

**BETWEEN POVERTY REDUCTION STRATEGY AND
NATIONAL HOUSING POLICY**

Discussion Paper

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1. Introduction

Since the Paris Peace Agreement in 1991, Cambodia has moved gradually towards development. The country's economy has integrated itself into an international forum of market economy. Yet, rapid economic growth has mainly concentrated in major cities like Phnom Penh, the Capital of Cambodia. The introduction of Cambodian Investment Law in 1994 offered incentives to foreign investors. Besides the center for major economic growth and development of the country, Phnom Penh is a place for education and politics. It absorbs cheap laborers, migrants, the poor, and students from rural areas.

Phnom Penh now makes up around 1.3 million population. The rate of urban growth and urbanization is phenomenal, around 3.92 percent (estimated for the period from 2001 to 2005 by the 1998 census), while the national one is 2.49%. Housing issues become depressing in urban areas like Phnom Penh. It is the intent of this paper to provide a short overview on urban related issues and poverty reduction. The paper also addresses the importance of the national housing policy in playing a critical role in response to the needs for housing of all people, particularly the urban poor, while helping reduce an urban poverty.

2. Urban Poverty, Urban Development and Poverty Alleviation

Like other cities in Asia and the Pacific, Phnom Penh is the center of both hope and despair; while being the engine of economic and social development, it is also a congested center of poverty and environmental deterioration. Statistically, 36 percent of Cambodian people (11,437,656 populations in total¹) live under poverty line, 10 percent of whom live in Phnom Penh. They mainly settle on public and private lands as most lands in the city are not affordable to the poor. Distortions in land markets allow land speculation that often forces the poor out of formal land markets.

Relocation policies implemented by the Municipality of Phnom Penh in the late 1990s and early 2000s, aiming at improving cityscapes and environment and reducing urban poverty, have in turn affected livelihoods of the relocated poor. New sites were on the peripheral lands and not adequately equipped with basic infrastructure and services and lacks economic opportunities. The policies were further impoverished the poor. Having seen such an impact, the Royal Government of Cambodia has turned to use different approaches to solve the problems of the urban poor. The Government in turn attempts to include the poor in its land development programs so as to achieve the goals of poverty reduction and equitable economic development and identifying areas for low-income people, while tends to provide them with land tenure to protect them from severe land markets.

¹ Population census 1998.

3. Housing Trends: an Overview on Crisis

After the collapse of the Khmer Rouge Regime² in 1979, all properties remained in the hand of the state until 1989.³ In this year, land ownership was introduced to ensure efficient land privatization and management. Individual families were then allowed to claim property rights. Since then, land and housing has become a commodity for speculation. Private sectors and individual owners largely managed most land and housing markets. In a sense, the supply market of land and housing in the city never meets the demand because the demand is too high; land and houses are not adequate or not affordable to low income households. The lack of housing supply or delivery systems has put a stress on the poor. In addition, the lack of an effective banking system in Cambodia discourages saving among most population.

In more than a past decade of the socio-political changes in the country, many people in rural areas have migrated to cities for economic opportunities because of the growing poverty. It is certain that migration is a result of imbalance of economic development. The growth of the national economy since the early 1990s, particularly in industrial and service sectors, continues to absorb new rural migrants. Such a trend of migration has led to many spontaneous and squatter settlement developments in urban areas. The lack of economic opportunities of rural people is the only factor pushing them out of their usual place. Finally, they come to a new place where they cannot afford a cheap land for housing. Thus, they end up living on lands that are unauthorized or insecure.

The struggle for shelter of the poor is far from over. The construction of new houses falls short below the demand of growing population despite its increase in both quantitative and qualitative terms. As far as homeless population is concerned, the 1998 Cambodian Population census shows that there is 0.16 percent in the country, and higher is in Phnom Penh--0.41 percent. From a recent study by the Solidarity of Urban Poor Federation (SUPF) 2003, there are 569 poor settlements (62,249 houses) rising from 502 poor settlements (35,165 houses) in 1999. On this basis, it can be concluded that the phenomenon of housing stress facing the poor is greater. To most poor, living in informal settlements in and around city centers is the only solution to secure their housing needs. The institutional structures relating to low-income housing are in the main not ready to solve this problem.

4. Drivers of Change: Housing Solutions as Catalysts for Poverty Reduction

Adequate housing is one of effective means to alleviate poverty because shelter is usually the most expensive item for households.⁴ It is also a pre-requisite factor for better health, providing a great amount of saving when one is not sick. It is argued further that housing is a source of income because people can use their house as a place to generate income, even it is through home-based business or through its safe location. Having seen the importance of such a housing issue, the Royal Government of Cambodia (RGC) has accepted housing as a critical means to achieve the goals of poverty reduction of its population specially the urban poor who live prevalently in Phnom Penh. This is one the reasons of the Government to develop the National Housing Policy (discussed below).

² The Regime ruled the country from 1975 to 1979, known as the Genocidal Regime.

³ The People's Republic of Kampuchea regime was from 1979 to 1989.

⁴ Draft Framework for the Urban Policy Action Plan, Repelita VI

Yet, at the time the Policy development has not come to an end, the Government has so far adopted a number of guiding policies and commitments, including a Hundred Settlements Policy, to improve housing conditions of people to meet their basic needs for shelter, not depleting existing housing stocks, and thus having good accessibility to economic opportunities in city centers. The following part describes some current practices in response to the people's housing needs and to poverty alleviation strategy:

4.1 Settlement upgrading

Settlement upgrading is not only a means to achieve housing needs but also the goals of poverty alleviation of RGC. The commitment of Samdech Prime Minister Hun Sen to improving a hundred settlements a year, announced on May 24, 2003 at the 5th Anniversary of the Urban Poor Development Fund, has been an engine for housing improvement in poor settlements in Phnom Penh. Since then, the Municipality of Phnom Penh with its associates for poverty reduction projects has made progress to improve housing conditions on sites which are suitable for upgrading and not subject to relocation. Some following main principles are taken into account to solve problems of the poor:

- Providing access to basic infrastructure and services (i.e. water, electricity, roads, education and sanitation, etc.);
- Providing training for better income generating opportunities;
- Developing human resources particularly children, orphans and widows;
- Facilitating good governance in communities.

It is noted that improving existing settlements is under way in many areas in Phnom Penh. This scheme is also broadly supported by many non-governmental organizations (NGOs) and international organizations (IOs), such as UN-Habitat, UNDP, DfID, and the Asian Coalition for Housing Rights (ACHR), etc. At present, approximately 30 communities have been upgraded in the seven districts (Khans) of the Municipality of Phnom Penh.

4.2 Land sharing

Land sharing is a new concept for the Phnom Penh authority. This concept has been adopted by some countries like Thailand to give the poor the opportunity to stay close to where they are and close to economic centers. The RGC has accepted this concept to solve the problems of the poor who live on a crowded site of 4.6 ha, called Borei Keila, on which there are nearly 2000 families living. Two hectares have been used for re-housing the poor and the other has been given to a private developer as an exchange for a re-housing construction for the poor. The same initiative is planned to implement at another site--Dei Kraham. Of note, plans for this new housing is always discussed with a responsible technical department--Department of Land Management, Urban Planning, Construction, and Cadastre--for their suitability.

4.3 Land tenure security

Security of tenure is one of the most significant aspect facing households, in informal settlements in particular. Of all elements of the right to housing, tenure is extremely important.⁵ To an extent, tenure security also provides a sense of economic

⁵ United Nations Center for Human Rights, 2001. *Cities in a Globalizing World: Global report on human settlements 2001*, Earthscan, U.S.A.

independence. People feel it is safe to invest in their housing improvement and they can work without a worry of the loss of their houses. Having understood the importance of the tenure, the Royal Government of Cambodia have initiated to give tenure security to people such as the poor, for example, the people living in a resettlement of Akphivat Mean Cheay, which was relocated from an inner area in late 1990s.

4.4 Housing loans

The problem of housing for the poor is severe in developing countries like Cambodia. As having stated earlier, many poor people live in informal settlements on public and private land in Phnom Penh. Despite the fact that self-help housing is a main factor for most people, some still cannot afford to build their own house due to the lack of capital. Others can afford their own house construction but within a constraint of financial needs. As a result, their houses cannot be completed or up to an appropriate completion. Many people's houses end up with cheap materials that cannot last long and they are vulnerable to the climatic condition and also subject to fire.

Understanding the need for appropriate housing of poor people, the Royal Government of Cambodia and many other NGOs, IOs take into consideration the necessity of housing loans (this issue is further articulated in the Draft National Housing Policy). Many people, including those in some relocation areas, were offered loans for new housing loans from the amount of US\$ 300 to US\$ 400 for each family. For example, all 129 families in Akphivat Mean Cheay, most in the Samaki Settlement received the loan of US\$ 400 per family for new housing. In total, as of May 2003 data, housing loans disbursed were up to 1,318 million riels (about US\$ 346,877) and the number of beneficiaries is 834 families in 11 communities (according to Urban Poor Development Fund, May 2003).

5. National Housing Policy in Action

Housing policy provides direct impact on the lives of all people; it can enable households to improve their most personal possession, which are their house. Having recognized this factor, the Royal Government of Cambodia is endeavoring a coordinated set of laws, work programs and institutional arrangement relating to housing towards enabling the achievement of national goals of economic development, poverty reduction and governance, as stated in the Second Socio-Economic Development Plan (SEDP II), National Poverty Reduction Strategy, and Governance Action Plan.

To achieve such goals, the following objectives are set in the National Housing Policy:⁶

- To strengthen the institutional development of the responsible ministry and other relevant institutions, thereby encouraging private sector investment by introducing good governance measures;
- To provide financial mechanisms whereby housing ownership, construction and rehabilitation are affordable to most Cambodians; and
- To develop housing programs as components of the master planning process.

To reach these objectives, the Government will accomplish the following tasks:

⁶ An extract from the statement of the Draft National Housing Policy.

5.1 Institutional development

The main tasks include:

- Reviewing internal technical staff requirement at all levels and addressing key vacancies by establishing technical capacity assistance within regions;
- Establishing consultative groups to prepare local land use plans, zoning, and housing needs database;
- Conducting public hearings on housing needs, construction practices, building permits fees and processes, and local resources for building materials.

5.2 Financial mechanisms

The Government should do the following tasks:

- Encouraging and supporting the adoption of enabling legislation to allow housing loan mechanisms and financial institutions to be established;
- Encouraging greater access to funding and participations of NGOs and private sector institutions to develop affordable long-term low-interest loan programs;
- Developing incentives for housing developers investing in low-cost housing for low-income households.

5.3 Housing programs

The following issues should be taken into consideration:

- Initiating preparations and analyses of spatial resource for housing development;
- Undertaking studies on poor and low-income households to assess needs for health services, schools, markets, employment, etc.

It is hoped that the National Housing Policy will serve as a road map to further articulate the social policy agenda of the Royal Government of Cambodia. The Policy will provide individual and private developers of housing with transparent and affordable mechanisms. As such, it is ensured that all Cambodians will be the beneficiaries of this Housing Policy.

6. Conclusion

It is not the intent of this paper to find solutions to housing problems in Cambodia; the paper highlighted some housing issues in this country, particularly in the city of Phnom Penh. It also addressed ways to solve housing problems of people, mainly the urban poor such as settlement improvement, land sharing, provision of land tenure and housing loans. Of most important aspect, the development of the National Housing Policy is seen as a catalyst for solving housing problems of all Cambodians.

It is concluded that housing problems are challenging in Cambodia and facing the Royal Government of Cambodia. Yet, the Government is endeavoring towards enabling, not depleting, existing housing stocks and improving housing conditions so that people, including the urban poor, can live in a safe and secure environment.