

THE OTHER FACE OF INFORMALITY AND ILLEGALITY or the Collateral Effects of Informality

Katharine Coit

Informality and illegality are generally considered to be the characteristics of low-income settlements, both caused by and beneficial to the poor. The appropriation of land, the illegal subdivisions, the shacks built with inappropriate material on unserviced land are means by which the poor get cheap shelter. There is, however, another side to the question. Informal and illegal actions are not reserved for the poor alone but can also be used by those with the means to exploit the poor. Where there are no laws, no regulations, the land owner, the developer, the slumlord, the usurer make their own. Being in a monopolistic position often they can and often do exploit those needing housing or other services thus prolonging or perpetuating their poverty. The informality or illegality of their position or the social factors causing them to resort to this type of housing makes it unlikely that the population of these neighborhoods obtain justice from an established legal system. When you have no legal title to a house and plot of land even though you have paid for them to who can you turn when you find out the land is flood prone? When your house is wiped out by a landslide, or is found to be on a toxic waste dump what recourse have you? When the rent you pay for 5 square meters in a slum is the same the rich pay for 15 comfortable square meters, when the water you buy by the bucket costs seven time the piped water in the “legal “ neighborhoods, when you buy electricity from your neighbor for twice the price he pays for his electricity who will defend you? To whom can you turn when the only loans you can obtain come with an extortionary interest rate? This type of unequal exchange can be “informal” or “illegal” depending on the laws and regulations of the country but it often is exploitative. Living in informal settlements often implies living in a state of “non droit”, that is living where laws, (if they exist) do not apply. Furthermore, it can be said that poverty and exclusion can be caused by informal or illegal housing as well as their being its cause.

Even if informal housing is often similarly ramshackle from one place to another, the cultural, economic and political contexts differ enormously making it impossible to make generalizations about the legal and social status of the inhabitants in their societies. However, one can discuss tendencies, point out practices which indicate that these populations are often discriminated against or exploited. One needs to go to the root causes of the existence of the illegal and informal conditions. Poverty is

one obvious reason, but the causes of this poverty may not be. We need have insight into the roots of this poverty as they are generally man made, that is, the result of human relations. These roots can be found in discrimination and/or exclusion because of one's ethnic, religious or language group, one's gender or caste, or clan, or "race". Poor health or the death of the wage earner, often related to exclusion from proper health care, unemployment, underemployment and low wages and exploitative working conditions are other major causes of poverty.

Informal or illegal housing can be the result of social or political banishment, or population movements due to insecurity, war and social unrest. One's political party ties alone can be the basis for discrimination or exclusion. Rural urban migrants are often discriminated against because of a different educational or social level. These populations are particularly vulnerable to all forms of exploitation. It is not enough to consider the physical, technical and legal aspects of informal and illegal housing; to be able to cope one needs to understand what are sometimes the illegal, or unjust causes behind their origins, their continued existence and the way the people are dealt with.

No doubt a high rate of rural urban migration is one of the factors causing the growth of these settlements, both the push off the land and the pull of the city, even while the city has few formal jobs and nonexistent services and infrastructure. However, when one looks at empirical studies there is usually much more than meets the eye. While the lack of infrastructure is plainly visible, the resulting disease, death or handicaps are not. Nor is the time spent in walking to a job or waiting in line for water or for a public toilet. The insecurity due to frequent crime, drugs or Mafia like activities can only be surmised. How can the hold over the population of a small time tyrant be detected? Beyond the typical scenario of the rejection of these informal zones by local and central governments - which consider them as blots on the map to be eliminated - there are less obvious reasons that these populations remain rejected and excluded from the housing, services, and infrastructure and jobs that can be expected in a city. Empirical studies are necessary to elucidate these reasons.

A CASE STUDY OF AN INFORMAL NEIGHBORHOOD

One of the informal neighborhoods in Saigon (Ho-Chi-Minh City) with which I am familiar is a case in point. Several sociological studies made there give us some insight of the social climate there. They help us understand their particular vulnerability. This area resembled many other zones of Saigon, pockets of shantytowns built in swampy land or on stilts

over water, lacking all the basic infrastructure and inhabited by an extremely poor population. Often they are near or mixed in with slightly better housing. This particular neighborhood became the site of a pilot slum-upgrading project by a foreign NGO, which succeeded in improving the infrastructure and encouraged the population to improve their housing. The micro credit program of the project helped improve some of the household's revenues; others were left behind for reasons we will indicate.

Forty years ago this area had been a sparsely inhabited zone around a cemetery. As it was situated near the port of Saigon and not too far from the center of the city, numerous migrants from rural areas began to settle there. The war with the U. S. pushed many more rural villagers out of their homes towards the cities. Within 30 years the area had become very crowded. The cemetery was totally occupied with only one tomb remaining. In 1993 before it was renovated, being very close to sea level and swampy, it was often flooded. The huts built there have to be built on stilts hammered into the muddy ground and they too filled regularly with the overflow of the drains during the monsoon. The material used for construction was board or other material recuperated from the port - sometimes only plastic - and thatch or corrugated iron for the roof. The tiny houses were jammed in every which way with every space possible taken up except for the ponds. To reach the door of some of these homes one had to squeeze between two walls. One tiny shelter was built on top of a neighbor's bath shed for a family that had to sell their house because of debts.

On either side of this very "informal area" there are narrow paved streets or alleyways with slightly better houses and where it is possible to have meters for piped water and electricity. Those living behind the houses on the alley, too far for a meter (which in any case were usually too expensive for them) often bought water and/or electricity from neighbors for twice the price paid to the water or electric company using plastic garden hoses and a tinkered up electric wire to bring these services to their door. Others without the means bought water by the bucket and used candles and Kerosene lamps.

Some of the inhabitants found jobs as dockers in the port or as "cyclo" drivers. Other make a meager living by collecting and recycling waste. A couple of families started small informal fruit preserving businesses which hire quite a few of the neighboring families to prepare the fruit.

The neighborhood has the reputation of harboring thugs, criminals, alcoholics and prostitutes. The member of the local people's committee responsible for the women's sector considers that about 20 percent of the young women in the neighborhood have engaged in prostitution. They start

at 15 or 16 either to earn easy money or because they are encouraged by their family or have been abandoned or orphaned. There was a problem of alcoholism for some of the men. The fact that a number of the men we interviewed had spent time in jail seemed to corroborate the reputation of a high rate of criminality at least as far as the authorities were concerned. It should be noted that some of the jail sentences may have been due to political marginality. As for the “ thugs ” it is common knowledge in these neighborhoods that if debtors do not keep up with their payments they are likely to have a visit from “ thugs ” hired by the creditors who carry away or break everything in their house.

There are several reasons this neighborhood falls into the category of being not only “ informal ” but also “ illegal ” at least as far as the authorities were concerned. To begin with it is an area reclaimed from the dead, a former cemetery; it is also swampy lowland reclaimed from the river. As we have seen, until the upgrading project provided the means to improve the housing, the building material was what could be recuperated; there was rarely any “ formal ” sanitary infrastructure, electricity or even walkable alleyways. The latter were under water so often that they were piled up with all kinds of objects that could be used as stepping stones. If the housing and environment were “ illegal ” so were the people as it is illegal to migrate from the country to the city without the proper authorization. There were approximately 65% of the households which did not have either the papers allowing them to live in Saigon or those giving them the legal authority to build on this land. There is another way in which some of the inhabitants of these slum areas were second class citizens. Those soldiers and supporters of the South Vietnam regime who had survived the war and the reeducation centers were excluded from any formal jobs or housing. In spite of an educational level and status as an inhabitant of Saigon which would allow them normally a better situation some of these politically marginalized people could be found in this informal neighborhood.

The authoritarian nature of the Vietnamese local government is such that while this population was tolerated, at the same time they were made to feel that they had fewer rights. For instance it happened that some couples did not declare the birth of their children because not having legal papers they were afraid to ask for a birth certificate . With no birth certificate the children could not go to school. The local “ People’s Committee ” members of the district or *Phuong* (a subdivision of the “ *arrondissement* ” or *Quan*) were both powerful enough to be feared and close enough to the population to be able to oversee quite a lot of what went on in their district. The “ People’s Committee ” of the *arrondissement* and its executive, which is like a local city council for a ward or borough, has a great deal of power particularly over the urbanization of their part of Saigon (much more than mayors of *arrondissements* have in Paris). Their

attitude towards the “ informal ” pockets in the arrondissement are telling. When these authorities heard that a foreign NGO was asking to come in and renovate one of these pockets they drew up a plan of how they felt it best to renovate. Their plan was to build a large road right through the neighborhood obliging most of the people to move out. On either side of the road the lots were to go to commercial development. Their only provision for the inhabitants of the area was that the foreign NGO would give them money to relocate. This was not what the foreign NGO had in mind and the authorities of the arrondissement finally accepted a slum upgrading program keeping the population in place.

The project aimed at the physical improvement of the area, at economic development with a micro credit program, and also community development by encouraging the participation of those concerned in deciding on the priorities for the improvements and in running the project. During the project surveys were made of the 150 households (900 individuals) and many informal interviews took place giving us a fairly good idea of the economic and social situation of these families.

In addition to the surveys conducted by the project team, in depth interviews were made of 7 households (52 people)¹ concerning their family situation, and economic status. Although one must realize that the interviewees might not always be totally candid, one can surmise from their comments, along with the other data collected, the major causes of the continued poverty of this population. A major problem in this neighborhood was the indebtedness of the population to money sharks. This problem combined with the insecurity and crime, unemployment and low wages and the lack of access to sanitary infrastructure, paved walkways and electricity made this population extremely vulnerable. Other severe handicaps for this population were their low educational level, the lack of job skills and the high cost of health services for them. The lack of the right papers or the right political ideas and the fact that they lived in this area considered undesirable by the authorities added a dimension of illegality to their poverty and vulnerability.

Debt to Loan Sharks

With the exception of the very oldest people nearly all the adults of the area had debts. These debts were contracted with local people at varying rates of interest all very high by western standards. The rate was no doubt established according to the creditor's appreciation of the credit worthiness of the debtor. The lowest we heard of was 5% a month and this was rare, 10% a month was more common and people were charged 2% a day. What makes these loans even more like extortion are the conditions for

¹ Each head of household was interviewed twice for approximately an hour.

repayment. The entire loan must be repaid in one lump sum; repayment cannot be included in the daily or weekly payments. Thus many of these people are indebted all their life and when they die their heirs inherit the debts. The reasons for the debts were building or improving a home, starting an informal business such as soup making or buying a "cyclo". It could also be for gambling debts as gambling is very popular, to pay hospital bills or to procure the "papers" necessary not to be in an illegal situation, (probably by bribing an official). The creditors were people from the same general neighborhood (but not in the slum houses) who had a certain status. They could be members of the "People's Committee" or of the Communist Party or merely people who had done well enough (by legal or illegal means) to have some spare cash. The methods used by these informal usurers to collect money from recalcitrant debtors without any stretch of the imagination be called illegal. "Thugs" are hired to go and beat them up and/or steal or break up whatever furniture the debtor may have acquired. The creditors being well placed in the power hierarchy have little to fear from this sort of action against the debtors, who seem to be considered as second class citizens with few rights.

The scene that occurred when one of the very poorest families was visited indicates the hold the creditors have over the poor and their fear of the authorities. During the first interview the member of the People's Committee responsible for the Women's section was present. When the question of debt came up it became obvious to the interviewers that there was a serious problem by the tenseness that came over the room. The head of the household reported that they had borrowed \$200.00 a year ago and had paid \$2.00 a day to their creditor but could not pay any more. (It should be noted that \$2.00 is enough to feed a family of 8 for a day) To help them the Women's section of the Committee had loaned them \$30.00 to help them continue their activity of recycling waste. The story changed later, however, when the interview took place with out the member of the People's Committee. In fact the family had been paying \$4.00 a day to the creditor and no sooner had they received the \$30.00 from the Women's Section than he came by and took that money, menacing worse treatment later. The family was living in terror that the creditor would fulfill his threats.

What is surprising is that not only the poorest people have large debts but also those that are better off do also. One of the persons interviewed, a widow of 55, who ran one of the fruit preserve businesses paid \$170.00 a month interest to her creditors. The loans which she had been paying for more than 5 years had been made for the fruit preserve business, to rebuild the house and to pay the hospital expenses of her husband before he died. Half of the loan was at 5% a month, a third at 10% a month, the remainder was owed to the micro credit program of the NGO renovating the neighborhood at 2% a month. This widow and her husband had worked in

the port, and had started the fruit preserve business to supplement their income, but soon it gave them full time work and eventually they were able to employ the neighbors. This family was relatively well off. The house had three rooms for three people (and not one room for eight or two rooms for fourteen as is the case for the very poor). There was a TV, a hifi set, and two sewing machines. They had to buy water and electricity from their neighbors though as they were too far from the alley to have meters.

It would seem that a few unscrupulous people with some extra money were able to lend it out at these very high rates of interest thanks to their position in the local power hierarchy and to an assurance that their strong armed methods for recuperating their money would not be held against them if they restrict their activities to these informal areas.

Insecurity and Crime

The impunity of the usurers may have carried over to other criminal acts. There is no real data concerning this, only the attitude of the population. What was evident was that members of the Communist party and their friends were in a position of power in comparison to the rest of the population which had little or no faith that felons would be brought to justice. A woman, who had begun to sell soup with money borrowed from the micro credit program, had her bicycle stolen thus preventing her from continuing her business as she needed the bicycle to go to the market for the food for her soup. She didn't report the loss and had no hope that it would be found.

Low wages and unemployment

Very few of the people in the neighborhood had steady work and even fewer worked in the formal sector; non of the very poor were skilled workers. Some capital was needed for many types of work; for instance \$200.00 was needed to buy a "cyclo".. Thus the indebtedness. Their informal jobs would come and go with the season - for instance preparing fruit for the fruit preserving business was seasonal because this fruit is particularly sought after during certain holidays such as Têt. There were periods of unemployment when the head of household had to look far to find a way of feeding his family. Even the formal jobs, though more stable, paid very low wages .

Informal control of Infrastructure

The lack of infrastructure not only meant particularly unsanitary conditions and more disease (houses periodically flooded with water overflowing from drains and sewers) but also raised the cost of water and electricity. Whether they bought water by the bucketful or paid a neighbor to be able

attach a hose to their water meter the price was more than twice what their neighbor paid. It became clear that the advantage of being able to sell water to ones less fortunate neighbors was considered an asset not to be done away with, or even a privilege they have a right to. The NGO encountered what seemed at first to be an incomprehensible barrier to putting in water meters, one for every four houses without them. The funds were there, there had been many meetings in the neighborhood to decide how the water meters would be paid for. The inhabitants in lengthy meetings had decided that they could afford to pay for $\frac{1}{4}$ of a meter that they would share. However, no matter how they insisted no one was available to do the work, no one would come forth with an estimate of the cost, the water company which could only be contacted through the People's Committee of the District remained silent. It was finally surmised that there had been an unspoken refusal to allow this lucrative source of income for the meter owners to be short circuited. It goes without saying that many of these same meter owners were on, or had friends on, the People's Committee.

Conclusion

The poverty, lack of job opportunities, the informal urbanism and the lack of papers of many of these inhabitants combined to make these people especially vulnerable to what can be considered the illegal practices the money lenders. This vulnerability is also clear in their relations with the People's Committees of the local District (Phuong) and of the Arrondissement, (Quan). The former shut their eyes on the unscrupulous usurers or were money lenders themselves and the latter were hoping to wipe out slum pockets like these and to be rid of the population. Illegality, if the word applies should be applied to the way this population is treated and not to their settlement. What transpires from this case study is that to deal with the major problems of this informal settlement one would need to cope with the money lenders and develop a micro credit program sufficient to replace them. One would also have to cope with the local authorities to persuade them: a) to abolish all restrictions on rural urban migration and b) to cede the right to use the land for housing to those who had built homes without this right.

There is reason to believe that this case is typical of many slum areas of Vietnam. It is, however, subject to local circumstances and may not resemble the situation in other countries. The injustices undergone in other informal settlements may be very different.

Very often the problems stem from the prejudice of the authorities towards these settlements. Evictions are the most frequent response to illegal housing and as they have been well documented I need not discuss them

here. When the authorities are not able to evict, they can make living in these areas difficult often using illegal methods. To take an example in Guatemala City, a land invasion that occurred near the suburb of El Mezquital was the only one that was not evicted in Guatemala in the 80's but it received no help from the state for the basic necessities. Water was very scarce causing an epidemic of Typhoid fever which killed 160 children. Even when the squatters built a school and found a teacher, the state was not willing to pay her salary².

It can be the better off neighbors that cause problems for informal settlements. In New Delhi a slum I visited was surrounded by three high walls which had been built to hide this view from the middle class neighbors. As there was no opening in the walls, the only entrance to the area was from the forth side. It became impossible for fire trucks to approach the further end and for those living there it was a long walk to obtain water, to go shopping or for little children to go to school.

There are, of course, many examples of illegal or shoddy treatment of the inhabitants of informal settlements which those who knows this population are familiar with. What becomes very clear is that the informality or illegality of the housing is not the only problem needing to be coped with. Careful inquiries are necessary in each situation to obtain insight into the fundamental difficulties of the inhabitants in order to find solutions for them.

² Diaz, Grant del Cid Vargas and Velasquez, "El Mezquital: a community's struggle for development" in *Environment & Urbanization*, Vol. 11, No. 2 April 2000, pp 87- 106.

