

# Urban expansion and compulsory land acquisition in Hue, Vietnam

## Challenges and ways toward fair urbanization

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### Key points

- Land acquisition for urban expansion in Vietnam occurs through compulsory acquisition by the State and in line with existing laws and regulations of the country. However, the ways in which the processes of land acquisition take place in practice are often *unbalanced* and *unfair* and thus do not align with the principles of sustainable development.
- The generally unsustainable nature of compulsory land acquisition in Vietnam is not the result of lacking rules, regulations or international guidelines but is instead due to a lack of stakeholder participation in decision-making processes combined with a breach of decision-maker responsibility in policy implementation.
- Land acquisition and conversion should proceed according to the notion of *fair urbanization* – a process which necessitates transparent communication, consultation and consensus building amongst various stakeholders.
- Fair urbanization requires strengthened institutions. While this will not happen automatically through the political efforts of the State and its agencies alone, it may evolve through pressure from social movements, civil society organizations, and the media.

### Background

International experience suggests that, during rapid urbanization and economic growth, the conversion of land from agricultural to urban usages is an unavoidable phenomenon. Vietnam is no exception. According to an official report of the Communist Party of Vietnam (CPV), the country's GDP growth averaged 6.5 – 7 per cent between 2011 and 2015. Foreign Direct Investment inflows alone increased from US\$ 19.7 billion in 2010 to US\$ 21.6 billion in 2014.<sup>1</sup> This economic transformation has been accompanied by rapid urbanization, with urban areas expanding with the addition of at least one million people per year.<sup>2</sup> In fact, the rate of urbanization is expected to increase from 33 per cent in 2010 to 45 per cent by 2020.<sup>3</sup> As a result, there is an increased demand for quality housing, infrastructure, and facilities to allow for both economic growth and urban development. This has placed tremendous pressure on land and its users, especially in peri-urban areas where land, traditionally used for agriculture, is still available and is cheaper than urban land.

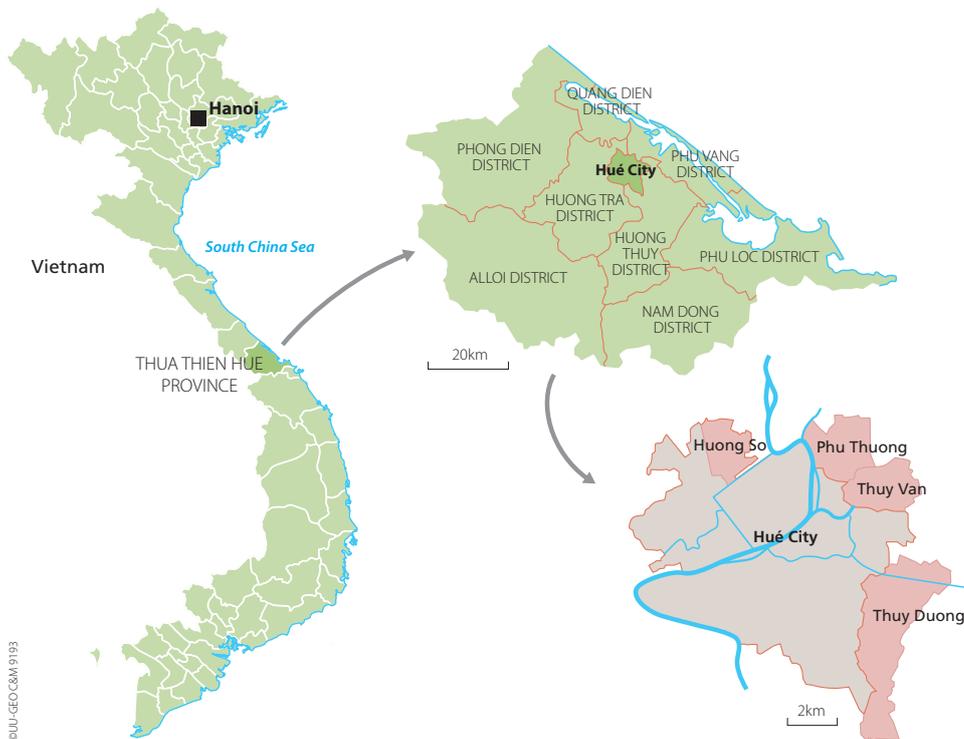
In response to the increasing scarcity of land, the State has used the mechanism of compulsory land acquisition to dedicate massive amounts of rural land in peri-urban areas to urban uses. While this is not a new phenomenon in Vietnam, it has drawn increasing scrutiny from the scientific community, the media, and policy makers because of its rapid rate of use and the adverse socio-economic impacts



1 CPV (2015). Nghị quyết (Số 38-NQ/TW) Hội nghị lần thứ mười Ban chấp hành Trung ương khóa XI.

2 General Statistical Office of Vietnam (2013). *Niên giám thống kê* [Vietnam Statistical Yearbook]. Hà Nội: Tổng cục thống kê Việt Nam [the Vietnam General Statistical Office].

3 Wit, J. de (2011). *Land governance of suburban areas of Vietnam: Dynamics and contestations of planning, housing and the environment*. Working Paper No. 561. The Hague: International Institute of Social Studies.



**Figure 1** Map of Vietnam, Thua Thien Hue Province, Hue City, and the research areas

on local development. It has been estimated<sup>4</sup> that nearly one million hectares of agricultural land were transformed for non-agricultural activities between 2001 and 2010; nearly 2.5 million people within 630,000 households have been affected by these processes.<sup>5</sup>

### Hue, Central Vietnam's tourism destination

The research underpinning this policy brief focuses on the medium-sized city of Hue in Central Vietnam. Hue was the imperial capital of Vietnam under the Nguyen Dynasty (1802-1945); it is now the capital of Thua Thien Hue Province. The city is considered to hold comparative advantages for economic growth through the services and tourism industries which further integrates Hue into a globalizing world. First, the city lies at the centre of many tourists' itineraries in Vietnam. It also sits within the East-West Economic Corridor that connects Thailand, Laos and Vietnam with the South China Sea. In Hue, the process of land acquisition for urban expansion focuses on peri-urban areas where hundreds of hectares of land have been acquired by local governments. To investigate this issue, data was collected in four villages currently being integrated into the urban area: Thuy Duong, Thuy Van, Phu Thuong, and Huong So.

### Land acquisition in Hue's peri-urban areas

The rapid conversion of land from agricultural to non-agricultural uses has taken place since the 2000s. This conversion is due to increased demand for high-quality housing as well as for infrastructure and facilities that allow for both economic growth and sustainable tourism development. Between 2000 and 2012, an estimated 400 hectares of land (of which over 80 per cent was agricultural) was acquired with more than 2,700 households seriously impacted. Consequently, the area of agricultural land has decreased considerably from 1,949 hectares in 2011 to 1,628 hectares in 2015.<sup>6</sup> This land conversion process is predicted to continue over the next few years as urban growth intensifies in response to government policies that focus on economic growth and international integration.

### Synthesis of findings

Based on socialist principles, all land in Vietnam belongs to 'the entire people.' As the State is the representative owner, the government decides on provincial and city land use zoning and planning for objectives of national defence, security, public interest, and economic development. Purposes related to the public interest and economic development are defined broadly, and may consist of the construction of public infrastructure, commercial centres, and new urban, resettlement, and residential areas as well

<sup>4</sup> World Bank (2011). *Recognizing and reducing corruption risks in land management in Vietnam*. Hanoi: National Political Publishing House – Su That.

<sup>5</sup> Mai Thanh (2009). Chuyển dịch cơ cấu lao động nông thôn sau thu hồi đất. Tạp chí Cộng Sản 15.

<sup>6</sup> Calculated by author with data obtained from local authority reports.

**Table 1** Land acquisition in Hue's peri-urban areas (2000-2012)

Location	Area (ha)	Affected households (#)
Vy Da	24.1	159
Xuan Phu	26.8	157
An Hoa	9.2	225
Huong So	9.5	296
An Dong	17.8	124
An Tay	23.9	154
Phu Thuong	70.3	542
Thuy Van	99.5	651
Thuy Duong	111.9	462
Total	393.6	2,770

Source: Calculated by author with data obtained from local authority reports.

as the establishment of sites for state agencies and foreign organizations and other non-profit development projects. Households, communities and other entities to which the State allocates land have no 'ownership' rights, only 'use' rights. Such user rights include the rights to exchange, transfer, inherit, lease or mortgage land, as well as to use land as a capital contribution to investments. However, as the representative owner, the State also has the legal ability to acquire land, in a compulsory manner, from current users for national and public interests, including industrialization and urbanization. In theory, these types of land acquisitions are expected to bring societal benefits because the land is used to improve access to infrastructure and the facilities necessary for development. This is an unavoidable phenomenon which has taken place in many countries as a part of the process of socio-economic development and population growth. It is also a legal action of the government because the process of land acquisition in Vietnam is based on the existing laws

and regulations of the country. However, the case study of land acquisition for urban expansion in Hue City illustrates that the process is often *unbalanced* and *unfair*, especially for marginalized groups.

*Allocation imbalances in terms of benefits and costs*

The process of land acquisition for urban expansion has played a part in significantly improving Hue's infrastructure. It has also helped to create a modern urban image which could promote the development of local tourism as well as attract both domestic and foreign investments. However, a look at the benefits and the costs incurred by various stakeholders – viewed as gains and losses – reveals that some groups have benefitted while others have become more disadvantaged. The first group of beneficiaries is the local government at three levels: the commune, the district/city, and the province. The local government benefits because the compensation payments allotted to those affected by land loss often fall significantly below prevailing land market rates. As a result, the margin that is created between acquisition costs and the prices paid by investors (which includes state-owned companies, foreign and domestic private sector actors, and government agencies) significantly contributes to local revenue. The second group of beneficiaries is the investors who pocket the largest share of the margin between compensation costs and market price sales. The final group of beneficiaries includes the individuals and households who are able to take advantage of the opportunities (such as access to employment and information) that result from urban growth; these households are able to successfully reconstruct their livelihoods after land loss. This group also consists of those who sell their residential land and subsequently benefit from the increase in land values brought by acquisition and investment.



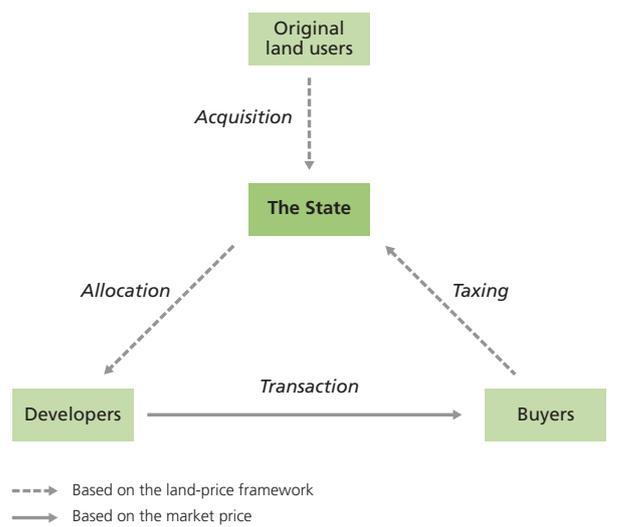
At the same time, urban expansion creates disadvantages as a result of high *social costs*, of which the first is the conversion of hundreds of hectares of agricultural land for urban uses. Having lost valuable rice land, the majority of affected households in the acquisition areas have been forced to transition from net food producers to net food consumers. In addition, despite concerted efforts toward livelihood reconstruction after land loss, not all people have sufficient capacity to cope with and recover from the effects of urban expansion. In particular, the elderly, the illiterate and the physically challenged face many more difficulties as a result of land loss. For them, land loss equates to the loss of a stable livelihood and thus the loss of a stable income source. Although some people have found jobs in non-farm sectors such as the construction and service industries, the stability of these jobs is relatively lacking as a result of the changes taking place in the labour market in terms of knowledge, skills, and desired age. Therefore, those affected by land acquisition are likely to face more challenges in the longer term, raising the question of what will happen to this group in the coming years.

#### *Land acquisition and unequal participation*

As stated previously, three main groups of stakeholders are involved in the land acquisition process: the local government, the investors, and the affected people. However, the findings show that unequal levels of participation between these actors leads to unfair outcomes. For example, local governments usually play a dominant role in the decision-making process while the people who stand to lose their land and livelihoods generally are not part of the decision-making process. The elderly, widowed, and physically challenged are especially likely to be left out of the consultation process altogether, and may not even be informed at all of the changes that will seriously affect their lives and livelihoods. In this sense, the governance principle of ‘people know, people discuss, people do, and people check’ (Decree 34/2007) is a popular political slogan of the Communist Party of Vietnam but is not fully implemented in practice.

#### *Unfair pricing framework*

In line with the socialist principles of the Vietnamese State, all land-related activities that occur between the State and land users such as land allocation, acquisition, lease, and taxation are based on a formal land-price framework which is issued annually by the provincial government. This regulated price for land is usually set low in comparison with the market price. However, after being allocated land by the State, investors are often relatively free to decide on land prices in subsequent commercial exchanges. Accordingly, land transactions between investors and buyers follow market principles, not the land-price framework applied for land acquisition processes. These transactions, in practice, only benefit the investors and land speculators, and not the original holders of the land use rights. As a result, the clash between these two pricing systems is the most significant driver of social tension and local resistance against compulsory land acquisition.



**Figure 2** The dual-price system of land

#### *Limited program effectiveness for livelihood reconstruction*

Affected households are compensated for the loss of land use rights and assets on land. In addition, these households also receive additional financial support for occupational change and vocational training. This compensation is expected to improve, or at least restore, a household’s livelihood options and standard of living. However, in practice, the effectiveness of the existing compensation program in relation to livelihood reconstruction is very limited. Multiple regression analysis illustrates that the financial compensation and support packages are not strong determinants of household income after land loss. This implies a failure of government compensation methods employed in the process of compulsory land acquisition for urban development. The main reasons for this lack of effectiveness are not surprising. First, the existing policy of compensation and support is overly focused on a simple financial transaction that lacks sufficient attention for the real objective – assisting people with reconstructing their livelihoods to at least the level they had before land loss. Second, people generally do not see how the often modest amounts of compensation money can be effectively used to secure new livelihood sources. As a result, affected households are therefore tempted to use compensation payments in ways that are less relevant for livelihood reconstruction such as housing improvements and furniture purchases.

#### **The dynamics of strengthening institutions**

Unfair urbanization in Hue’s peri-urban areas is leading to serious consequences: inequity in the distribution of costs and benefits as well as increased social and economic marginalization, social tension, and contestation against land acquisition. International organizations such as the World Bank and the Asian Development Bank have asserted that these consequences can be explained by weak land



governance. Thus, it is necessary to improve the respective policies, processes, and institutions. However, this study argues that the problem is not necessarily a lack of rules, regulations or international guidelines. It is instead the lack of stakeholder participation in decision-making processes combined with a breach of decision-maker responsibility in policy implementation. This illustrates the need to first focus on practical policy implementation rather than on changing laws and regulations. The problem here is that more relevant changes, such as strengthening institutions or increasing the responsibility of policymakers and investors, is necessary but will not happen automatically nor through the willingness and efforts of the State, its agencies and investors alone. It may however occur through the application of social pressure from various stakeholders, including the farmers involved in rural social movements as well as civil society organizations, and the media.

#### *The role of social movements*

Farmers in several places including Hanoi, Hung Yen, and Ho Chi Minh City have collectively resisted against compulsory land acquisition in Vietnam through demonstration, violence, and petition. To some extent, these resistance movements can be considered quite successful since local government compensation frameworks have been positively adjusted where collective action took place; many farmers were paid higher compensation rates. This indicates that social movements have placed significant pressure on the government and other powerful actors to change the manner in which current institutions operate. It might be assumed that resistance will become stronger and more effective if all affected individuals actively participate in rural social movements, because movements hold significant potential to create opportunities to protect benefits guaranteed under the law.

#### *The role of civil society*

In Vietnam, the party-state has formulated various legal frameworks to provide more space for the development of 2,000 civil society organizations (CSOs). In turn, non-

governmental organizations (NGOs) actually create a clearer space or arena for CSOs to negotiate and debate with the government and other stakeholders over the equity and sustainability of development activities. One of the most successful campaigns is the anti-hydropower dam movement spearheaded by the Vietnam River Network, other Vietnamese NGOs, and many social and environmental activists.<sup>7</sup> As a result of the development of NGOs and their positive contributions in recent years, similar positive results might be expected in relation to land acquisition for urbanization in many Vietnamese cities.

#### *The role of the media*

According to the Vietnamese Law on Media, the media is the essential means of providing public information in relation to social life; it is also enshrined with the responsibility and right to fight against illegal and other anti-social activities. Over the past five to 10 years, media groups such as *Tuoi Tre* (Youth News), *Lao Dong* (Trade Union) and *Thanh Nien* (Youth Union) have reported on many scandals and corrupt acts especially in relation to land management. In addition to traditional media outlets, new forms of social media (including Facebook, web blogs, Twitter, and Google+) have become important sources of information as well as public forums for feedback and effective communication between the government and its populace. These positive contributions of the media in combination with the emergence of social networking services point to the fact that the media will continue to be an important factor for strengthening institutions and implementing policies.

### **Policy recommendations**

Based on the findings, this brief puts forth the following policy recommendations:

#### **1. Urbanization and its related processes need to be fair and more sustainable**

Local governments often use a top-down approach where the political power of local leaders is at the core of the decision-making process. There is limited involvement of and consultation with other key stakeholders such as CSOs, the media, and the general population, especially the affected. As participation is both a right and a means to sustainable and inclusive development, urbanization and its related processes may be fairer and more sustainable if the divide between 'gainers' and 'losers' is reduced by effective participation in decision-making and action. This reminds policy makers that the notion of *fair urbanization* requires a consensus on the main agenda in development activities, namely how

<sup>7</sup> Ty, P.H. (2014). *Dilemmas of hydropower development in Vietnam: Between dam-induced displacement and sustainable development*. PhD dissertation, Utrecht University, Utrecht.

urbanization should take place, how much land should be dedicated to urban landscapes, and how to best lessen the impacts and increase the development options of affected groups. More specifically:

- *Fair urbanization* is a process which necessitates transparent communication, consultation and consensus building amongst the various stakeholders, particularly affected people and CSOs.
- *Fair urbanization* is also characterized by democratic processes, participation, transparency, access to relevant information, and gender equality.

## **2. The State should consider a more suitable approach to compensation**

To strengthen the effectiveness of compensation programs as well as to protect the rights of people whose land is to be acquired, the State needs to reconsider its compensation approach. Toward this end, this study proposes two possible compensation models based on either the market value of land lost or the replacement cost of lost livelihoods:

- *Market value model.* In this model, the valuation of land is conducted by independent organizations. This prevents government agencies from unfairly benefitting from acquiring land that can subsequently be reallocated to investors at much higher rates. Additionally, compensation packages for acquired land should include payment for: 1) the land lost; 2) any buildings and other improvements made on the land; 3) the reduced value of any land retained; and 4) any livelihood disturbances or losses. If full compensation given at market prices enables people to acquire alternative assets, the responsibility for livelihood reconstruction can be placed on the shoulders of the affected people. However, local authorities and those who use the appropriated land may have a social responsibility if affected households face particular difficulties.
- *Replacement cost model.* In this model, land values are assessed jointly by the acquiring organizations, independent agencies, and representatives of the affected people. Additionally, compensation packages should be based on the actual cost of asset replacement plus any associated transaction costs and fees. Toward this end, the expected future value of land is estimated by the relevant authority rather than the price expressed in the market. The key consideration in this model is that compensation should be aimed at equipping people with the necessary means to restore their livelihoods to the same level they enjoyed before dispossession.

## **3. Sustainable urbanization requires governments and investors to be responsible for their decisions and actions while being responsive to the needs and expectations of the people**

Before acquisition, a preliminary socio-economic survey is necessary to clearly identify social differentiation among affected households (such as the varying abilities to cope

with land loss and livelihood reconstruction) as well as people's own initiatives (namely what they plan to do after land loss). The survey will help local governments to design and implement practical compensation policies that are consistent with people's abilities and expectations. Toward this end, policy makers should take into account the notion of *selective compensation*. In other words, in addition to the amount of financial compensation, special attention is given to the capacity of affected people to adapt to new conditions. Moreover, local authorities and investors should assume responsibility for livelihood reconstruction. This implies that both consultation processes and programs should be planned and implemented to enable access to alternative livelihood sources.

## **4. Defining the form of urban development is crucial for sustainable development**

The debate on equitable and sustainable development demands us to ask not only how land acquisition for urbanization should best be governed, it also raises concerns over which *form* of urban development is most sustainable. This is important because the form of urban development not only has a significant influence on the sustainability of a city, it also holds implications for the ecological, social, and economic systems of both peri-urban and rural areas. To define which urban form – sprawl, compact, or otherwise – is the best solution for Vietnam's urban future, there is a need for further research and action.

### About

This Policy Brief is a synthesis of the author's PhD dissertation titled *Urban land grab or fair urbanization? Compulsory land acquisition and sustainable livelihoods in Hue, Vietnam* published by Eburon Publishers. The research was conducted as part of the Netherlands Academy on Land Governance for Equitable and Sustainable Development (LANDac) and with financial support from Vietnam International Education Development (VIED), Ministry of Education and Training. For more information, please visit: <http://www.landgovernance.org>.

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### Selection of publications

- Phuc, N.Q., van Westen, G., and Zoomers, A. (2016). Compulsory land acquisition for urban expansion: Livelihood reconstruction after land loss in Hue's peri-urban areas, Central Vietnam. *International Development Planning Review* (accepted for publication).
- Phuc, N.Q., van Westen, G., and Zoomers, A. (2014a). Agricultural land for urban development: The process of land conversion in Central Vietnam. *Habitat International* 41, 1-7.
- Ty, P.H., Phuc, N.Q. and van Westen, G. (2014b). Vietnam in the debate on land grabbing: Conversion of agricultural land for urban expansion and hydropower development. In Kaag, M. and Zoomers, A. (Eds.), *The global land grab: Beyond the hype* (pp. 135-151). London and New York: ZED.
- Lodder, E. and Phuc, N.Q. (2012). Livelihood strategies and social differentiation after agricultural land conversion for urban expansion in a peri-urban area of Hue City, Vietnam. *Science Journal of Hue University*, Vol. 78(9).

For a full list of publications, including professional and peer-reviewed journals and books, see: <http://thongtingiangvien.hce.edu.vn/nqphuc/an-pham-khoa-hoc.html>.

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## Colophon

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