate integrative, participatory processes to skeptical or unfamiliar local and national authorities. Moreover, within the context of a legal residential permit system and formal and informal residencies, establishing eligibility for compensation and resettlement packages is also a way to obtain secure tenure incrementally.

Perhaps compensation should be decided first by the minimum amount necessary to relocate to affordable apartments, and alternative options should be emphasized as part of the private housing market. Cooperation with NGOs could help provide the avenue to building up this capacity. Therefore, the overall incremental progress of these changes must also be accounted for in addition to the physical and documented increases in secure new housing for the poor. With that in mind, what means should organizations and individual households use to achieve this end? The next chapter will further explore this question and the proposition that in-situ investment and household investment is used as a strategy in An Khanh to gain tenure. Household upgrading and the impending threat of removal, resettlement, and compensation will be examined in support of this proposition.
CHAPTER 4

Analysis of Empirical Findings and Information

This thesis began with the proposition that upgrading and infrastructure investment in An Khanh by households and the NGOs are being used as a strategy to improve tenure claims against possible removal. The findings of this research support that claim, and further establish a focal point between in-situ upgrading and a sites and services approach. NGO reasons for upgrading have also supported this proposition, although they may disagree about the approach. This preference reflects the theoretical definitions and analyses of tenure and upgrading. Some international donors of NGOs prefer to support a sites and services approach in Vietnam because this approach appears to offer a more secure tenure agreement before investment.

This chapter argues is that sites and services development in Ho Chi Minh City may inadvertently offer even less tenure security to relocated households than in-situ upgrading projects. Consequently, the two approaches hold important implications for future development in Ho Chi Minh City. How do we evaluate measures on the success and progress of these two approaches within the social and political reality of Vietnam? That question will be explored in this chapter as it relates to the proposition that in-situ and household investments are used as a strategy in An Khanh to gain tenure and sustainable resettlement. NGO and household upgrading will be examined within the context of socio-economic dynamics, impending removal, resettlement, and compensation.
Migration and An Khanh

Socio-economic status in Ho Chi Minh City is defined by household income, residential status, and surrounding environmental and physical conditions. Generally, the households in the most precarious environmental conditions also have the lowest socio-economic status and shortest residency durations. These households are officially characterized as rural migrants that have settled in the cities relatively recently, without legal status and formal papers that would enable them to access social services. Many are located along rivers or canals. Although empirical research for this thesis supports the analysis that the poorest households live along the canals and rivers, household structures vary. Residential patterns are not consistent with official explanations. There is a great deal of housing types mixed together from temporary to permanent in all areas of District 2 including rivers and canals. Most of the long-term households, which are the majority, do not possess formal residential or land use certificate papers.

My research found that contradictory to official claims, most of these households are not recent rural migrants, but long-term area residents or urban migrants. In An Khanh and Thu Thiem, 63% (15/24) of the households interviewed lived in the area at least since the 1960s, with 30% of those households before the 1960s, and 35% after the 1960s. Of the households that lived in the communities after the 1960s, 38% (9/24) moved to their current land after 1994. In contrast, 8% (2/24) of the interviewed households live in their first and only residence in District 2, including one newly-married couple that built a house a few feet away from the 1987 house of their parents (Interview 9).
In An Khanh, many of the “new” migrants along the riverfront are actually life-long residents of the district that were sent to New Economic Zones (NEZs) after the socialist reunification of the country and subsequently returned. Some of the long-term households along the riverfront openly admit to being returnees from these NEZs. They are from families that lived in the area for generations and were either divided or sent away to live in the NEZs or reeducation camps. “After 1975, Communists wanted people to leave and work on farms. My family did not go, and for this reason we have papers” (Interview 3). Upon return, those that did go to NEZs did not qualify for formal residential papers from their original communities because legally they were documented residents of the rural villages in the NEZs.

Other households throughout the settlement show patterns of a reshuffling from one plot of land to another within the same community from the 1970s to mid-1980s. At least 42% of households moved to their current dwellings from another residence in the community. In An Khanh alone, this is the case for 36% of the interviewed households. Therefore, one suggested finding of this research is that the classification of new, rural migrants may not accurately reflect the numbers of long-term urban returnees from NEZs. In An Khanh and perhaps other slum settlements, long-term urban residents who are returnees of NEZs, and migrants from other parts of the city, live in the most precarious conditions. Official reports state that residents living in these conditions are recent rural migrants (Asian Development Bank, Ministry of Construction, Low Income Housing Main Report, 2001). Accurate diagnoses of an issue are necessary to prescribing appropriate recommendations that can contribute to the formulation of sustainable plans. Shifting long-term urban populations farther out to rural or agricultural
peripheries of the city may result in a higher number of precarious households which return to slums closer to new developments near the urban core.

**Spatial Patterns, Tax, and Services**

Spatial patterns within the settlement also tend to reflect socio-economic status, although indicators such as tax levies and formal connections still seem inconsistent. There is a “top” of the river and a “bottom,” with worse environmental conditions and lower socio-economic status on the bottom. Most of the households on the “bottom” of the river are admitted returnees from NEZs, who were not eligible for residential papers upon their return. However, formal connections are not evenly limited to households that have papers, because there is a combination of formal and informal service connections along the riverfront, and throughout the settlement.

In the 24 households I interviewed, 9 households or 38% pay tax and receive formal water and electricity services, 6 households or 25% obtain informal access and pay no tax, 3 households or 13% have informal connections but do pay tax, 2 households or 8% are cell leaders with formal connections and do not pay tax since 1977, and 1 household is uncertain of whether they have formal or informal access.

Formal papers are a necessity for formal service access, but in An Khanh and Thu Thiem tax payment is the most frequent indicator of formal service access. However, the share of households with informal connections is also 38%. The three households that pay tax and receive informal services built their house or made a major upgrade between 1999 and 2002 (Interviews 4, 9, and 19). Tax payment and its collection appear to be a bigger indicator of tenure status.
Households started paying tax after the reunification, but some have been told to stop paying tax in An Khanh after the approval of the district Master Plan in 1994. The government pardoned households from tax duty in recognition of possible impending removal. However, like the process of tax collection, the number of households that were told by authorities to cease tax payments because of the Master Plan is also inconsistent. In addition, upgrades and new home construction did not only occur in households that pay tax. They are also seen in other dwellings that were constructed both recently and as far back as 1977 that do not pay tax (Interviews 1, 6, 7, 13). Most of these structures are wood, but there are brick and concrete non-taxed homes as well. The homes that were upgraded with permanent materials such as brick and concrete did so between 1999 and 2002, with the most recent brick upgrade done by a household that had occupied the land since the 1970s (Interview 13). Household perceptions of tenure based on official signals such as tax payment seem important, but it is not the only consideration and may not be the most important.

The installation of formal service connections and tax collection is widely perceived as a signal of unofficial acceptance and tenure for slum settlements, albeit an unpredictable one. Formal service provision did not occur in An Khanh until 1991. Infrastructure upgrades are important because they increase the value of land and surrounding property values, and sends a signal of acknowledgement to informal settlements. Just as tax payment is an indicator of formal services for long-term residents, the cessation of tax payments could be an indication of weaker tenure categorization as a result of the Master Plan. Therefore, an association between upgrades and the official provision of services may not be a reliable indicator of official and community perceptions about tenure. For
the purpose of analyzing the effects of upgrading and tenure, it is necessary to consider whether or not formal service connections occurred before or after household upgrade efforts.

Household Upgrades and Formal Services

Some brick homes have existed in An Khanh since the era of French colonialism, and others began as wooden dwellings that were either upgraded to brick houses or to more efficient or larger wooden structures. In the sample of interviews, 12 houses were built before the year of the Master Plan in 1994, and 12 were built after. At least 7 households built their house within 10 years of settling on the land. Dwellings vary between wood, metal, and brick structures, but they are almost all evenly divided between formal and informal connections according to year. Therefore, in this case, it does not seem that the perceived or symbolic tenure of government services provided by the government sparked an increase in permanent and upgraded housing construction. Those structures that were built before 1994 and taxed are more likely to have formal utility connections than those that pay taxes and were built after 1994. However, this demarcation is largely because those households were both in the area and paying taxes. At least 35% of households that are taxed and built their first structures before 1991 have formal connections from the government. Only 3 of those households have formal papers, with two that received them during the French era. Houses that are newly built or upgraded after 1991 and whose owners pay taxes comprise 22% of overall households. Approximately 35% of households have informal connections. Only two long-term

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12 One of the interviewed households lives in government housing that was built before 1976.
13 Five anomalous households were excluded from these specific ratios: 2 were local ward leaders before 1991, have formal connections, and do not pay taxes, two other households have structures that date before
households made upgrades within 3 years of the government’s installation of formal services, one with an informal connection and the other with formal access. For the most part, households seemed to upgrade or build before formal services, with a slight increase in new housing after 1991. However, it would be more likely that this recent slight increase of households in District 2 is attributable to the housing pressures caused by rising land markets. From the year 2000-2001, a World Bank study estimated a 10% increase in Ho Chi Minh City land values (Legrand, 2001).
The reasons given in interviews for household upgrades vary, but no one cites the perception of secure tenure as a reason. In fact, some households have upgraded quite recently in spite of the heightened insecure tenure created by the Master Plan and impending development. Most of the households cited quality of life issues, or the unreliability of government Master Plans. Households upgraded over the last year have
done so in observance of traditional life events such as marriage, or because of environmental and physical surroundings. Others saved up for a long time, and waited until they had enough savings or credit to make changes. Some of the reasons given in the interviews are as follows:

<table>
<thead>
<tr>
<th>Interview</th>
<th>Reason</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>“We rebuilt into a concrete house in September 2000, because we wanted a nice house. We heard about the Master Plan for years and wanted to rebuild anyway” (Interview 1). This house was also in the process of adding on an external room with bricks at the time of the interview in March 2002.</td>
</tr>
<tr>
<td>9</td>
<td>Interview 9 built a very developed concrete and brick house 6 months ago, after the government filled in a canal across from her in-laws very developed brick and concrete house.</td>
</tr>
<tr>
<td>11</td>
<td>Interview 11 built a very developed brick and concrete because they “need a place to live and the government takes a long time to move people.”</td>
</tr>
<tr>
<td>12</td>
<td>“The government takes a long time to act, so we bought and built up this house” (Interview 12).</td>
</tr>
<tr>
<td>16</td>
<td>“We are building to raise our floor above flood level” (Interview 16), who were upgrading on their structure at the time of this interview in March 2002.</td>
</tr>
<tr>
<td>23</td>
<td>“We lived here for 30 years but just built from wood to concrete and brick 2 years ago. Our old house was falling apart, and we had enough with our savings and a loan to rebuild” (Interview 23).</td>
</tr>
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</table>

Approximately 43% of the interviewed households used credit to build or upgrade their dwellings. From this group, 30% are still paying back their loans at an average of 20% interest, and 26% borrowed from family members at a lower rate and faster repayment schedule. In the event of removal, many would absorb a loss. However, in the event of removal, improvements count. Potential compensation packages are based on the combined value of land and upgrades. Although this can be an issue, household confidence in government compensation is very low. In addition,  

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14 This proportion does not include the household in government housing.
without formal legal papers, most households stand to receive 30-40% less compensation money than those with formal papers.

The provision of infrastructure increases land values, as does the changing land market that places a higher value on urban land. Apart from economic expansion and increasing demand, there are at least three crucial transitions in the urbanization process that affects land prices: when land is converted from rural to urban, the provision of infrastructure, and a change in land use for redevelopment (Doebele, 1983; Gunnewiek and Mosselman, 1995). From a purely economic viewpoint, the incentive to stay for most households is much greater than increased compensation packages for resettlement. Therefore, it is more likely that most households implement recent upgrades for reasons other than potential compensation packages.

Household and NGO Upgrades

In separate interviews with ENDA and residents the neighborhood's hazardous surroundings and precarious environmental conditions have been acknowledged as an indicator of resident's socio-economic status. One of ENDA's admitted objectives for in-situ upgrading is to improve the surrounding environmental and physical conditions with the aim of improving the associated socio-economic status of a household. In the case of An Khanh, upgrading can have a variety of motives, but for individuals the biggest incentive seems to be upgrading as a way to avoid removal. Because slums in Ho Chi Minh City are synonymous with low socio-economic status and are scheduled for demolition because they are seen as contradictory to a modern urban image, ENDA uses in-situ upgrading. ENDA implements this strategy by installing services that a larger
variety of households can access, and teaching community residents about savings and loans so that more households can afford upgrades.

Precarious housing and environmental conditions of informal settlements are associated with socio-economic problems that to authorities contradict the image of a modern, urbanizing city. To Officials in a city where most of the residents that live in the most precarious conditions are estimated to be rural migrants, slums represent uncontrollable migration. However, as reflected by the households interviewed in An Khanh and surrounding communities, local residents are urban migrants and returnees of NEZs. Therefore, one of the best psychological defenses against being classified as a temporary resident is to build a permanent structure as soon as a household is financially able.

Because tax collection is a convenient way to date and categorize dwellings according to size and length of residency, residents that do not pay tax can be associated with new arrivals and more precarious housing. Non-taxed dwellings made of wood are therefore the most vulnerable and may have the weakest claims under the changing terms of development. This may explain the recent upgrading that many households with informal connections and non-tax payments have undertaken recently.

ENDA assists those efforts by investing in in-situ projects that provide services to households and small vendors that may not have been able to access the formal government service. In the event of removal, households that do not pay tax will be especially compromised if they live in structures that outwardly represent temporary status. Some of the resettled households from Thu Thiem that now live in brick and concrete dwellings previously lived in wooden structures before they were moved by the
government (Interviews 10, 11, 12). Although their tenure status is still undefined, they have built permanent structures this time around.

**In-Situ Upgrading or Sites and Services: How Should we Evaluate Success?**

The NGO ENDA views in-situ upgrading as an opportunity and method of cooperation between district authorities, NGOs, and community residents. They strive to influence authorities and district officials in the hopes of building support to create new and successful examples that can be replicated. “Only a real experimentation can make a more participatory approach convincing, and allows appropriate tools from it to be figured out” (ENDA, Pilot Resettlement Project, 2000). In the case of both resettlement and in-situ upgrading, planning methods that involve the input of all project-affected persons is still a very new and experimental approach in Vietnam. Cooperation between ENDA and VeT has produced fresh examples and promising blueprints for successful, participatory resettlement through a sites and services model. However, even these progressively innovative, locally based NGOs, have divergent views when it comes to the implementation of in-situ upgrading. Their difference in approach stems less from judgments about the inherent value of in-situ upgrading or sites and services, and more with the sense of investment and risk within Vietnam’s context.

In the past, Vietnam and many command-and-control administrations have favored slum removal as a primary approach to upscale development. As Ho Chi Minh City seeks to balance recent unprecedented growth and urbanization rates, slum removal development will have significant implications for the city’s low income and peripheral communities. A recent World Bank study found that 20-30% of relocated households in Vietnam become impoverished after resettlement, and 20% of poor households cannot
afford the housing designated for resettlement (Legrand, 2001). The costs and benefits for the city administration will also be disproportionate if resettlement practices result in more slum expansion and precarious housing at the expense of vacant, inaccessible, government-produced apartment buildings located far away from the urban economic core.

The success of both in-situ and sites and services projects are equally important to influencing multi-faceted incremental change by exposing authorities and communities to participatory processes that can impact the strength and quality of tenure for low income and poor communities. In-situ upgrades work to challenge the authoritarian attitude that removal is the only way to modernize slums by improving the physical environment and socioeconomic conditions of people who live in informal settlements. Although both approaches recognize the importance of negotiating tenure, the success and risk of each should be judged within the Vietnamese context.

ENDA has invested in the experimental risk of in-situ upgrading in An Khanh, while Villes en Transition (VeT) supports a sites and services approach as demonstrated in Binh Trung Dong. Approximately $5,000 was invested in the An Khanh upgrading project funded solely by ENDA, with a target of reaching 869 households in 2 sub sections of a ward. The sites and services project in Binh Trung Dong cost approximately $70,000 for 53 families (Legrand, 2001). Although both ENDA and VeT frequently collaborate on development projects in Vietnam, An Khanh is a solo project for ENDA because the international donors of VeT refused to invest in An Khanh. However, the successful sites and services project is not without the risk of removal.
VeT is not invested in the An Khanh project with ENDA because they could not secure a 10-year guarantee from the governmental authorities. Both NGOS and international donors consider Bing Trung Dong a successful project, but the 10-year leaseholds of that project are mitigated by 2-year renewal contracts. Even as an acknowledged successful project, Bing Trung Dong has still not achieved the assured status of unquestionable tenure. Therefore, the lack of a 10-year guarantee on the part of city authorities is an inconsistent and contradictory reason to withhold funding for experimental but risky in-situ upgrading.

Besides the inconsistency of excluding in-situ projects from funding based on insecure tenure agreements, excluding in-situ projects from the development spectrum in Ho Chi Minh City misses and important opportunity to affect physical and social conditions in informal settlements. Further, it excludes an increasing swath of urban migrants and lower socio-economic groups from reaping the benefit of new development and sustainable communities. Although sites and services projects offer enormous benefits to relocated families, they should not be used entirely at the exclusion of in-situ upgrading projects because of investment risk. Both programs enable new cooperative and administrative paradigms to take root, but the sites and services approach serves as a response rather than an alternative to the existing paradigm of slum removal and resettlement.

Therefore, if upgrading is being used in An Khanh and surrounding communities as a strategy to gain stronger tenure, how do we evaluate these projects as “progress?” A closer look at the official method of slum removal and resettlement should help us decide.
Resettlement, Compensation, Sustainability: In-situ versus Relocation

The resettlement process in Vietnam is a complicated and highly obscure process that has undergone changes. Recent changes on paper are still largely undemonstrated. During the 1980s, there was no recourse for households that were removed. They received no compensation from the state. Officially in 1992, with the passing of the new constitution, that all changed. A second law in 1993 was amended and supplemented by revised land laws in 1998 and 2001. These laws stipulated detailed procedures with a number of decrees for land use certificates, the duration of land assignments, land leases, land for constructing residential houses, and resettlement compensation values (Asian Development Bank, Ministry of Construction, Low Income Housing Main Report, 2001; Legrand, 2001).

On the city level Ho Chi Minh City issued Decree 5 in 1995, which changed the land-pricing framework to compensate urban land according to market value. Each District office writes the relocation and compensation package for each governmental project, according to city policy (Legrand, 2001). District 2 was added to the city’s jurisdiction as urban land in 1997. In spite of these decrees, compensation has been inconsistent, and the length of time to obtain a legal land use certificate is still a major obstacle and hindrance to applying for legal land use rights. One aspect of the revised Land Law of 2001 which changed the parameters of land prices to bring it closer to market rates have not yet been issued (Legrand, 2001).

The state can implement a form of imminent domain by taking land for what it defines as defense, military, or public interest reasons. Most relocation projects in the city fall under this definition. Some private investors try to negotiate agreements that
involve more public input and relocation plans that offer compensation closer to market rates than the official rate. One persistent problem is the inability of the poorest households to be incorporated into resettlement programs due to low compensation and denial of resettlement options for illegal and temporary residents.

In 1997, illegal households were allocated a plot of land specified according to governmental minimum standards of at least 60 square meters, but the households had to pay the government for the land. The Vietnam Resettlement Policy Project Report No. 1 (1997) classified structures according to materials and building design standards issued by the Ministry of Construction. Four categories were used that classified dwellings according to temporary materials and a minimum residency status, ranging from up to 5 years to 55 years. However, these laws were notoriously difficult to understand. In 1998, Decree 22 was passed allowing tenure status KT3 (long term illegal resident with informal papers from the police) to be included in resettlement plans. This allows a bit more flexibility but length of residency status is still an important feature and difficult to prove.

If households in An Khanh are required to move as the Master Plan warrants, they will receive compensation amounts that are commensurate with their housing structure and duration in the settlement. Illegal households will receive 30-40% of the compensation rates received by legal or “legalisable” households (Asian Development Bank, Ministry of Construction, Low Income Housing Main Report, 2001). However, some households will receive even less. Those households that have settled in the community or bought a dwelling from another resident after the approval of the Master Plan in 1994 will not be compensated. “Because the distinction between legal status, in
most projects analyzed, the reparation of the compensation is very unequal. Less than 10% of the population received very high amounts (between 100 and 200 million VND) while the majority having around 30 to 40 million and 36% having less than 10 million” (Asian Development Bank, Ministry of Construction, Low Income Housing Main Report, 2001).

Some project evaluations have observed that a few households have already returned from resettled areas to start new slums.

Before relocation, housing charges represented 4% of the household expenditures; it is around 20% after relocation. 35% of the middle-income families declared their incomes have decreased after relocation; the figure reaches 46% of the lower income. After 2 years 17.5% of the relocated families resell their apartments and around 30% after 4 years. Satisfaction rates with government housing after relocation seem to be equally divided: 25% report satisfaction with the same amount reporting dissatisfaction, with 60% reporting roof problems with water leakage (Legrand, 2001).

Both in-situ and sites and services can contribute to the incremental change in policy, institutional processes, and the actual physical and social well being of informal residents. In fact, it is imperative that strategies are used and tested within Vietnam that can affect change in the current removal and resettlement policy of authorities. Without a willingness to take risks against the prevailing top-down, slum removal policies of the state, alternatives cannot be demonstrated. ENDA is taking a risk by focusing on in-situ upgrading, but improving the social and physical environment is linked to improving socio-economic status. Further, the idea of greater investment risk of in-situ upgrading compared to sites and services is a largely arbitrary one. In fact, with time modalities that rank tenure status according to residency duration, some relocated sites and service projects such as Binh Trung Dong offer less tenure security to project affected persons.
that have not been moved. Both approaches are new and still largely an experiment in Vietnam.

Based on the findings, successful in-situ upgrading is an important approach to alleviate poverty, slum expansion, environmental, and socio-economic conditions in Ho Chi Minh City. Sustainable policy requires alternatives to large-scale, slum-removal development in Ho Chi Minh City, and a willingness to experiment and demonstrate new models of planning and development in a rapidly urbanizing city. Part of this innovation and growth must involve the donors of NGOs from developed countries, who play a large role in fomenting change. Without their willingness to fund experimental in-situ programs in Ho Chi Minh City, very few successful alternatives to relocation will be demonstrated during a time of transition. Experimental projects require the meaning of success and progress to be reevaluated, and offer lessons for failure. Without the room for failure and reflection on small projects, success on the larger projects will be elusive and poverty will continue to deepen and expand.
Conclusions and Recommendations: Or, How Should We Evaluate and Facilitate “Progress”?

In the previous chapter I examined the proposition that NGOs were using household upgrading as a strategy to gain tenure within the socio-economic context of communities in District 2. I found the NGOs were divided over whether investment in should become before or after secure tenure agreements, but that some NGOs and households make conscious decisions to invest before tenure. In spite of impending removal, communities upgrade their housing to strengthen their claims as permanent, invested residents. Some households may decide to upgrade in hopes of receiving a better compensation package in the event of removal. The majority of residents do not want to be moved. They upgrade for quality of life issues, and as a strategy to improve the socio-economic conditions of the area so that it can minimize the social stigma of informal settlements as temporary housing. Towards this end, these responses are comparable to the activity of settlers and squatters in other developed countries that have gained legal property rights through the principle of labor and equity. Therefore, the initial proposition of whether or not NGOS and households upgrade as a strategy to improve tenure leads us to a second question: how should projects that support these strategies such as in-situ upgrading be evaluated?

As Ho Chi Minh City continues to urbanize at a brisk pace and moves toward the image of modernity that many developed nations have coveted in their own recent past, an increasing number of foreign developers and investors will exert influence over the
lives and spatial relationships of the very poor. In some instances, large investors exert
direct influence by requiring participatory and responsive resettlement plans as a
condition of their development projects. The Japanese Bank for International
Cooperation (JBIC), developers of the East/West Highway Project that estimates
resettling approximately 9,000 households, makes recommendations to the Vietnamese
Government on sustainable resettlement plans, community development programs, and
“methods of consultation with the residents, and feedback methods for results of the
consultation” (Japanese Bank for International Cooperation, 2001). This concern is
motivated by the pragmatic need to carry out unhindered projects, and recognition of the
ability to influence change.

NGOs and community developers are professional proponents of change, and as
such should take a lead in demonstrating alternative methods of development. Of course,
all development projects have a baseline of support and project failure definitions, but
without the flexibility for innovation international donors may inadvertently limit the
scope of success without the insight of failure that so many large-scale projects seem to
reap the benefits from.

Sites and Services development within the context of Vietnam does not challenge
the paradigm of slum removal and resettlement, and helps fewer amounts of families than
in-situ upgrading. Where resettlement is unavoidable, sites and services is a good
alternative, but it should not be viewed as a default mode of development because of
insecure tenure definitions. In that regard, all development in Ho Chi Minh City is a risk.
Within this framework and socio-political reality, in-situ upgrading should not be
overlooked or ruled out as a bigger investment risk than sites and services.
ENDA is taking an experimental risk by focusing on in-situ upgrading, but a well-warranted one, because improving the social and physical environment is linked to improving the socio-economic status of beneficiaries. Because the Vietnamese authorities tend to think of slums as the anti-modern receptacles of social evils, automatic slum removal is the equivalent of surgically removing an entire organ before fully diagnosing the nature of the problem. And before radical surgery is performed, a proper diagnosis of the issue is needed. Following are recommendations on the kind of actions that could help both government officials and international NGOs move toward that end.

**Recommendations and Follow up:**

- **Correct classification of urban migrants:** Official classifications of illegal residents report that recent rural migrants inhabit the most precarious housing and environmental conditions along the city’s rivers and canals. Findings from this research contradict those assessments. Rather, most recent residents are urban migrants from other parts of Ho Chi Minh City, and long-term residents are returnees from NEZs. All of the interviewed returnees were second and third generation residents An Khanh and Thu Thiem. More research on a household level is recommended because sustainable plans cannot be formulated without an accurate understanding of the population and their challenges.

- **Simplify Residential Permits and Land Use Certificates:** Despite the revision and amendments on successive decisions regarding land laws and registration, issuance of residential papers and Building Ownership and Land Use Certificates are still very complicated and slow. Land management mechanisms have not been maintained and proof of land use entitlement is difficult for the government and many land use occupiers. In addition, residential permits exacerbate the entire process of land use and tenure because many urban residents disqualify for formal papers and tenure recognition. Many of these “temporary” residents have been in the city for at least 20 years, and a large number are migrants from other urban areas or returnees from NEZs. It is both unreasonable and inefficient to force them to return to rural areas or to be excluded from legal residential status in the city. Furthermore, this is self-defeating to Vietnam’s modernization aims, because residential permits perpetuate a caste system between illegal and legal residents that leave illegal residents with no options other than the informal housing and market economy. This exacerbates the slum conditions that authorities abhor.
• **More Cooperation Between Multi-sector Agencies:**
  This has improved a bit in Ho Chi Minh City and in District 2 in particular, and should continue to improve. NGO cooperation between the city agencies and people’s organizations can help garner support for programs that are still largely experimental. They can play an important role in demonstrating community development projects that work directly with community residents, and serve to expose community residents and district leaders to alternative methods of planning leadership and decision-making.

• **Sustainable and Cost Effective Alternatives to Slum Removal:**
  Build wider acceptance of in-situ upgrading among Vietnamese officials, international donors and investors, and international NGOs. In-situ and slum consolidation offer a more cost effective and socially viable alternative to slum removal and is more sustainable than government resettlement plans. Sites and service programs are also an option when resettlement is unavoidable. Binh Trung Dong is currently a successful example of sites and services, and An Khanh can become the successful example of in-situ upgrades.

• **Evaluative Methods and Definitions of Success:**
  All development is defined by risk and often lacks qualitative measures of success. In Vietnam, both quantitative and qualitative measures are difficult to satisfy. Institutional and economic frameworks are in transition, which obscure an already confusing situation. However, community development work should aim to change broad spectrums of political and social change incrementally, through a few households and government officials at a time. Small, experimental development projects are risky, but they are the only models of alternative urban planning in Ho Chi Minh City. They may be the most strategic and effective routes to social reform in Vietnam at the moment. Evaluative measures should consider these political and institutional realities when rating viable projects.

• **Land Sharing as an Option:**
  Land sharing is a mixed-use development arrangement, where potential developers can provide land on the edge of their development for slum consolidation and resettlement. As more investors enter the Vietnamese market with conditions for sustainable resettlement plans, land sharing can help mitigate the long delays in land acquisition that often sabotage many government relocation plans. It is also an easier way of implementing new and innovative planning initiatives because the private developers have greater leverage. It is also an excellent opportunity to integrate the poor into mixed-income communities. However, the feasibility and motivation for land sharing depends on a tight land market, and the
success of former points such as building multi-sector relationships, and strengthening the participatory skills of residents.

In developing countries, the informal economy is a vital sector. Spatial segregation between the formal and informal economies hurts everyone, not just the population that gains its living through informal arrangements. In an economy such as Ho Chi Minh City, where less than 10% of households have been granted Land Use Certificates and up to 70% of the population in poor areas participate in the informal economy, realistic plans must address those needs. Successful development must find innovative and specific methods that engage and work with informal settlements, because ignoring them or moving them out of sight will not make them disappear.
### Appendix: Table of Interviewed Households, District 2

<table>
<thead>
<tr>
<th>Interview Number</th>
<th>Approx. Year Moved in the District</th>
<th>Approx. Year Moved on this Land</th>
<th>Approx. Year built House</th>
<th>Location of House</th>
<th>Govt. Papers?</th>
<th>House Materials</th>
<th>Year of Last Upgrade</th>
<th>Utility Connection</th>
<th>Paying Taxes?</th>
<th>Loan Borrowed</th>
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<tr>
<td>2</td>
<td>1940s</td>
<td>1980s</td>
<td>1980s</td>
<td>AK-R</td>
<td>No</td>
<td>B/F/W</td>
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<td>W,E (F)</td>
<td>N/96</td>
<td>N</td>
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<td>1980s</td>
<td>1980s</td>
<td>AK-R</td>
<td>Yes16</td>
<td>B/W</td>
<td>1980s</td>
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<td>1960s</td>
<td>1960s</td>
<td>AK-R</td>
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<td>Y/99</td>
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<td>1999</td>
<td>?</td>
<td>AK-R</td>
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<td>W</td>
<td>X</td>
<td>W,E (I)</td>
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<td>N</td>
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<tr>
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<td>1977</td>
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<td>W</td>
<td>X</td>
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<td>B</td>
<td>X</td>
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<td>TT-I</td>
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<td>B/W/M</td>
<td>1976</td>
<td>W,E (?)</td>
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<td>W,E (F)</td>
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<td>W,E (I)</td>
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<tr>
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<td>1940s</td>
<td>1940s</td>
<td>AK-I</td>
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<td>B</td>
<td>2000</td>
<td>W,E (G)</td>
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<td>Y/P</td>
</tr>
</tbody>
</table>

15 Head of the household is a ward leader and they recently received their papers from the government.
16 They still have papers because his father refused to go to a NEZ.
17 They get services from the very developed home of her parents-in-laws 10 feet away.
18 Because the head of the household is a divorced woman, the name on her house papers are in a male neighbor's name.
19 They are residents of government-produced housing and pay 50,000 VND per month in rent.
20 In general, missing information is because the household did not know or did not want to answer the question.
### Table of Interviewed Households, District 2

K-I: An Khan Interior  
Denominations are Vietnamese Dong (VND)  
K-R: An Khan River  
F/W/M: Brick/Façade/Metal/Wood  
Γ: Thu Thiem: Interior/River  
K: Binh Khan  
W,E,G: Water, Electricity, Garbage collection  
F - one service is formal and the other informal  
N/96: Stopped paying in 1996  
Y/99: Yes started paying in 1999  
/P is a loan that has been paid off;  ? - Renters
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