HOUSING AND TRANSPORTATION IN VIETNAM’S HO CHI MINH CITY

Case studies in social urban development

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HOUSING AND TRANSPORTATION IN VIETNAM’S HO CHI MINH CITY

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List of Abbreviations

BOO  Build-own-operate
BOT  Build-operate-transfer
BT  Build-transfer
BRT  Bus Rapid Transit
DOT  Department of Transport
GDP  Gross domestic product
GSO  General Statistics Office
HCMC  Ho Chi Minh City
HOREA  Ho Chi Minh City Real Estate Association
ISO  International Organization for Standardization
M&E  Monitoring and evaluation
ODA  Official development assistance
PPP  Public-private partnership
UNFPA  United Nations Population Fund
VND  Vietnamese Dong
The rapid urban growth of Ho Chi Minh City (HCMC), driven by economic development and massive immigration, has put huge pressure on the natural environment and basic infrastructure and services, including the housing and transportation sectors. These circumstances have impacted the lives of local residents, especially the poor and disadvantaged, exacerbating social inequality. Many existing problems are rooted in the extent to which low-income and disabled people can afford and access housing and public transport.

The resources of the government to meet the residents’ needs are limited. Policies to mobilize non-state resources have so far not proven efficient on the ground. Private investors in housing do not meet the needs of the poor in reality, while non-state stakeholders including civil society are not allowed to participate in the planning process. Housing policies are also challenged by the value of land and land use rights, which are highly dependent on the socio-political system of the country.

In a similar way, the old spatial urban planning procedures of HCMC are no longer appropriate. They make the traffic network difficult to improve and fail to connect people from remote areas. The participation of non-state stakeholders has to some extent diversified the transportation modes, but it has not really improved the mobility of the poor and the disabled. Civil society including residents’ representatives is not able to participate in the decision-making process to ensure they benefit from the transport policies.

Participation is considered one of the solutions for these problems, but it has not been efficiently enforced on the ground due to the existing socio-political system of Viet Nam. There has been gradual progress in the participation of non-state stakeholders and local governments in socio-economic development policy process since the start of the Doi Moi (“renovation”, or economic reforms) policy in 1986. Under the reforms, Viet Nam shifted from a highly centralized hierarchical state towards a set of arrangements characteristic of a market economy. The central government Communist Party decentralized power to local authorities, state enterprises and the market to design and manage economic policies, provision of public services and regulation. However, progress has been rather slow or sometimes stagnant, especially regarding civil society. These agents remain under the tight control of the government and are denied their rights. The State-owned press is also fully controlled by the Party, although social media is an important channel for social debates to inform government policies. Additionally, though participation is encouraged, the government has not laid out any explicit mechanism for participation by the people. Besides, a lack of information continues to hinder the participation of local authorities (particularly at commune level) and citizens in the process of policy making. The collective leadership in the traditional administrative system hinders accountability, which leads to corruption and an unresponsive governance system, especially in the delivery of public services. This undermines the process of participation.

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1. Overview of HCMC

1.1. Basic geographical, administrative and cultural information

HCMC is located in the south of Viet Nam along the Saigon River and its myriad tributaries and canal systems. The city spans 102 kilometres north to south, and mostly between 20 and 30 km east to west, for a total area of 2,100 square kilometres (Figure 1). The urban boundaries reach south towards the Mekong Delta and the East Sea with a 20-kilometre coastline, and north towards the provinces of Tay Ninh and Binh Duong. HCMC is the second-largest city in Viet Nam after Hanoi (3,200 square kilometres), but the most populated with approximately 8.2 million people in 2015, accounting for 8.5 percent of the national population (General Statistics Office, 2016).

HCMC has 19 urban districts and five suburban districts. The suburban districts are predominantly rural, engaged in supplying agricultural products to the city. The city has two main centres. The first is a political and administrative centre reflecting the French architectural housing style, and the second is a commercial centre, reflecting Chinese architecture and traditional culture.

As a city that has gone through a long transformation process, HCMC today is populated by very diverse cultures and traditions and is characterized by different customs, costumes, architecture, cuisine and religion. It is a city that is strongly influenced by the long-standing East Asian tradition evident in its behaviour, clothing and customs and attitudes to marriage, family relationships and education.

1.2. Economic growth

During the post-war period, Viet Nam underwent a serious economic crisis as a consequence of the failure of the centrally planned and subsidized socialist economic system. In 1986, the Communist Party’s Central Committee proposed a blueprint for radical economic reform in the form of Doi Moi, meaning renovation. The main goals were improving lagging productivity, raising living standards, and curbing inflation that had reached almost 500 percent per year in the mid-1980s (Wescott, 2003). The reform also sought to end the isolation resulting from the international economic boycott, increase foreign investment, and expand external trade and commercial relations. The reforms consisted of three major elements. First was a change from a centrally planned economy based on public ownership to a multisector-based market economy under the central government’s supervision. Secondly, the decentralized political system and economy highlighted by the participation of non-state actors created a sense of democratization of societal life. The third element involved a strengthening of Viet Nam’s external cooperation with other countries (United Nations, 2014).

In the wake of the economic reforms of the late 1980s, over the past two decades Viet Nam’s economy has experienced rapid and relatively stable growth. The increasing liberalization of the economy resulted in a
rapid expansion of the scale and productivity in almost every sector. Since the 1990s, Viet Nam’s gross domestic product (GDP) growth has continuously maintained the rate of over 5 percent and reached the peak of 7.1 percent in 2007 (see Figure 2).

HCMC and its surrounding provinces is the manufacturing hub of the country. HCMC and the southern provinces have shown some signs of saturation in production of low value-added products, but the intensive container-handling capacity of the deep-water ports around HCMC continues to transform this city into an attractive business hub.

1.3. Urbanization and population growth

Since the 1986 Doi Moi reforms, Viet Nam’s urban population has been growing along with its economic output. Viet Nam had an urban population estimated at 32 million, or 34.2 percent of the national population, as of 2015, a major jump from approximately 20 percent in 1990 (World Bank, 2017). The annual urban population rise was 2.9 percent in 2015 (World Bank, 2017). The population of HCMC has proportionally nearly doubled since 1995 and the city’s urban expansion, as measured by both urban land and population, is 4.0 percent per year (HCMC Statistics Office, 2016) (see Figure 3).

Urbanization in Viet Nam is closely linked to economic migration. The peak was from 2004 to 2009 when waves of rural migrants, mainly from the north, moved to the industrial parks in HCMC and its neighbouring province, known as the Southern Key Economic Region. Every year, HCMC absorbs on average 80,000 to 100,000 migrants who come to work in the export-oriented labour-intensive industries.

1.4. Impact of rapid urbanization

1.4.1. Housing and infrastructure problems

As a result of rapid urbanization, HCMC experiences chaotic housing construction, illegal occupation of public land and unhygienic housing conditions, particularly in the peri-urban areas where migrants settle. Migrants in the city are housed in shared unhygienic rental housing units. These boarding houses are often spontaneously built, lack technical standards, are overpriced, and located in polluted environments. The increasing annual flow of migrants has exacerbated the living conditions...
of the poor urban populations that were already living in shanty towns within the city.

Closely linked to the housing issue for migrants are infrastructural limitations such as water supply, electricity, adequate sewage and waste disposal. The additional pressure on HCMC comes as the existing infrastructure is deteriorating. City authorities have made significant efforts in the past two decades, but access to basic services is still not universal. While Viet Nam has achieved about 96 percent access to electrical power supply (Tung, 2015), highly commendable for a developing country, access to water and sanitation remain a challenge, especially in rural and peri-urban areas. Waste collection systems are absent in many communities in the city. The road infrastructure in the peri-urban areas, established to serve mostly pedestrian village traffic, is now overloaded by heavy transportation for industrial development. People in many areas still rely on underground water or have to use polluted water canals or rivers.

Furthermore, the registration system in HCMC currently excludes migrants who do not have permanent residence status from accessing public services. Migrants and their children are not fairly treated compared to permanent city residents in terms of access to education, healthcare and other services such as water and electricity. They are not allowed to access these services or if they are, they have to pay much higher fees. At the same time, poor migrants are less entitled to social assistance policies from the city government than poor, permanent city residents. Migrants are also denied work in state administrative offices or departments.

1.4.2. Environmental and natural resource problems

During this urbanization process, Viet Nam has witnessed an environmental transformation which has seen traditional agricultural lands converted to intensive commercial farming or reshaped into urban settlements and industrial zones. During the period from 2000-2010, approximately 330,000 hectares of agricultural land was lost to industrial and housing development. As a result, approximately 2.5 million farmers became redundant and with relatively few skills have found it extremely difficult to find employment in the industrial parks of the city: only 30 percent of local farmers were able to find jobs in the industrial sector (Labbé & Musil, 2014). The urbanization process has also caused natural areas like green and water surfaces to shrink. The disappearance of natural water reservoirs due to new housing and industrial development causes flooding around the city.
Traditional production maintaining old manufacturing techniques has caused serious environmental problems. In HCMC, 1,235 factories and small enterprises have been relocated from the city centre to the outskirts (VietnamNet, 2005). Many of these factories do not have waste treatment systems or, if they do, these systems do not work properly and cause heavy damage to the natural environment. Underground water is therefore polluted and its volume is declining due to over-exploitation.

### 1.4.3. Cultural problems

In the peri-urban areas, the nature of the settlements is intermediary between traditional and modern, but fully neither. This poses many challenges in cultural and social terms as well as in land use for policy makers. These settlements’ activities are best described as a combination of agricultural and industrial. In housing design terms, new houses built on both sides of new roads affected the appearance of once traditional, beautiful rural landscapes. Rural housing architecture has been mixed with new, modern designs. Rural people have to go through a transformation process, from rural to become urban residents. They have to adapt to the higher income and consumption that are characteristic of urban society. Many rural households choose to sell part of their land to improve their income to afford a new urban lifestyle. The mix of old and new residents tends to loosen the social ties in once-rural communities. Rural culture, the cradle of Vietnamese culture, is gradually disappearing in these areas.

### 1.4.4. Social impact of development projects

One serious problem during the urbanization process is the social impact of large-scale modernization projects. The city government has plans to relocate the whole population of a certain space in the peri-urban area such as Thu Thiem and some parts of District 7 in order to build a brand new modern city. These planned new centres are aimed at attracting investors in residential and commercial buildings, as well as infrastructure. As a result, all local residents have to be removed from the areas. They are usually given compensation for their land and houses far below the market rate. They are then given the following options: receive a new accommodation in an apartment; be allocated a piece of land; or take compensation money and seek new houses by themselves. In HCMC, two considerable development projects (Phu My Hung and Thu Thiem) entail the relocation of a large number of local inhabitants. For instance, in the Thu Thiem New Center project, out of 27,530 households who have to be removed, only 5,500 families have applied for resettlement programmes (Tung, 2017). The remaining people received compensation money and looked for new settlements by themselves. No studies have ever been undertaken about the social impact on the relocated people.

Additionally, many of the relocated people found themselves in financially precarious situations. Findings from Tung (2009) in a relocation programme indicated that one of the major concerns for the relocated residents was the loss of their economic and social networks as a consequence of relocation. Besides, the income for these relocated residents became unstable and thus some could not pay the non-interest loans from the bank for their new apartments. Many therefore sold these compensation resettlement apartments to wealthier residents and moved into cheaper, precarious settlements that were unhygienic and lacking in basic infrastructure.

Another concern centres on the soaring prices of the housing market. Many relocated residents who could not afford expensive housing in the city moved to remote areas far from the city centre or migrated back to their rural homes. This means that they lost their current jobs and had to find alternative work. Moreover, as already mentioned before, the relocation programmes exclude compensation for those who do not have legal residential status or are too poor to own their own homes. The outcome has inevitably been a further separation between the poor who encounter financial difficulties and are forced to sell their flats, and the wealthier residents who replace the poor in more comfortable apartments.

### 1.4.5. Urban management capacity of local authorities

The fast urbanization also imposes pressure on the local authorities who are not well equipped with urban management skills and knowledge, particularly on urban planning. Their urban planning approach is not evidence-based to accurately respond to the dimensions and
locations of market forces. Moreover, urban planning is fragmented into different departments and silo-based, without adequate integration and coordination across either functional or spatial jurisdictions. These are both very important areas to address, especially for their impact on the efficiency of the urban form and the benefits of long-term economic agglomeration.

Urban planning in HCMC does not take into account any forecasts of social changes and is therefore not accompanied with other relevant plans to control the changes or impacts. The planning process lacks plans, such as plans for mobilizing capital for implementation, specific action plans, vocational training plans and new management approaches. Although there are guidelines for new urban development, there is no such a thing for peri-urban areas. In fact, the development of such places as peri-urban areas are not recognized for their direct economic benefits, such as new development areas and industrial parks, even though they provide housing for migrant workers, students, and produce many traditional products and agricultural produce for the national economy. As a result of their seeming economic unimportance, many development plans are not realized and do not get implemented.
2. Participation and accountability

2.1. Participation

Since the beginning of Doi Moi process, the central government has allowed local authorities as well as private and civil society agencies to participate under various forms of contract, partnership or principal-agent relationships (Wescott, 2003). The Party has allowed market forces to play an increasing role in the economy. The incentive system is no longer based on selfless efforts to reach society's goals but allows rewards to accrue to the economic producers themselves. Through this process, which that involves enterprises and households, the government has gradually transformed its own role from director to rule-maker, ensuring uniformity and consistency for the whole government apparatus (World Bank, 2009).

On 11 May 1998, for the first time, the Vietnamese government promoted the concept of “grass-roots democracy” in Decree 29. This decree allowed citizens to participate in decision-making processes in the planning, implementation, and monitoring and evaluation (M&E) of social and economic development policies at commune/ward level. This was considered a landmark for democracy in the country. In 2003, this decree was replaced by Decree 79, which contained specific guidance and regulations to implement grass-roots democracy. By 2007, to improve the legitimacy of this policy, the National Assembly promulgated the Ordinance on Grass-roots Democracy.

During the first decade of the 21st Century, some experimental models, such as the Communal Rural Development Board, were set up in a few provinces using foreign financial assistance to promote grass-roots democracy. The aim was that through these boards community leaders and local residents could address their local development concerns and needs, which were then supposed to be included in provincial socio-economic development plans.

The government has made efforts to increase the ownership and decision-making power of local authorities at district and commune levels. Local authorities at these levels are allowed to take the initiative in investing and setting up local investment projects. Communal authorities are encouraged to take ownership of the development projects as long as they can demonstrate their capability to district authorities. This is a relatively recent initiative by the government to empower communes as owners of local development projects in their localities. Before, central government, via relevant ministries, directly implemented these projects/programmes. Local people are also encouraged to participate in the processes of decision making, implementation, and even in M&E. The government reinforces this engagement by promoting financial transparency and a democratic process where people are allowed access to development project/programme-relevant information.

2.2. Accountability

Traditionally, leadership in Viet Nam has been a collective process. Important issues are canvassed through various bodies including the Party committees, the people’s committees and people’s councils, the National Fatherland Front and other relevant councils before final decisions are made. No one leader has decisive power in the administrative system. For example, the prime minister does not have power to select his deputy prime ministers and other members of the cabinet. Similarly, at local level, heads of local governments are not allowed to make final decisions. For example, the chairman of HCMC does not have the power to select his own committee. The chairman effectively represents a group of leaders. These examples illustrate the emphasis on collective leadership in Viet Nam. There is little emphasis on individual responsibility.

Senior officials in the government are indirectly held responsible for their decisions and, in principle, they are under the supervision of the elective system, the National Fatherland Front, the political system and the press. Viet Nam has a dense elective system including over 300,000 representatives present in people’s councils at commune/ward, district, provincial and central levels. However, most of the representatives serve a dual role in that they are also simultaneously government officials (Nghia et al., 2013; Wescott, 2003). Such a representative system reflects and protects the interests of the government and its agencies rather than those of citizens they represent.
2. Participation and accountability

This system cannot effectively enhance the accountability of government agencies.

Institutional reforms which cover decentralization, defining of functions, modernizing public financial management, e-government and civil service reform (World Bank, 2009) have been a concern of the Party and the government for the three decades since the implementation of Doi Moi. The overall aim has been to maintain stability and achieve sustainable growth. The government has also fostered market economy institutions, improvements of state management and facilitated the effectiveness of the rule of law. Many models have been tried in state administration, such as the “one stop shop”, the application of ISO standards in state administrative procedures, and state administration assessment by citizens, to improve the quality of public service delivery. The results of the reform have been limited. There are still many problems regarding accountability in public institutions, empowerment and public participation in making policies, supervision and enforcement of regulations, local government accountability, and confidence in officials including the legitimacy of the authorities.

The World Bank’s World Governance Indicators for Vietnam were lowest for “voice” and “accountability” among the six dimensions of governance for the last decade (Nghia et al., 2013). The criteria of “regulatory quality” and “rule of law” were also assessed to be low. It is acknowledged that the existing institutional system does not empower citizens and facilitate participation. The prime minister affirmed in his 2014 New Year speech that political institutions and governance are not currently inclusive and do not empower citizens or enhance their participation in making policies, policy debates, supervision and enforcement of regulations.

Since 2011, the government’s agenda continues to highlight institutional development as a priority. This is also stipulated in the Legislative Agenda up until 2016 of the 13th National Assembly Congress. The National Assembly has just endorsed the 1992 Constitutional Amendment, and consequently the amendment of the laws on state organizations including the Law on the Organization of the Government, the Local Government Organization Law, the People’s Court Law, the State Budget Law, the Public Investment Law and other relevant state management areas (Nghia et al., 2013).

2.3. Challenges in the participation and accountability for a social city model in HCMC

Civil society remains dominated by organizations that have close ties to the government, though there have been some changes in the sector’s voice. The media is very close to the state, although it is being given more autonomy in terms of financing and circulation, and to some extent content. In short, civil society is now allowed to play a role in supervising and evaluating government’s social-economic development policies, which include housing and transportation policies.

Competition between local governments has also resulted in negative outcomes. Decisions made by one province can have a negative impact on others. Some provincial independent planning becomes inefficient due to cross-border impacts, such as environmental problems. The provincial development plans can affect regional mobility as well as supply of housing needs. In these cases, a master plan or regional planning is needed. There are also problems with the quality of delivery of services such as healthcare, which needs a national standard.

There is a lack of specific guidance on decentralization as well as of an effective monitoring or follow-up mechanism of decentralization at district and commune levels. This results in many problems in implementing development projects, particularly in the equitable supply of land and houses. On the other hand, in some provinces local authority officials’ capacity is limited and therefore they do not have the confidence to make important decisions, thereby leaving decision-making in the hands of central government.

In reality, however, such participation cannot happen because other institutional arrangements have not been put in place. Information, which is a prerequisite for participation, is not forthcoming in a transparent manner. Although access to government information is recognized as a right in the Constitution and regulated in many legal documents, such information is not easily accessible. In a survey in 2009, around half of households reported having no information on commune budgets and plans. The people who were interested in these budgets and
plans said they had access to some information but that it did not meet their needs (World Bank, 2009).

Most Vietnamese legal documents regulating access to information do not clearly assign institutional and individual responsibilities for its publication. Although a list of the information that should be disclosed is stipulated in the provisions of the current legislation, that list is not enough. Citizens should be allowed to access all information that is not classified due to national security (World Bank, 2009).

Participation in decision-making does exist, but often focuses more on implementing what has already been decided. Participation in broader planning process is limited partly by the institutional organization in which planning agencies are well established at the national and provincial levels, while no planning agencies are set up at district and commune levels. Moreover, in reality, participation in policy-making processes is not encouraged by civil servants, as they believe that it will merely result in more work and slow down the process. As a result, citizens are not provided with essential means to participate. They are not given sufficient information or knowledge on issues being discussed.

Thus, in reality, policies are still made in a top-down manner with consultation limited to experts working in the governmental system. Although regulated by laws, societal feedback is not efficiently implemented. There is a lack of institutions that would force decision makers to listen to people’s opinions, counterarguments, and even experts’ recommendations.

The government has encouraged the piloting of a few participatory models at local levels. These internationally funded pilot projects tried the participatory approach in which local residents were allowed to participate in planning of local development projects such as building roads, bridges and schools. A Community Board for Rural Development was set up to represent local residents’ needs. However, these models did not last very long. After the projects had ended, the boards were dissolved. More than a decade after the issuance of Decree 79, the implementation of participation rights remains very limited.

Again, there appears to be some disjunction between theory and practice. Information on the resource allocation of local development programmes remains confidential between the different tiers of government, especially between central government and provincial authorities, and between provincial authorities and district/commune authorities. Commune authorities and local communities who directly implement development projects can rarely access information on the projects. This is common in communes in remote regions, especially those dominated by ethnic minority groups. Commune officials are not allowed to question their higher-tier authorities on the rationale for project resource allocation, while the criteria for resource allocation are general and ambiguous. The lack of information on resource allocation makes it difficult for commune authorities to draw up and implement long-term socio-economic development plans. In reality, commune officials and local people have no voice in designing those development programmes. They are generally passive in building and implementing the programmes, as all of the resources and socio-economic development plans are strictly controlled by provincial and district authorities. Even if communal authorities want to integrate different resources and programmes in order to focus on some priority programmes targeted in their locality more efficiently, they are not given approval to do so.

At the same time, the rights of people to take part in socio-economic development programmes have not been clearly articulated or institutionalized. They have no voice in making decisions or in implementing, monitoring and evaluating the local programmes. They are not able to access financial information. They neither know how to participate in local decision-making processes nor have adequate capacity to participate. Meanwhile, the mechanism for them to participate is weak and guidance and information to help them participate is not available. They are simply required to make a financial contribution towards development projects.

Strengthening accountability requires transparency of information and citizen participation. At commune-level administration, local authorities are required to publicize the estimates and uses of annual budgets, funds and people’s contributions so that citizens can supervise these processes. However, given the limited transparent information and participation, accountability cannot be achieved. This is also a matter of culture that needs time to be changed (World Bank, 2009). Accountability in public institutions in Viet Nam was assessed to be very low in the last decade by the World Bank’s World Governance Indicators (Nghia et al., 2013).
3. Housing

Housing is one of the most basic elements to measure quality of life. In order to develop cities in a socially inclusive manner, it is important that citizens, especially the poor, have access to affordable housing when they need to settle down and are not excluded from the use of urban amenities, public services. At the same time, there should not be extreme polarization in living conditions and space between social groups.

Housing is mentioned in the Constitution of Viet Nam under “Creating dwelling opportunities for all citizens” as per Article 59. To achieve this, policy makers need to pay attention to improve the key issues identified below. The first problem is lack of quality, quantity and variety of dwellings, second one is the unaffordable housing, and third one is the possibility of exclusion of the poor.

3.1 Insufficient housing regarding numbers, quality and types

3.1.1. Insufficient housing and dwelling quality

Due to the advantages of its geographical location, convenient natural conditions, the development of industries, and its service trading ports, HCMC has become a promising destination for people from different areas of country to secure employment as well as accommodation. Migration to HCMC has continuously increased every year. In 2016, it was estimated that the population reached 10 million, including migrants, making it the most populous city in Viet Nam.

Housing construction has grown rapidly by investment of developers in many projects to build better quality residential areas. However, housing quality is still moderate in general. Around 71 percent of housing in HCMC was semi-permanent as of 2015, and the average area per person of this type of housing is 19 square metres, lower than the city average (Table 2).

In terms of home ownership, the proportion of people living in rental housing in HCMC is 29.5 percent (General Statistics Office, 2014). Concerning the living space area, the proportion of people living in conditions with less than 10m² per person over the whole city is 23.3 percent, 42.3 percent for migrants and 18.5 percent for registered residents (Table 3).

The results from the above analyses also show that the quality of existing housing is not high in terms of structure and area, and the high rate of tenants indicates a certain requirement for higher quality housing in HCMC.

3.1.2. Lack of diversification

In HCMC, there has not only been an increase in demand for housing but also changes in diversification of housing needs. This originated mainly from an increasing number of nuclear families and internal immigration over the last three decades (Table 1). Demographic surveys indicated that urbanization processes are causing social transformations in Viet Nam and that these changes are emerging more clearly in large cities. Some examples are the increasing number of single households, shared households, small-size

<table>
<thead>
<tr>
<th>Year</th>
<th>Population - permanent residents (thousand)</th>
<th>Size of household (average number of member)</th>
<th>Migrants (as a % relative to temporary residents)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>6,240</td>
<td>4.4</td>
<td></td>
</tr>
<tr>
<td>2009/2010</td>
<td>7,396</td>
<td>4.1</td>
<td></td>
</tr>
<tr>
<td>2014/2015</td>
<td>8,248</td>
<td>3.7</td>
<td>19.9</td>
</tr>
</tbody>
</table>

households, etc. (GSO – UNFPA, 2011). Diversifying housing supply into different types, qualities, prices and ownership structures will ensure that people from all communities can afford to get a suitable dwelling.

3.1.3. Solutions to overcome the insufficient numbers, quality and types of housing

Developing different types of dwellings in terms of price, quality and home ownership, especially rental housing

Diversification of housing as outline above can be driven by market regulation. Thus, the city government should begin piloting some model of housing development in order to activate the market. Similarly, it can begin a social housing program using the state’s budget. This experience can be adopted to develop various types of housing, especially for rental.

The development of rental housing is necessary in the context of urban areas in Viet Nam. Low-cost condominiums are directed to address the housing demand for low-income groups, but the construction quality of low-rise apartment buildings results in quick deterioration and degrades the cityscape, especially long term. This situation is happening in some low-rise apartment buildings for households relocated from land clearance projects. The city government should therefore stimulate investors to build rental housing with proper prices and good conditions, and raise citizens’ awareness of rental housing. In fact, the need for rental housing is rising more and more in HCMC, where many migrants are living in substandard dwellings.

Currently, the lack of variety in types and prices of housing is to some extent being addressed by rentals offered by private households as well as the government. In addition, houses that really meet the housing needs of residents are mainly provided by private sector rather than developers. This is also a solution to make the most of the available financial resources from community, but on the other hand, it also makes it a challenge to control the quality of rental dwellings or construction activities in the expanding urban areas. This is discussed in the next section.

### Table 2. Area and type of housing quality (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>2005</th>
<th>2009/2010</th>
<th>2014/2015</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average area of housing per person (m²)</td>
<td>15.7</td>
<td>19.2</td>
<td>22.1</td>
<td>Whole city</td>
</tr>
<tr>
<td>Type of housing quality (%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Permanent</td>
<td>32.7</td>
<td>23</td>
<td>27.9</td>
<td>Having pillars, wall and roof made by concrete materials.</td>
</tr>
<tr>
<td>Semi-permanent</td>
<td>60.1</td>
<td>75.3</td>
<td>71.3</td>
<td>Having concrete structure (including pillars and wall), except roof</td>
</tr>
<tr>
<td>Less-permanent / Temporary</td>
<td>7.3</td>
<td>1.8</td>
<td>0.8</td>
<td>Only one of structural components (pillar/wall/roof) made of durable materials</td>
</tr>
</tbody>
</table>


### Table 3. Housing area in HCMC

<table>
<thead>
<tr>
<th>Area (m²)</th>
<th>Whole City (%)</th>
<th>Migrant (%)</th>
<th>Registered resident (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 4 m²</td>
<td>3.0</td>
<td>6.2</td>
<td>2.2</td>
</tr>
<tr>
<td>From 4 to 6 m²</td>
<td>7.6</td>
<td>16.9</td>
<td>5.2</td>
</tr>
<tr>
<td>From 6 to 10 m²</td>
<td>12.7</td>
<td>19.2</td>
<td>11.1</td>
</tr>
<tr>
<td>Over 10 m²</td>
<td>76.7</td>
<td>57.7</td>
<td>81.4</td>
</tr>
</tbody>
</table>

Controlling quality of new-build detached houses and rental housing

Solutions for this problem need to take into account the fact that law enforcement is relatively loose and unclear. Therefore, it depends largely on Viet Nam’s current public administration reform program, which includes reforming the housing management system and building more effectively.

For instance, regulation on controlling rental housing by a kind of compulsory contract between home owners and leaseholders was enacted in 2005. However, this policy was not enforced because of loose management mechanism. Consequently, sanitation conditions, fire protection, minimum area, etc., are unlikely to be ensured for good living conditions in rental dwellings. For the case of new, detached houses, it is necessary to control the planning of the developing areas and strictly implement the standard of housing construction. In fact, there are construction standards (Viet Nam Building Code) but non-compliance is usually reported, e.g. in terms of minimum area, constructing houses on lands without legal ownership or permission.

In theory, the lack of quality, quantity and diversity of housing for urban residents can be solved by the market law of supply and demand. However, the concern is that this shortage often affects groups of citizens with low income, such as migrants, young families, single families and poor households. The other concern is that quality of housing provided by individuals or households in urbanizing areas is still spontaneous and uncontrolled. Besides the lack of an effective management system, another fundamental factor is high land prices.

HCMC has had success in imposing building codes in some new residential areas where there is a fair and transparent inspection system. Applying minimum standards for rental housing and new-build detached houses in urbanizing areas is to require a minimum living condition for urban residents. This can lead to reduced opportunities for the poor and low-income groups to satisfy their desire for home ownership or very cheap rental dwellings, as the poor often accept worse living and legal conditions to get a low-priced housing. However, imposing these criteria is prerequisite for not creating shanty towns in urban areas. At the same time, state policies must address complementary solutions to build long-term, cheap rental housing.

### 3.2. Unaffordable housing

#### 3.2.1. Difficulty of bringing housing prices down due to market factors and custom

The analysis above also implies that houses have become very high-value assets. This might stimulate the development of the real-estate market but brings negative effects for social stratification of living conditions. In HCMC, investment in real estate accounted for 32.4 percent of capital for economic activities in 2015, the highest percentage in structure of investment in the city. It is significantly higher than nationwide rate of 4.5 percent. (General Statistics Office, 2015). At present, housing prices are entirely dependent upon the activities of developers and speculators. This is not only due to market forces, but is also impacted by land policies and government of construction and planning.

In the years after Doi Moi, land prices continued to increase. There were only some signs of slight slowing in some periods when real estate market was frozen in 2000, 2004-2005 and 2013. Therefore, land is still trusted by citizens as a secure investment. In addition, in Vietnamese culture, housing is important and house ownership is a target.

#### 3.2.2. Unaffordable housing and financial support for low-income individuals and the poor

The high price of land is a big problem for urban development in HCMC as well as other cities in Viet Nam. This price is predicted to be unlikely to fall due to market characteristics and traditional attitudes, while the financial support system mostly provides better opportunities for middle and high-income earners.

Average income in Viet Nam is usually divided into five groups: high, above average, middle (average), below average and low. In addition, according to Viet Nam’s policy, the poor are classified as a separate group according to the national poverty standard. Formal and
informal reports on the real estate market in HCMC concluded that land and housing prices were out of reach for low-income households. If income and saving ability from main sources of income are considered, the lowest housing price is even too high for the middle-income group and completely unaffordable for low-income groups.

In fact, the income of Vietnamese is often not accurately calculated because the wage and income control system is not tight and there are also many kinds of informal workers in Viet Nam. Thus, there is a little difference among sources of data especially those on income and expenditure, however, these figures of income and spending are the average from official annual statistics (Table 4).

The cost for a low-price apartment is 40 times the annual saving of middle-income earners, and according to banks’ credit conditions, low-income groups cannot borrow enough to buy a new home (Table 4). Low-income earners also receive a lower rate than higher-income earners, to avoid bad debt for banks.

### 3.2.3. Challenges and recommendations

The suggestions for policy changes are aimed to make housing affordable for all citizens. Long-lasting practices need to be tackled, such as the slow provision of social housing, firms not complying with the policies, and social housing being unsuitable.

<table>
<thead>
<tr>
<th>Income groups</th>
<th>Income (a)</th>
<th>Spending (b)</th>
<th>Saving (c) = (a) - (b)</th>
</tr>
</thead>
<tbody>
<tr>
<td>High-income</td>
<td>11,894.6</td>
<td>4,219.0</td>
<td>7,675.6</td>
</tr>
<tr>
<td>Middle-income</td>
<td>3,382.9</td>
<td>2,397.4</td>
<td>985.5</td>
</tr>
<tr>
<td>Low-income</td>
<td>1,837.8</td>
<td>1,603.5</td>
<td>234.3</td>
</tr>
<tr>
<td>The poor</td>
<td>&lt;1,750</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 4. Savings, housing price and conditions for loans

<table>
<thead>
<tr>
<th>Income groups</th>
<th>Saving after subtraction of spending, 2014</th>
<th>Unit: thousand dong/person/month</th>
</tr>
</thead>
<tbody>
<tr>
<td>High-income</td>
<td>7,675.6</td>
<td></td>
</tr>
<tr>
<td>Middle-income</td>
<td>985.5</td>
<td></td>
</tr>
<tr>
<td>Low-income</td>
<td>234.3</td>
<td></td>
</tr>
<tr>
<td>The poor</td>
<td>&lt;1,750</td>
<td></td>
</tr>
</tbody>
</table>

Low-price Apartment (social housing) *(reference price in VND, 2015)*

- 9-15 million VND/m²
- approximate 500 - 750 million VND for an apartment of 50m²

Conditions for housing loans

- 30-50% of wage for low-income individuals
- 50-70% of wage for high-income individuals

Source: HCMC’s Statistics Office, 2015 and synthesis of authors

### Limitation of budget for housing and solution of public private partnerships

The current housing supply on the market is abundant but too expensive for most citizens. Therefore, the city government is facing the choice between two conflicting approaches; let housing prices follow the market trend or issue policies on special housing programmes to ensure social stability.

Since housing for low-income groups should be considered a social welfare issue, the state still needs to keep its attention on social housing development and adjust policies for social housing development to counterbalance some market factors. When the market shows signs of irrationality in housing development, the state should play the role of regulator, for instance becoming directly involved in the construction of social housing.

In fact, in Viet Nam’s housing development policy, the state designates a budget to construct certain kinds of housing for certain groups of citizens in society, such as families with a record of meritorious service to the country, officials, students, workers, the poor, and resettled people (Table 5). These programmes have been performed annually to supply dwellings for the priority groups as above. The state only recently began to extend consideration to low-income groups, as their income cannot keep up with rising housing prices. The social
housing program began in 2005 as an effort to make housing affordable for citizens.

There has been an extensive shift from public to the private sector in recent years. In the context of limited state funding, the government is pursuing a strategy of privatizing housing programmes. At present, housing development policies based on the private sector are being implemented with most of the housing development programmes involved in private investors, even former programmes funded by the public sector such as dormitories for student, resettlement houses and apartments (Table 5).

Generally, in real-estate market development, housing is considered as one type of a marketable commodity. This has led the government to award a greater role to the private sector in housing supply. In terms of finance, this helps to share the burden with the government's budget and take advantage of the many resources of the private sector. Some of the programmes in the housing development strategy can be delivered mostly to the private sector, such as programmes 3, 4, 5 and 6 (Table 5). Programme 7 does not require participation of the government. The strength of privatization of housing development is the variety of prices, including cheap apartments. However, the wider development of the housing sector has multiple objectives, such as developing the real estate market, infrastructure development, urban expansion, decreasing population density, etc. Thus, the state should provide a clear framework to avoid unbalanced growth of the real estate market.

The government only needs to participate in housing construction in cooperation with the private sector and to continue preferential loans. Social housing built with state support for land or capital, considering public-private partnerships (PPP), should only be for specific purposes such as housing for workers and students. Besides, the state investment needs to focus on rental and hire-purchase social housing in different parts of

<table>
<thead>
<tr>
<th>No.</th>
<th>Housing programmes</th>
<th>Beneficiary groups</th>
<th>Performance</th>
<th>Capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Dwellings for citizens under preferential treatment policy</td>
<td>Families with a record of meritorious service to the country, the poor living in disadvantaged areas</td>
<td>Direct construction, financial support or preferential loans</td>
<td>Public</td>
</tr>
<tr>
<td>2</td>
<td>Public housing</td>
<td>Officer and official</td>
<td>Leasehold (old housing or new build)</td>
<td>Public</td>
</tr>
<tr>
<td>3</td>
<td>Dormitory</td>
<td>Student and worker</td>
<td>Leasehold (new build)</td>
<td>Public and private sectors</td>
</tr>
<tr>
<td>4</td>
<td>Land and housing for resettlement</td>
<td>Resettlement households removed from land clearance</td>
<td>New build or transformation from available housing projects</td>
<td>Public and private sectors, depends on projects</td>
</tr>
<tr>
<td>5</td>
<td>Urban housing upgrading</td>
<td>Households impacted by renovation of urban landscape and environment</td>
<td>New build or preferential loans for citizens</td>
<td>Public and private sectors, official development assistance (ODA), financial participation of community</td>
</tr>
<tr>
<td>6</td>
<td>Low-cost housing (commercial housing); Social housing (a programme enacted in 2005 after Housing Law)</td>
<td>Low-income group</td>
<td>New build or transformation from available housing projects</td>
<td>Public sectors (social housing) and private sector (social housing, low-cost housing)</td>
</tr>
<tr>
<td>7</td>
<td>Commercial housing</td>
<td>All citizens</td>
<td>New build, available housing</td>
<td>Public sector (compensation for land and houses of inhabitants in some major projects) and private sector (Enterprises, Individuals)</td>
</tr>
</tbody>
</table>
the city to motivate the market. This is because renting and hire-purchase (by instalment payments) are more suitable for those who have difficulty attaining home ownership in the short term, such as low-income groups and the poor.

**Enforcement of housing policy and need for an accountable management agency**

In parallel with some current state-funded social housing projects, social housing invested by private developers has been promoted by tax reduction. According to the Housing Law, it is a requirement for new residential projects to allocate 20 percent of land for social housing. However, the preferential taxation is not attractive enough for investors and there are no sound measures to enforce this regulation. This problem originates from the fact that public monitoring and enforcement systems in Viet Nam are not strong enough and lack clear allocations of responsibility. Currently, policy on social housing development is still at the level of encouraging investors and general terms for responsibility. Therefore, it is necessary to increase accountability, as well as set specific regulations and penalties for non-compliance.

The lack of accountability in public management mechanisms had led to poor enforcement of the laws and policies on land and housing. To implement housing programmes for low-income groups effectively, it is necessary to have separate management systems for housing, because social housing needs to be monitored in a systematic way. This housing management system will undertake some tasks of housing development planning, enforcing the regulations rigorously and managing social housing throughout its existence. At present, only a few social housing projects have been completed and distributed by the Department of Construction in HCMC. This is the most appropriate method to avoid delaying the provision of common infrastructure and affordable housing to communities. In particular, when social housing gets more widespread, and after a long period of using it, it will probably require maintenance or renovation. However, this is only possible when the state has favourable policies and thorough supervision, and removes the regime of policy exception – a kind of patronage. This issue affects the government’s management system in general (Danielle Labbé and Clement Musil, 2014).

Concerning the non-compliance by real-estate developers with regulations on the construction of compulsory social housing, the government should turn this regulation into options. This could make an opening for the private sector to engage in low-income housing, which could attract more investors. For example, the first option can be a call for the voluntary participation of private enterprises in specific housing programmes planned by the city government. In return, these enterprises would receive preferential tax treatment or land-use rights. This would be a positive and promising development for a specialization in supplying housing for low-income groups, because since 2003, some medium-sized enterprises have invested in providing low-price apartments as their business strategy. A second option for developers only investing to build commercial housing is a compulsory contribution for a fund that specializes in social housing programmes. This can be made similar to the form of taxation contributing to the Housing Development Fund. Currently, such a fund is established in HCMC and Hanoi, but conditions are only favourable for the government’s officials. In addition, instead of compulsory financial contribution, developers can choose an alternative option which is supplying an equivalent ratio of social housing units that comply with minimum standards of quality in their approved projects, as per current regulations. Certainly, these options would all require a high capability of financial management and the responsibility of the specialized housing management agency in order to be effective.

**The problem of banks’ credit protocols for low-income borrowers, and recommendations for financial policies**

According to the above analysis (Table 4), low-income groups have been facing difficulties to find a loan corresponding to current housing prices. The state’s housing loan programmes up to 2017 are only preferential housing loans for families with meritorious dedication to the country, the poor living in disadvantaged areas, and households impacted by renovation of urban landscape and environment eligible for credit funds (Table 5) – but the latter is often interrupted due to instabilities in the budget. In addition, the conditions for loans are quite strict. The poor only get low credit lines that are barely enough for repairing old houses. Meanwhile, civil servants can get
loans that can afford the purchase of new houses. In general, there is very little opportunity for people who are not civil servants to borrow on these programmes.

There are more housing finance programmes for priority groups in HCMC and Hanoi than in other provinces. For example, the Housing Development Fund has been established for civil servants to build or buy houses. On the national scale, there is a Social Policy Bank under Viet Nam’s State-owned banking system, that provide loans for priority groups to buy new houses or upgrade houses. In addition, there are other programmes such as social housing loan programmes, and specialized housing finance packages. At present, only State-owned banks and financial institutions offer preferential loans to priority beneficiaries.

In the private banking system, many banks also offer housing loans according to the capability of payback based on salary, and provide higher credit lines for higher salaries or collaterals. This is leading to potential problems: One is that the low-income people have difficulty accessing loans, as they are considered bad debt risk for the banks; the other is that richer people have far more opportunity to borrow for investment in personal real estate – one of reasons of the real estate bubble – and banks do not take into account the possibility of bad debt from that end of the market.

It is estimated that 68 percent of the labour force in HCMC is self-employed (General Statistics Office, 2015), making those citizens ineligible for loans from the Social Policy Bank. In addition, even the formally employed among the low-income groups do not have opportunities to get a loan that is big enough to buy housing. Therefore, other housing loan programmes for those who cannot find official support from banks are necessary. The state can continue financial support similar to its 30-trillion-VND housing stimulus package. This package was introduced in 2013 by the state's budget to deal with the freezing situation of real-estate market and slow progress of housing programmes. It supports capital for housing construction enterprises and citizens intending to buy social housing. Borrowers must follow the procedures of taking a loan from banks, similar to borrowing at commercial banks but interest rates are about one third of commercial bank loans. The 30-trillion-VND support package was implemented from 2013 to 2016 and has provided financing for 46,246 individuals and households buying homes and investors implementing low-price housing projects (Nhu Chinh, 2016). The high requirements for loan make this package only available to middle-income people or officials, but it can be used as a reference for similar support policies. Citizens still need these kinds of loans, with interest rates not as high as commercial banks, to buy or rent affordable housing. The current housing development fund therefore needs to expand its lending opportunities to everyone in society through loan modifications.

### 3.3. The possibility of stratification in urban space

#### 3.3.1. Spatial exclusion of low-income people and the poor

The investment in land and housing has had a positive impact on the development of infrastructure, urban amenities and services as well as supplying high quality housing. However, the downside is that low-income groups and the poor cannot access these higher-quality dwellings. Social stratification has formed an increasing, gradual spatial distribution, as reflected by the fact that beautiful spaces in the city belong to the rich.

In the spatial fabric of city, space in the inner city was filled by spreading of housing and buildings along the streets, alleys, rivers and canals, following the old manner of construction. These districts often have little common space for greeneries, parks or community activities. At present, development of new urban areas as well as residential districts with high quality standards for housing are the main solution for urban reform and construction, to ultimately reach higher living standards. In fact, the new districts with sidewalks, green spaces, public spaces, broad streets and alleys are attracting medium- and high-income households. Thus, new towns or new residential areas become a trend of urban development in large, as well as medium-sized and small cities all over Viet Nam. In recent years, many housing projects and new urban areas have been approved. In particular, there were 1,219 valid projects as of 2016 in HCMC alone (The Saigon Times, 2016). Figure 4 shows that the majority of medium- and high-income households are living in the new towns and apartments, meaning that the older housing in small
alley has transferred to lower-income groups because of their cheaper price.

The different types of new-build projects in HCMC (Figure 5) demonstrate the significant difference in location of new residential areas by type of housing. While the high-end residential and commercial complexes are concentrated mainly in the inner city, new towns, comprised mostly of villas, houses and high-quality apartments, are often located in districts 2, 7 and 9, where there is intensive investment in infrastructure and construction. Medium-quality condominiums and social housing are often located in more distant districts.

This is a rough analysis of the spatial spread of projects without mentioning other factors, such as the convenience of transportation or services. However, it is also a first sign that the poor are being gradually pushed farther away from the well-developed areas of the city.

3.3.2. Challenges and solutions for possibility of spatial stratification

Regulation on Land Law

Land has increased in value after Doi Moi. The high cost for obtaining land is the main reason for the increased price of housing. This is a typical process in a market economy. However, the difficulty in supplying affordable housing programmes and possibility of polarization in society cannot be completely blamed on market performance, but it is also partly rooted in national land policy and land management since the Doi Moi period, e.g. acquisition and allocation to enterprises for residential projects and land conversion for infrastructure and housing projects.

Firstly, land acquisition was an ambiguous term of old Land Law and led to disputes over the lack of transparency on the state’s land allocation for differently purposed projects. The construction of infrastructure or social amenities is perceived as contributing to public development, so communities are more accepting of the State’s requisition of land use. This cannot be said of land allocation for commercial housing projects to be carried out by real estate enterprises. This has taken place in the last few decades since Doi Moi and contributed to the growing lack of transparency in the investment environment, as the land acquisition and allocation for projects has been made under ambiguous criteria. This term was regulated in the Adjusted Land Law in 2017 that requires developers to negotiate with citizens for land acquisition, while the State only establishes comprehensive plans, and the Provincial Assembly has the right to promulgate decisions.
for investing projects of new urban areas. This is a progressive change to the Land Law, but the development of commercial housing projects should also thoroughly involve the private sector, and citizens should participate in planning and construction processes.

Secondly, the Land For Infrastructure initiative since 2004 has allocated land to private investors to develop modern urban areas, in return for an obligation by the investors to construct infrastructure, social services and affordable housing. At the same time it is obvious that many large, but also some small-scale enterprises are only interested in high profit margins instead of taking on corporate social responsibility and participating in the development of social housing. In addition, the expected urban development comes with speculation, which drives up prices, so there is ample supply of housing in theory, but only few can afford it. On a positive note, the “land for infrastructure” policy has helped the city implement a number of important infrastructure projects such as Nguyen Van Linh avenue and some main roads inside the Thu Thiem new urban area. However, it created involuntary resettlement and did not provide affordable housing, as described above. Thus, other forms of PPP should be considered for more equitable infrastructure development, as described in the next section.

Thirdly, land acquisition is also blamed for the lack of equity in urban development when the city government allocates land for residential projects. Many new urban areas and infrastructure projects have been implemented by land acquisition in the last decades. Long-standing residents of these areas were compensated at rates below the market value of their agricultural land, and then these areas were developed at great profit. Many residents did not benefit from the development. For instance, in the case of the Rach Chiec new urban area in District 9, when land clearance was carried out, this area was agricultural land. It was planned to be a sports complex, but for unstated reasons, a large proportion of the area has been converted into a commercial and residential project after more than 15 years of planning.

Therefore it is necessary to phase out the allocation of land for real estate projects, and to start requiring enterprises to compete on a level field for all residential projects, by buying land at market value, either at fixed prices or fair bidding. This can be done using the same approach as has been applied for the replacement of old apartment buildings by private enterprises in the centre of HCMC in recent years. For housing improvements in the inner city, the appropriate resettlement mechanism for people removed from the city centre is by using private investment, controlled by the regulations on

Figure 5. Categorizing of housing by location of project.
Source: Authors’ analysis from information of 15 prominent real estate enterprises in HCMC.
compensation and resettlement process, as well as citizens’ participation. Many of the old condominiums in the inner city have been condemned out of safety concerns, and investors will bid for the right to invest in the redevelopment. Then investors have to negotiate compensation rates with all the households living in the old apartment buildings. This way, citizens get the benefit of a subsidized relocation in return for allowing the development of valuable sites in the city. Correspondingly, only investors with real financial capacity are allowed to participate. The downside of this process is that the pace of urban expansion is slower, but urban development is more socially secure.

Inevitable spatial stratification and necessary increase of connection between areas

Development of new towns and housing projects on a large scale is mostly geared towards high-grade housing segments and low-income groups have almost no share in enjoying modern urban facilities. Types of gated communities or new towns growing in HCMC are an example of the separation between the living spaces of the rich and the poor. Research in 2014 found that eight out of 10 urban residents said that they worry about disparities in living standards Viet Nam (World Bank, 2014).

In addition, the authors’ analysis indicated that favourable locations in HCMC are often beyond the price range of any others except high-end projects, in line with market-economy trends. To minimise costs, low-income housing is often built where there is a lack of infrastructure, services, transportation and far from the city centre. This discrepancy could be addressed by the development of a well-functioning public transport system and common social facilities that everyone in a community can share, such as green spaces, health and education services, leisure services, etc.

Current policy on housing requires investors to develop social housing within the area of the project, whether it is a commercial building project or a high-standard residential area. Enforcing this regulation will ensure all members in a community benefit from access to social amenities and infrastructure, regardless of their income. Such mixing therefore increases opportunities for social cohesion. However, the coexistence of housing for the rich and the poor in a new residential area has been a controversial regulation for almost two decades. Developers regard the mixing as harming the appeal and therefore the market value of high-end residential areas.

In general, some separation of urban living spaces is unavoidable, but this gap can be lessened by improving connections between well-off and less well-off neighbourhoods, far and central areas, and easier accessibility of disadvantaged groups to social amenities, services and employment. This will be addressed by traffic development.

3.4. Participation in housing development

As described above, involvement of people and civil society in housing development is mostly concentrated in the implementing phase of development projects. In the planning process, the participation of non-State stakeholders is not considered. Housing development policy-making, as part of socio-economic and spatial planning, is the preserve of the government’s institutions and authorities. During the implementation process of housing policies, non-State stakeholders including residents, investors and developers participate more actively in the direct construction of housing or investment in the housing market.

In relocation programmes for development projects, relocated people are in theory consulted on land clearance, compensation and resettlement by local authorities and investors. Especially in urban upgrading projects implemented in HCMC in the last three decades, citizens’ participation has played a role in designing the process or making decisions on their relocation and their new homes, as for example in the case of Tan Hoa-Lo Gom canal sanitation and urban upgrading project. However, in some projects this consultation process has not been done efficiently. In the public monitoring process for the planning and implementation of housing programmes, there is no official channel for civil society participation except the supervision of the Assembly at national as well as local levels.
Organizing the urban transport network always needs to be addressed by urban planning. Urban transport plays a very important role in the functioning of an urban space, not only in the present, but also in the future of its development. In particular, the development of public transport to meet the mobility needs of people plays an important part. Public transport makes it easier for urban people to move around the city and access urban services.

Urban transport networks must ensure the travel needs of people while ensuring efficient transportation of goods, raw materials, etc. at low costs. The borders of administrative divisions often run along major urban arteries, which should be taken into account when allocating land for rational use. Roads, major roads, and small traffic islands often function as the basis for urban construction, forming the face of urban architecture (Nguyen Van Tai, 1999).

In general, a social city must meet the mobility needs of people by providing convenient ways for moving between areas, even the most remote ones. This is a major role of development of traffic network in bringing about equity of opportunities for employment, social services and modern urban facilities. In particular, public transport is a fundamental means of attaining this target.

4.1. Current traffic problems in HCMC

4.1.1. The old transportation network and problematic distribution of population

Although the modernization of the transport infrastructure has been accelerated, the unmet demand of the city and its people is still great. The road network is currently under a lot of pressure. The central city area is already frequently congested, with the situation likely to worsen in the future given the increasing number of personal vehicles. In the urban fringe, main roads are sometimes blocked by trucks transporting goods from industrial parks to transport terminals. According to experts’ estimates, traffic congestion in HCMC costs the economy 1.2 billion US dollars a year (TuoiTre Newspaper, 2014).

The planning of the functional areas of HCMC is not clear and as a result the residential, economic and industrial zones are spread out. This directly affects the organization of public transport because it is difficult to connect different functional areas and thus to meet the mobility requirements of the people. That is why the city's bus system does not work effectively. Buses do not meet the needs of the people and there are few other public passenger transport options, inevitably causing most people to choose a personal motorcycle as the preferred means of transportation (Nguyen Huu Nguyen, 2010).

Currently, HCMC’s bus network is most complex in the bordering areas between the inner city and the outskirts. However, the network only offers direct connections between the starting point and the final destination, not yet forming key routes and aggregates to lead to key routes. Moreover, the length of the routes is insufficient. The existing network has no hierarchical route as most of them link directly to the city centre or directly link between two points with major travel needs. According to the Department of Transportation (DOT) of HCMC, public transport currently only meets 7 percent of the urban residents’ travel needs (Department of Transportation of HCMC, 2015).

4.1.2. Mobility depends on motorbikes, while public transport has not developed yet

HCMC is the economic hub of the country and is now one of the most dynamic cities in South-East Asia. The rapid economic and population growth have put great pressure on the city’s technical infrastructure, especially the public transport. According to a report of the DOT of HCMC, the number of vehicles registered in the city traffic tripled from 2003 to 2013 (DOT, 2014). By the end of 2015, HCMC had a total of more than 7.2 million vehicles registered in the city, of which more than 6.7 million are motorcycles and more than 500,000 cars. That is not to mention the vehicles coming from surrounding provinces working in and
visiting the city. The grand total is therefore estimated to be about 10 million vehicles (DOT, 2015).

Due to the structure of the existing transport system and distribution of housing, social services, industries and businesses, motorcycles are the most affordable and efficient option for people to move inside the city. People who live in small alleys in residential areas far from the main road find it difficult to reach buses, while motorized vehicles are easy, fast and convenient. This has greatly reduced the number of passengers taking the bus.

4.1.3. Lack of sociality in design of traffic system in urban transport projects

No matter if a person is travelling by private cars or public transport in the city, it is necessary to consider how to design urban transport in order to make it easier for people, especially pedestrians and people with disabilities, to access and use. In the streets of the central part of the city, walkways on the pavements are provided for pedestrians and the disabled. However, in practice, many walkways are encumbered with parked vehicles and street vendors. In some places, the lanes for the disabled and the pedestrians are blocked by public utilities such as power poles, power stations, bus shelters, stumps, and hawkers. Although the construction of streets and public areas has gradually come to adhere to the standards that are to ensure access by pedestrians and people with disabilities, the design of the public utilities remains unsupportive to the disabled. For example, facilities for the blind are installed badly or not at all. The city also implements a policy of free buses for people with disabilities, though bus stops are often not built in an accessible manner.

In recent years, while some of the traffic works have been modernized many projects have not yet been invested in. The renovation works have not paid due attention to social conditions. Viet Nam has acceded to the United Nations Convention on Persons with Disabilities and is required to comply with accessibility standards for persons with disabilities, including standards for the design and construction of public transport works in urban areas. Therefore, urban transport works need to seriously implement and enforce the promulgated legal policies that are inclusive to people with disabilities. In road design and master plans, access for persons with disabilities must be a requirement, and it should be a precondition for the approval of any transportation project. In the same way, completed construction works without access or ineffective access for disabled people need to be renovated to bring them in line with accessibility standards for physically challenged persons. It is important that the disabled community be consulted at planning stage to ensure that traffic designs encompass standards for mobility and access. This applies in particular to systems with stringent requirements for pedestrians and the disabled, such as public highways, the Metro and Bus Rapid Transit (BRT) systems.

4.2. Solutions for mobility in social urban development

4.2.1. Development of public transport in HCMC

In order to reduce traffic jams, improve the living environment and ensure convenient mobility for all urban people, the city government has issued many policies and proposed many public transport development projects over the years. These policies are to meet urban dwellers’ demand for the construction of public transportation systems. Public transport is a viable alternative to private vehicles and that is also the goal that the plan set out: The target is for public transport to account for 25 percent of the city’s travel by 2020, and it is estimated that this figure is to rise to 45 percent by 2030 and 60 percent after 2030 (DOT, 2014).

In order to reach these goals, in 2013 the city government adjusted the plan called The Vietnamese Transport System Until 2020 With The Vision Beyond 2020. Accordingly, some urban transport development projects will be implemented, such as highways, the Metro public transport network and BRT system. The development is based on the forecast that the population of the city will increase by 5 million and the economic growth will reach 8.5 – 10.5 percent per year between 2015 and 2025 (Decision 2631/QĐ-TTg, 2013). The transport planning objectives have three main points: (1) improvement of the road network, through the construction of many new and expanded roads, highways, ring roads and overhead roads; (2) solving the problem of traffic jams by developing large-scale public transport (Metro), monorail, tramway, and BRT; and (3) modernizing
international-standard infrastructure that connects the city with others around the world (deep-water port and new international airport). The ambition of this plan is reflected in the establishment of a portfolio of 469 projects, of which more than three quarters relates to road infrastructure.

Since the year 2000, the DOT department of HCMC has invested in the procurement of 1,318 buses, buildings and is developing bus infrastructure, thus improving the quality of the bus service. As urban roads are expanded, bus routes and bus stops are built in new urban areas and populated areas (DOT, 2014).

At the end of 2002, HCMC had 97 bus routes, increasing to 146 routes in 2010, and now the city has 159 distribution lines in the districts of the city. Some routes have connections with neighbouring provinces. According to the distribution map of the current bus routes, the centripetal routes connect the terminals at Ben Thanh Market, to radial routes, and fish bone routes. Non-subsidized routes travel mainly from the city to neighbouring provinces.

Before 2010 the opening and adjustment of bus routes was decided by the provincial/municipal transport services. Since April 2010, the City People’s Committee has decentralized the management and operation of public passenger transport and adjusted bus routes on the basis of the approved planning.

Moreover, there are some more specific methods to reorganize the bus system. Regarding the characteristics of population and road distribution in HCMC, the main axis-branch model should be considered. In order to make the best out of this model, major transit points should be built. At the same time, it is also necessary to build a number of transfer points at the intersections of the main routes, to satisfy travel demand of people to urban services, such as schools, hospitals, trade centres and entertainment centres. Due to the planning and demographic distribution, small-sized buses and motorbikes are preferable in narrow residential areas in the central area of the city.

At present, the system of public passenger transport network in HCMC has 159 subsidized bus routes and 30 non-subsidized bus routes with 26 participating enterprises. Most of the services are for students, traders, commuters and workers in industrial parks and export processing zones. Many new vehicles have already been put into operation, such as buses for people with disabilities and double-decker buses. The methods to use the service are increasingly diverse and range from single tickets to annual tickets, ticket purchase via phone and internet, etc.

<table>
<thead>
<tr>
<th>Sub-sector</th>
<th>Number of projects</th>
<th>Percentage</th>
<th>Estimate of demand by 2020 and after 2020 (billion VND)</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Road system</td>
<td>382</td>
<td>81</td>
<td>1,428,836 (US$67 billion)</td>
<td>56</td>
</tr>
<tr>
<td>Railway system</td>
<td>22</td>
<td>5</td>
<td>565,166 (US$26 billion)</td>
<td>22</td>
</tr>
<tr>
<td>Public transport system</td>
<td>17</td>
<td>4</td>
<td>389,566 (US$18 billion)</td>
<td>15</td>
</tr>
<tr>
<td>Sea and river transport</td>
<td>47</td>
<td>10</td>
<td>53,946 (US$3 billion)</td>
<td>2</td>
</tr>
<tr>
<td>Air transport</td>
<td>1</td>
<td>0</td>
<td>144,834 (US$7 billion)</td>
<td>5</td>
</tr>
<tr>
<td>Total</td>
<td>469</td>
<td>100</td>
<td>2,582,348 (US$121 billion)</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Adjustment of traffic planning in HCMC, 2013 (Decision No.568/QĐTTg)
In recent time, HCMC’s authorities have implemented infrastructure development models in the forms of build-operate-transfer (BOT) and build-transfer (BT), and have launched a PPP policy to attract private-sector investment in the development of urban infrastructure and public passenger transport. One of the typical projects of the PPP model in the city is the Hanoi Highway expansion project, from Saigon bridge to Tan Van intersection, with a total length of 15.7 km. The project has invested 2,500 billion VND through the participation of a private company - HCMC Infrastructure Investment Joint Stock Company (CII – Securities code of the company in Viet Nam stock market). In this project, the State Financial Investment Company of HCMC (HFIC) provides credit by using loans from the World Bank with a total capital of nearly 600 billion VND. In this model of cooperation, the city government takes care of land clearance using the State’s budget, while the investor (CII) is responsible for securing funds for the project’s progress. Throughout the project life cycle, CII maintains and operates the road system and its relevant facilities. Reimbursement to investors can be done through toll collection. Upon completion of the return of invested capital with the agreed interest rate through toll collection process, CII will transfer the entire management and exploitation of this route to the city government. The duration of this process varies with the total amount of investment in each project. This is an appropriate way to develop infrastructure in the face of the State budget deficiency.

Regarding the situation of attracting capital resources, by the end of 2014, 37 projects were being planned and implemented in different forms of investment, such as BOT, BT and BOO. Besides the sharing of capital burden, this cooperation also opens up the conditions for accessing and exploiting foreign advancement of science and technology in building urban infrastructure. PPP is applied to some typical projects such as the Vom Nielsen bridge project in Tan Son Nhat–BinhLoi, outer ring road, and the Phu My cable-stayed bridge.

For the development of public transport under PPP, Decree 15/2015/ND-CP on investment by PPPs and Decree 30/2015/ND-CP detail the implementation of terms of the Procurement Law on the selection of investors. However, these forms do not accurately reflect the content of PPPs, and are unclear about the participation of the State and investors, particularly on the allocation of responsibilities and profit. Despite high levels of investment in infrastructure, private-sector participation remains rather low. The reason that private investors are not so keen on building infrastructure projects is the specificity of construction and finishing time of these projects. The returns in these projects are slower than in other kinds of businesses, although at present the development of the road network is counting on private and foreign capital.

Secondly, the diversification of the types of passenger transport is important to meet the different travel needs of the population in the community. In addition to continuing to complete the current bus routes, expected modes of transport such as BRT and Metro need to be developed systematically, despite the forecast of being unaffordable to the poor due to high ticket prices. Moreover, a systematically safer walking corridor needs to be invested in, as the current road system does not ensure security and convenience for walkers. In fact, Metro and BRT systems in HCMC can only be used effectively when there is synchronous development with the bus system, pavements, parking lots and other facilities.

Thirdly, in addition to current forms of public transportation, the city government should call for private sector investment in the provision of other passenger services, for example a door-to-door bus or shuttle service depending on the different target groups in a community, especially the elderly, students, office workers, workers, and students. This method will overcome several disadvantages of bus travel, including the lengthy travel times and the difficult or absent transfers between stations. It will also help gain the community’s trust, amid some public concerns for the security of children and the elderly on public transport. The development of these services is to meet a demand for more convenient mobility for everyone in society, including the poor and the disabled.

In addition, the involvement of the private sector has also created changes in habit of using traffic services instead of private means of transport. It is also representing a solution to urban transport problems. In 2010, the Uber taxi service was started in Viet Nam. Another similar
service to Uber, Grab, has also been launched in Viet Nam. These two services were put to first use in two big cities, Hanoi and Ho Chi Minh City. People who used to choose traditional taxi now use Uber and Grab as two preferable services. As to Uber Moto and GrabBike, customers are able to preview the rates of the trip before deciding whether to order - something they cannot do with traditional services. With the convenience they bring, the new services have quickly gained a large number of customers, especially among young people. Therefore, in just a short space of time, Grab and Uber have created trust and changed the commuting habits of users. At the same time, the development of this type of service is more clearly segmented, with Uber and Grab for young customers because it requires using smartphone apps, while traditional motorbike taxi still being used by older customers because of their habit and the simplicity of taking it. It can be said this type of extension enhances public transportation and makes it more convenient at a cheaper cost. The choice of Grab and Uber makes it possible for customers who do not want to walk to certain points such as crossroads, forks or in front of hospital gates, schools and it removes the risk for unclear bids and routes, etc. However, it is also necessary to bear in mind that Grab and Uber only respond to a segment of young users, who know how to use technology. To older people, who are often far from the urban centre, the services are almost inaccessible and they do not use them frequently. This new type of mobility, on the one hand, meets the needs for fast travelling of the urban residents. On the other hand, it has also contributed to the rise of personal vehicles (Ubermoto and GrabBike) that affect the general traffic of the city.

4.3. **Urban transport development and participation of urban community**

The participation of residents and urban community in urban planning projects in general and urban transport planning in particular is legally required in Viet Nam. However, the reality is that the mechanisms and policies on urban transport planning and management in Viet Nam are complex in many sectors and levels. Most of the policies are in favour of state management and do not yet emphasize the role and participation of non-state stakeholders, as well as beneficiaries involved in urban development activities.

The current transport planning and development in HCMC serves the urban development and the needs of the people, facilitates the development of urban areas and urban connection. However, urban planning and development have not shown the relationship between the stakeholders such as managers, consultants and community residents, who are to ultimately benefit from urban projects. Most of urban transport planning is done by State institutions and sometimes does not meet the needs of the people and the community. From that reality, the construction and development of public transport in HCMC need to pay attention to the participation of local community. In certain stages of urban transport projects, it is necessary to have the monitoring role of the community. It is important that the Government and involved investors encourage the community participation where a project is involved. In addition, local communities should also be encouraged to participate in activities such as tree planting and cleaning in the project areas.
5. Conclusion and recommendations

5.1. Conclusion

Thus, participation of non-state actors and civil society in housing and transportation to secure a “social city” remains a long process given the existing socio-political context (the policies for land ownership serve as an example). Further, the current socio-political system creates the lack of transparency and accountability that hinders the participation. Meanwhile, the local residents, including the poor and disadvantaged, suffer from unfavourable housing and transportation systems.

Under the current development situation, some elements need improving to achieve the status of social city. As for housing, the needs of local residents and their affordability must be met. Meanwhile, the disadvantaged must not be excluded from urban development and basic service delivery. This can be achieved by building houses at the minimum quality standard and at acceptable prices plus improving traffic to avoid social stratification. As for transportation, the old urban structure is an obstacle for urban public transport system and road network development. In the meantime, to ensure mobility including the disadvantaged, it is necessary to establish public transport system in every corner of the city and at the same time design the attached system such as pavement, stations and other facilities, particularly for the vulnerable groups. Thus, short-term solutions must be implemented such as restructuring the bus system while preparing long-term options such as diversifying public transport systems and developing road system to less developed areas in the city.

In order to implement housing and transportation solutions for a social city, with the participation of civil society, a number of deficiencies in management system must be fixed. Issues such as accountability and policy design must be improved. In addition, there needs to be participation of all related actors such as local people, businesses, the People Councils at all levels, and socio-economic and academic institutions.

5.2. Recommendations

Based on the analysis of the housing and transportation policies, this research proposes a road map for improvements of participatory urban housing and transportation policies for a social urban development of HCMC (see below). Policy enforcement must be improved and the involvement of public and private sectors in housing development should be identified specifically, thereby addressing current accountability problems. Concerning land policy, it is necessary to thoroughly apply market mechanisms for land used to build commercial housing, especially at valuable locations in the city. This should be implemented with increasing monitoring roles of National Assembly and participation of citizens in the project area. This also increases social justice. However, in order to do this, a fundamental change in the participatory monitoring mechanism is necessary.

For affordable housing, in the current context of Viet Nam, the government should play a role in orientation and regulation through diverse financial packages to serve all people’s housing needs depending on their income. The financial support packages may extend to developers who are willing to commit to supplying affordable housing. Moreover, it is necessary to have an agency accountable for the development and management of low-price housing for a long time, as this is a highly social and necessary programme regarding the current housing situation in HCMC. In the long term, if there is an absence of management agencies to ensure quality and maintenance, as well as equality in accessing social services among residential areas, new problems of social stratification will appear in terms of living conditions.

One of the advantages of housing development in Viet Nam in general and HCMC in particular is that most houses are built by individuals or households (by hiring contractors to build houses on their land lots). These individually-built houses account for the largest share of national housing supply and therefore help to share the government’s house supply responsibility considerably. Moreover, this individual housing supply meets the
5. Conclusion and recommendations

housing characteristics of Vietnamese residents such as large numbers of people living together. In addition, maintenance costs for individual housing are lower than those for the other forms of housing such as apartments and gated communities. The government should generate rational policies on urban planning and infrastructure that will take advantage of the great financial resources from citizens to ensure sufficient housing for community.

Regarding mobility, public buses are still the best solution for HCMC as a crowded and high-density city. It is necessary to maintain both big and small-sized buses which are especially designated for going through narrow areas in the city. In this sense, small buses are more important than overpasses and subways. The city government is determined to develop public transportation system with many large projects (Metro, BRT, etc.) to meet citizen’s travel needs. These investments are mainly financed under PPP models, which can be a sustainable solution for transport development as the ODA loans and the state’s budget being limited and infrastructure being the most costly investment sector. However, to make sure that PPP models benefit the public, especially the poor and the disabled, the city government should introduce more specific regulations in the design of the transport system. Investment in the improvement of the transport system in the city is considered a highly effective method that brings socio-economic benefits for all people in society.
Road map to social city in the cases of housing and transportation

**MOBILITY**
- Restructuring bus system including stations and routes
- Encouraging civil societies to participate in in-city passenger transport services by reducing tax

**HOUSING**
- Managing rental housing
- Planning and controlling construction quality of detached housing in new residential development areas
- Funds for social housing

**IMPROVING THE STATUS QUO**

**PARTICIPATION**
The participation diversifies forms of passenger transportation

**DEVELOPMENT**
- Developing public transport such as bus, metro, and BRT
  - Good for all citizens
  - Developing roads connecting areas in the city
  - Creating fair opportunities for all areas in the city

**IMPROVEMENTS IN GOVERNMENT**
- Improving land policies
- Enhancing financial management capacity
- Improving policy implementation and accountability

**PARTICIPATION**
- More efficient monitoring system
- More participation from civil society
- Changing commuting habits of the citizens

**PARTICIPATION**
- Calling for social participation in building affordable housing according to planning
- Enhancement of accountability of housing management agency
- Funds for social housing
- Developing rental housing and others compatible with the needs of urban people
- Controlling the quality of rental housing and newly built housing
- Developing transportation and social services to limit social stratification

**PARTICIPATION**
- Calling for social participation in building affordable housing
- Only applying PPP model for social housing projects
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