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## ***Backyard Living – Integrative Policies Towards Migrant Workers: Housing Microfinance in Greater Ho Chi Minh City, Vietnam***

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*The urban agglomeration of the Vietnamese southeast industrial driving force Ho Chi Minh City (HCMC) has become the most outstanding beneficiary of the remarkable economic growth and foreign investments in the Vietnamese economy since the start of a comprehensive economic reform process in the mid 1980s. The notable development towards the foremost economic centre led to a high influx of migrant workers. In the course of an ongoing expansion process towards a megacity of tomorrow, the deficient provision of adequate housing remains one of the most challenging problems of rural migrants in Greater HCMC. However, a future-oriented sustainable megacity concept is strongly dependent on the successful integration of migrants into the urban society. Within this context, the housing market is considered to be a key aspect of comprehensive urban planning. Hereby, housing microfinance (HMF) will be presented as an alternative housing finance scheme meeting the demand of a noteworthy number of poor and low-income people. Thereby HMF can do both: focus on specific needs of migrants with respect to their current life situation and enhance its outreach to a potential target group.*

*Keywords: Ho Chi Minh City, Vietnam, Housing, Migrants, Microfinance*

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*Die Metropolregion Ho Chi Minh City (HCMC) hat seit Beginn umfassender Wirtschaftsreformen Mitte der 1980er Jahre enorme Wachstumsraten und Investitionen an sich gezogen. Das Wirtschaftszentrum Vietnams wurde dadurch zum Anziehungspunkt für eine stetig wachsende Anzahl von Arbeitsmigranten. Bisher konnte das rasante Stadtwachstum der vergangenen Jahre einer ausreichenden Wohnraumversorgung nicht entsprechen. Die hohe Nachfrage auf dem Wohnungsmarkt stellt eine besondere Herausforderung für ankommenden Migranten dar. Eine erfolgreiche Integration ländlicher Arbeitskräfte bildet jedoch die Grundlage für ein zukunftsorientiertes Megastadtkonzept. In diesem Zusammenhang wird der Wohnungsmarkt als ein Schlüsselaspekt für umfassende Stadtplanung gesehen. In der vorliegenden Abhandlung wird Mikrofinanzierung von Wohnraum als ein innovatives Finanzinstrument zur Wohnraumversorgung vorgestellt, mit dem es gelingen kann, dem Bedarf von Teilen der untersten Einkommensschichten zu entsprechen. Dabei kann sich dieser Ansatz sowohl auf die Zukunftserwartungen der Arbeitsmigranten beziehen als auch die Entwicklung des Mikrofinanzsektors insgesamt vorantreiben.*

*Schlagnworte: Ho Chi Minh City, Vietnam, Wohnraum, Migranten, Mikrofinanzierung*

## **Introduction**

The year 2007 symbolises an important milestone on the scale of human settlements. For the first time the number of the urban population worldwide exceeds the amount of rural residents in total. The demographic analysts of urban development declared the new urban millennium (UN-Habitat 2006). This trend is dominated by the urban agglomerations' annual growth rates of 4.58 percent in Africa and 3.82 percent in Asia (UN-Habitat 2006: 4; World Bank 2006: 2). The so-called urban revolution is mainly due to an exploding development of urban agglomeration regions in developing countries (UN-Habitat 2003). Besides strong population growth, fast growing cities have to deal with urban poverty, social inequality, scarce housing, slum settlements, insufficient sanitation and missing waste collection services causing extreme environmental deficiencies.

Following global trends, the Vietnamese metropolis Ho Chi Minh City (HCMC) is on its way to achieving the status "megacity of the early 21st century", facing all above-mentioned challenges. The prospering industrial region became the national spearhead of urban development. By the economic reform process (*doi moi*) and the opening up for foreign direct investments (FDIs) HCMC is pushed within the ongoing transition from socialist planning towards a market-oriented economy (cf. Nestor 2007). Nowadays, the basic export-led industrialisation strategy is accompanied by growing domestic consumption and investment spending. Although HCMC denotes the highest average income on a national scale, it also incorporates strong social polarisation and spatial fragmentation (Waibel, Eckert, Bose, & Martin 2007: 60). Both aspects are extremely visible within the housing market. Even though

Vietnam has achieved a remarkable decrease of overall poverty and confidently steps towards the fulfilments of the UN Millennium Development Goals (MDGs), a recent increase in urban poverty could be revealed.<sup>2</sup>

Vietnamese urban growth is strongly related to rural-urban migration. Generally the field of housing symbolises a strong integrative aspect for migrants into an urban society. However, low incomes, remittances and fewer savings, as well as a restrictive registration system, make it extremely difficult for rural migrants to participate in the housing market, which is strongly characterised by high land and housing prices. Furthermore, the insufficient access to the formal financial system intensifies this incapacity, as the access to housing strongly depends on the access to financial services. This paper examines in how far the promotion of alternative housing finance schemes might be an integrative strategy to support the empowerment and development of rural migrants in an urban society.

### ***Population Growth, Migration Dynamics and Urbanisation Processes***

Dynamic migration streams and permanent re-distribution of population are deep-rooted characteristics of the Vietnamese history (N. Dang 2005). Within the last two decades new migration phenomena are appearing in the course of the overall market-oriented social and economic reform process. At the same time the policy agenda constitutes a notable shift from previous ideologically motivated anti-urban policies to an ongoing urban-centred economic development (Jenkins, Smith, & Wang 2007: 282) (cf. Table 1). Following the new strategy, HCMC claims the national pole position.

<b><i>Table 1: Urbanisation Trends in Vietnam Since the Beginning of the Doi Moi Reform Process*</i></b>							
Year	1986	1990	1995	2000	2003	2005	2015**
Number of urban spaces	480	500	550	649	656	-	-
Urban population (in million)	11,87	13,77	14,94	19,47	20,87	22,44	30,50
Urban population (in percent)	19,3	20,0	20,8	24,7	25,8	26,4	31,6
* Data related to national definitions							
** Data on the basis of the average deviation of extrapolation							

Source: P.N. Dang (2005); UNDP (2007)

<sup>2</sup> According to CIEM (2006: 91) the urban poverty rate increased from 6.6 percent in 2002 to 10.8 percent in 2004.

Within the last two decades the population of HCMC grew by 60 percent from 3.92 million in 1989 (NIURB 1994: 19) to 6.24 million in 2005 (Statistical Office of HCMC 2006: 17). Additionally, it is estimated that more than 1.9 million temporary migrants currently reside in the inner-urban districts and surrounding provinces (VET 2005: 31; Hiep 2005: 1). The ongoing population pressure is mainly a result of the potential employment opportunities in various industrial and export processing zones. These industrial areas are primarily located in the rural-urban fringe and cause remarkable growth rates in suburban districts. The high increase in population doubled the size of the settlement area from 1986 to today. Taking the industrial corridor of the adjoining provinces Dong Nai, Binh Duong and Ba Ria - Vung Tau into calculation, a mega-urban region with more than 10 million inhabitants is already in existence (Waibel et al. 2007: 61). Suburbanisation is predominantly pushed by urban upgrading programmes in the city centre and eviction processes in previous slum settlements. Furthermore, an overall transformation of living space into business space in the inner city intensifies population movements to suburban districts.<sup>3</sup>

Generally the considerable celerity of population growth hinders comprehensive investments into consistent urban development. This is mostly visible in a lack of technical and social infrastructure. These circumstances are causing conflicts with sustainable housing policies in the course of ongoing urbanisation processes. The disregard of these fields by public authorities has dramatic consequences for the economic, administrative, social, cultural and ecological livelihood of all city dwellers, especially for the poor. The deficient supply of housing remains one of the most challenging problems for poor and low-income people in urban HCMC (Martin & Kennel 2006: 1).

### ***Migrants' Life in the "New Urban Context"***

The financial perspective of higher incomes is the primary motivation of rural migrants who seek employment in one of the multiple factory compounds. On site, so-called boarding houses are the leadoff destination for migrants in the new urban context. Boarding houses are rental and sharable informal housing units which are located close to industrial zones at the backyards of local landlords, nearly invisible from the street front. This type of housing is characterised by a standardised architecture, cheap construction material and lack of technical infrastructure. Thereby most housing units violate all construction laws. Furthermore, boarding houses are generally overcrowded and very expensive. Residents find themselves in precarious living

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<sup>11</sup> From 1999 to 2005, the suburban District 12 (+77 percent), Thu Duc (+64 percent) and Binh Tan (+58 percent) registered the highest rates of population growth (Gurby & Huong 2002: 9; Statistical Office of HCMC 2006: 17).

conditions where drug abuse, prostitution and strong environmental impacts are common. Thus boarding house agglomerations are considered to be the new slums of Greater HCMC (Waibel & Thanh 2007: 11). The nation-wide 2004 Migration Survey of the General Statistical Office (GSO) and the United Nations Population Fund (UNFPA) marked the housing situation in Vietnamese cities as the most pressing problem for migrants. In either case boarding house units lead to strong exclusion effects and spatial segregation.



*Two-storey boarding house building in the province Binh Duong in front of an industrial compound (north of HCMC) (Photo by M. Noltze, 2007)*

Rural migrants who enter the urban context are primarily young, single and female. However, chain migration phenomena can be perceived in workers' accommodations. Chain migration processes enable migrants to use prearranged paths of previous migrants and primary social networks to enter the urban context (MacDonald & MacDonald 1964: 82). Whole village communities find themselves within the same boarding house units, bringing parts of their families and cultural idiosyncrasies into the urban society. In this regard, migrants are involved in strong networks. Although higher income perspectives are the major pull effect for migration processes in Vietnam, especially in Ho Chi Minh City migrants do have considerably lower incomes in contrast to non-migrants (GSO & UNFPA 2005: 5). In addition to the insufficient financial power, the Vietnamese *ho khau* registration system does not allow non-permanent residents (KT3, KT4) to participate fully in the real estate market until they have achieved a permanent residency (KT1, KT2).<sup>4</sup> Generally, the *ho khau* policy restricts migrants' access to basic social and technical infrastructure including education, health care, jobs and financial

<sup>4</sup> The residential system is divided into four nation-wide categories from KT1 (officially registered permanent residents with all rights a Vietnamese citizen has at his home-place), KT2 (permanent registered residents who do not live in the district where they are registered and who have full rights), KT3 (families who are considered as migrants and do have a residency for 6 to 12 months and who have very restricted rights) and KT4 ("floating" migrants who live in guesthouses and temporary dwellings and who have the least rights within the *ho khau* hierarchy).

services. Consequently migrants use informal ways to achieve land property. They rely on non-professional and doubtful financial services provided by private moneylenders, relatives, friends or neighbours. Nevertheless, a rethinking of the restrictive registration system by the authorities can be detected in recent times. This is mostly noticeable in the 2007 New Law on Residency, which softens previous restrictions.

Rural-urban migrants constitute a significant share of the Vietnamese poor, even though it is nearly impossible to document this by absolute figures as migrants are generally not registered in nation-wide statistics. Although migrant workers are not considered to be the poorest of the poor, they are facing an extreme risk to fall below national and international poverty lines<sup>5</sup>. Insecure employment contracts, hard working conditions and a heavily polluted environment are reasons for seasonal unemployment, health risks and stress. The average monthly incomes exceeds 60 USD. However, high expenditures lower potential savings and remittances. The foremost expenditures include high rents, exceptional rates for water, electricity and waste collection services. Recently these circumstances are additionally accompanied by high inflation rates in overall Vietnam. The restrictive *ho khu* hierarchy intensifies the financial disparity between permanent and non-permanent residents. Besides the inability of migrants to enter the state-owned economic sector they do have considerably lower payments for equal work in contrast to non-migrants (ADB 2006: 6).



*Boarding house in the backyard of local landlords in the urban district Thu Duc (Photo by M. Noltze, 2007)*

Boarding houses are the physical manifestation of the socio-economic exclusion of migrants. High taxes for basic infrastructure and a gap between the demand and the supply of public services intensify their deficient living conditions. According to the 2004 Vietnam Migration

<sup>5</sup> The international poverty line includes the One-(or Two-)Dollar-a-day definition by the World Bank, national poverty lines by the GSO measure poverty by the proportion of household expenditures and a daily food consumption basket and vary due to regional differences between urban, rural and mountainous regions.

Survey, 40 percent of migrants stated a worsening of their living situation compared to their place of origin (GSO & UNFPA 2005: 4). Additionally, of all social groups, migrants have the least access to social security such as health insurance. Furthermore, gender-related differences are detectable. Especially the group of migrant women suffer from exhausting working conditions in labour-intensive industrial employments (ADB 2006: 6).

### ***Housing Microfinance (HMF)***

The United Nation's declaration of 2005 as the "Year of Microfinance" and the awarding of the 2006 Nobel Prize for Peace to Mohammad Yunus, founder of the Grameen Bank in Bangladesh, underlined the impact of microfinance as a successful tool within the general development debate. Microfinance means the provision of financial services to the "unbankable" poor, who are traditionally excluded from formal finance schemes. Today microfinance is not only about (micro-)credit anymore. It includes a wide range of various financial instruments and is on its way to becoming an "inclusive financial system" implementing the integration into the formal financial system and expanding its outreach to large numbers of poor and low-income people (cf. Helms 2006). The group of microfinance clients predominantly range from the "unbanked" poor to the vulnerable non-poor. Within the last decades world-wide approaches have proven that banking for the poor is able to achieve both financial independence as well as institutional sustainability.

During the last two decades adapted HMF schemes turned into a noteworthy tool in order to upgrade living space and to fight overall housing shortage in rural and urban contexts, especially in developing countries (Serageldin 2000: 25). The potential market segment for microfinance institutions differs significantly from traditional home lenders and the public sector. The former focus predominantly on high income groups, the public sector gives substituted loans to federal employees. In order to meet the demand of poor and low-income people it is necessary to integrate diverse financial proposals of various actors, including non-governmental organisations (NGOs), governmental authorities and microfinance institutions. According to Mitlin (2003: 11), (1) NGOs concentrate most on communal activities, infrastructure and housing programmes, (2) governmental institutions are relevant for the provision of land of moderate prices supported by housing programmes for poverty reduction and (3) microfinance institutions do focus on the provision of microcredits. Besides financial instruments, it is particularly necessary to integrate aspects like land tenure, the supply of basic infrastructure and the official registration process into the concept. In distinction to other traditional microfinance instruments HMF implies high sums (on average 500-5,000 USD) over



long periods of time (3 to 10 years). In this regard HMF implies high risks for both the donor and the borrower hence there is a requirement for financing securities. These instances illustrate the reasons for the limited worldwide appliance of today's HMF. Furthermore, traditional mortgage loans are only partly accessible for the poor. As a consequence mechanisms of social control obtain importance. Thereby the strong involvement of individuals within networks guaranty group pressure and social solidarity. Generally the logic of microfinance relies on group-based approaches. It uses social structures as a guarantee. In the field of HMF this can only be applied partly, but land tenure is also a sustainable foundation for neighbourhood relations.

Innovative HMF approaches include financial aspects as well as social, communal and economic development components. Two basic approaches can be distinguished: (1) The neo-liberal approach which assumes spill-over effects from loans for income generating activities towards housing, and (2) the advocacy approach which concentrates on the representation of interest of poor people regarding the access to land tenure, basic services and infrastructure facilities (cf. Serageldin 2000). The first one implies a strong connection of living space and business space and focuses primarily on traditional microfinance schemes<sup>6</sup>. The second one strongly concerns community development and socio-political emancipation.

### ***Housing Microfinance in Vietnam***

Even though experience from worldwide application of HMF shows high potentials in meeting the demand of the poor, microfinance remains a neglected topic within Vietnam. The formal financial system is dominated by huge state-owned commercial banks, which claim more than 70 percent of the total market share (Trinh 2007: 13; World Bank 2007: 25). Further shares are held by diverse Joint Stock banks. Within the course of the *doi moi* process the banking sector renewed its outreach and diversification. This development follows the liberalisation of interest rates and the enhancement of the general legal framework. Since the overall breakdown of the credit-cooperatives in the mid 1980s new banking forms have been developed. In comparison to other South-East Asian countries microfinance plays only a minor role in the Vietnamese context so far. The sector is dominated by state-owned suppliers such as the Vietnam Bank for Agriculture and Rural Development (VBARD) and the Vietnam Bank for Social Policies (VBSP)<sup>7</sup>. Today VBARD can be seen as the most important microfinance institution in

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<sup>6</sup> The so-called *shophouses* are one of the most visible housing forms in Vietnam, they include both living space and business activities. In this regard this approach is extremely capable in the Vietnamese context.

<sup>7</sup> VBARD includes more than five million borrowers with an average loan size of 405 USD, VBSP more than three million borrowers with an average loan size of 125 USD (Doan 2005: 5).

Vietnam. However, both do not exclusively target the poor. The formal providers are generally supported or enhanced by political mass organisations such as the Vietnamese Women Union (VWU), which also acts as a microfinance institution itself. The semi-formal market is characterised by a few regional organisations such as the Capital Aid Fund for Employment of the Poor (CEP) in HCMC or international NGOs<sup>8</sup>. At last informal actors like the Rotating Saving and Credit Associations (ROSCA), friends, family and neighbours do play an important role for the poor, but do not officially count as microfinance institutions on the basis of their informal and insecure capacity. It can be assumed that the limited legal outreach of semi-formal institutions, which are not coercively owned by the state, is pivotally depending on the comprehensive market-control-strategy of the Vietnamese Ministry of Finance and the State Bank of Vietnam. So far international and domestic microfinance institutions are only allowed to provide financial services exclusively in cooperation with political mass organisations or state-owned agencies. This aspect reflects the political dimension of financial services in Vietnam. On the one hand local authorities want to operate as much as possible through state-owned institutions to maintain social control and power relations. On the other hand the deep-rooted networks within the socialist system of Vietnam can be used as a solid foundation for group-based microfinance schemes by all actors. A future-oriented development of the Vietnamese microfinance landscape will require a dialogue between the government, institutions in the sector, donors and the national mass organisations. Especially the formal microfinance industry and huge parts of the semi-formal sector are strongly dependent on subsidised lending.<sup>9</sup> This is mainly related to poverty reduction programmes of the Vietnamese government and inefficient structures of institutions. Thus market-orientated and demand-driven providers face high competitive pressure. In this process highly subsidised state-owned market supply hinders the development of a sustainable microfinance landscape.

The banking system within the financial market is pivotally responsible in how far investments are distributed and who has access to capital. The national capital stock of Vietnam is quite tight, which means that institutions have only limited capital available. This has extreme consequences for the capital-intensive real estate market. So only the most lucrative and high-end projects get financed by the formal sector, including business space, high standard hotel rooms and luxury apartments. In this situation banks focus on the high end of the market and HMF has a good chance of dealing successfully with the potential poor and low-income segment. However, there is only very limited information about the outreach and the demand available. It can be assumed that specialist housing finance products for the poor are almost non-existent. So far, mostly semi-formal institutions focus on housing finance

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<sup>8</sup> For example Save the Children/US, World Vision International or Habitat for Humanity International Vietnam.

<sup>9</sup> The VBSP offers below-market interest rates, on average 6 percent per annum (Doan 2005: 7).

for the poor. In Greater HCMC, the World Bank, CEP and Habitat for Humanity International Vietnam provide housing finance instruments for specific target groups. However, these semi-formal institutions face considerable constraints due to their status within the Vietnamese financial landscape and have only limited outreach.



*“Microfinanced” housing in HCMC (by the CEP)<sup>10</sup> at the “sites & services” project site of the PMU 415/ Belgium Technical Cooperation in Binh Hung Hoa, Distrikt Binh Tan (Photo by M. Noltze, 2007)*

Even though HMF in HCMC might be able to prosper in the near future it is still a neglected topic in Vietnam. Only a few pilot projects are run by microfinance institutions so far. These projects mainly focus on target groups who emerged from eviction processes in the course of urban upgrading programmes. The national microfinance industry focuses predominantly on income generation activities. However, especially in Vietnam both fields are strongly related to each other and it is unclear in how far business loans are already constantly transferred to housing matters. The lack of available data regarding the demand of the poor for housing aggravates the immature market situation. Institutions need to conduct their own analyses which are generally quite costly. But the lack of data does not imply a lack of a potential demand. Furthermore, there is a need for the integration of saving products to complement housing loans. This aspect requires strong financial institutions but supports the economisation of existing systems. Innovative approaches promote a step-by-step construction procedure<sup>11</sup>, combining construction cycles and loan rounds which make both aspects more suitable for the poor.

<sup>10</sup> In the course of the Tan Hoa - Lo Gom (THLG) canal upgrading project, funded largely by the Belgian Technical Cooperation, 57 households were resettled to the pilot project site. The “sites & services” included hook-ups for electricity and water and access to roads. Resettled households could use their compensation to purchase a plot at 60 percent of the official market value. For house construction they could get a long-term loan of up to 22 million VND at 10 percent interest per year, provided by the CEP.

<sup>11</sup> For example the first loan round is linked to the construction of the core housing unit (including walls and roof), the second loan round to the construction of different rooms (kitchen, bathroom, etc.).

### ***Migrant Workers – City Dwellers of Tomorrow?***

The hard working conditions in industrial zones accompanied by low income-expenditure ratios, a restrictive registration system and a lack of adjusted future-orientated policies hinder the socio-economic integration of migrants in Greater HCMC. Even though migrants achieve higher incomes compared to where they come from, many of them fail to leave poverty relations. Hereby migrants are the expression of the urbanisation of poverty (Jenkins et al. 2007: 293). Industrial zone workers in HCMC contribute significantly to the fast growing economy but cannot fully make use of the outcomes and advantages of the prospering development. The apparent awareness of this gap is lately expressed by an increase of strike-waves and high fluctuation of employees on the run for better working conditions.

Regarding financial markets, migrants in HCMC are extremely excluded from services. Consequently, they rely on informal networks, particularly family and friends. Although high expenditures lower their net incomes, migrant workers are thoroughly able to have remarkable savings. Comparably high savings are mainly a result of their current abstemious life situation. Therefore a high demand on financial services does exist for both remittances to the places of origin to support families and for personal investments or savings for their life in HCMC. Potential savings make migrants highly creditworthy. Furthermore, migrant workers in HCMC are not immigrated individuals but rather embedded in strong social networks. This makes them extremely qualified for microfinance approaches, which deal predominantly with group based systems. Additionally, their housing related future aspirations are considerably realisable with HMF approaches in Vietnam, including low plot sizes ( $M=40m^2$ ), standard services and basic infrastructure.

Even though a significant share of migrant workers will return to their places of origin after a period of time, it can be expected that many of them will try to stay in HCMC. The long-term access to the city is strongly dependent on the registration status and the bureaucratic formalisation process. Only a permanent residency guaranties full social welfare for young migrants and their children. For this purpose migrants need the reliance of local landlords and authorities. Furthermore, the individual future plan will depend on the economic prosperity or failure. On the one hand the labour-intensive export sector employments are particularly linked to the well-being of the world economy. On the other hand low wages are facing current domestic price storms. Both aspects make migrants extremely vulnerable. Considering the obvious gap between current living circumstances and future aspirations it can be assumed that migrants with stable incomes will leave the industrial backyards of today and move into the urban society of tomorrow. Many of them will try to find new business opportunities in

the inner-city. In the face of the impressive number of migrant workers who are currently employed in the industrial zones and factory compounds of HCMC, integrative strategies for this specific target group are urgently required to guarantee the future well-being of all city dwellers. Thereby the field of housing is seen as the most important aspect of sustainable integrative policies. HMF in HCMC can do both, strengthen its outreach to the potential target group of the poor and assist migrants' entry into the urban society. Even though today this might only be possible for a very limited number of people.

## **Conclusions**

The relationship of migrants and non-migrants in the urban context of Greater HCMC is strongly characterised by high inequalities. It can be expected that this gap might even widen in the near future as migrants face high barriers to prosper socially and economically. Thereby inequality has a strong spatial dimension. Workers' accommodations are mostly located in the backyard of local landlords in close proximity to industrial zones in suburban areas of the agglomeration region. The exclusion from public services and urban neighbourhood underline the impact of the rural community. Within these circumstances, migrants conserve rural lifestyles and traditions. The social dimension of inequality is mostly visible by the constraints given by the law on residency that aggravates further emancipation and hinders comprehensive development. However, new residential policies are coming up and constraints seem to diminish. Thereby the adherence to the *ho khau* hierarchy can be seen as a constitutive element of transitional Vietnam. Even though strong inequalities still exist, it can be assumed that a significant share of migrant workers will apply for a permanent residency in the near future, declaring HCMC to their new home.

Although migrant workers are not the poorest of the poor, their current living situation is strongly characterised by poverty. The insufficient access to formal financial services intensifies this instance, as migrants are dependent on informal and insecure networks. On the one hand migrants can be seen as a potential target group for microfinance institutions. On the other hand microfinance institutions in HCMC are potentially able to provide financing schemes to migrant workers. Thus HMF enables migrants to leave boarding houses, which are the physical manifestation of poverty. Notwithstanding these facts, more crucial questions need to be addressed including land use rights, infrastructure and basic services. Regarding this aspect, microfinance institutions have to link up with international NGOs, domestic institutions and local authorities to develop comprehensive concepts. The expansion process of microfinance in HCMC does strongly rely on the general development of the Vietnamese

banking system. Thereby the ongoing reform process and the admission to the World Trade Organisation (WTO) in January 2007 open new opportunities for microfinance providers and NGOs to contribute to the Vietnamese financial market. Furthermore, it can be expected that the microfinance industry will flourish in the near future as latest policies<sup>12</sup> only lack implementation. However, the financial intermediation concerning migrants is estimated to lag behind this development. So far only a few providers are disposed to focus on this specific target group. The expansion of depth and outreach of microfinance in Vietnam requires strong reform processes of both the overall banking system and the microfinance industry itself. The transformation of the Vietnamese microfinance industry towards a sustainable market has to overcome the microfinance-as-charity approach of today in favour of a demand-driven regular financial landscape of tomorrow.

In order to develop a prospective city concept, it is strongly recommended to raise attention to migrants' lives and their potential for a sustainable urban development of HCMC. Considering the fact that deficits in urban planning are strongly related to the ongoing expansion process of the megaurban region and that the deficits cross administrative borders, it is necessary to improve the cooperation of HCMC and its surrounding provinces. A successful integration of migrants into the urban society is pivotally dependent on the access to affordable housing. The reduction of the significant housing deficit can only be advanced through various approaches, such as the integration of housing supply by means of industrial zone planning or the further promotion and development of alternative housing finance schemes. Thereby all actors have to concentrate on the demand of the poor. Furthermore it is necessary to implement and enhance the 2007 New Law of Residency, which offers new opportunities to reduce inequalities between migrants and non-migrants. After all it is required to continue the Vietnamese banking sector reform process to develop comprehensive strategies especially for the non-state sector. In regards to the above-mentioned challenges, microfinance institutions have to expand both outreach and depth of their services for all poor and low-income people in order to reduce inequalities within Vietnamese society.

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<sup>12</sup> Since 2005, the Decree 28/2005/ND-CP of the Vietnamese government regulates the transformation of current semi-formal providers into regular microfinance institutions. The requirements are quite high for small organisations, including minimum capital, compulsory savings, etc. (cf. World Bank 2007: 36).

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