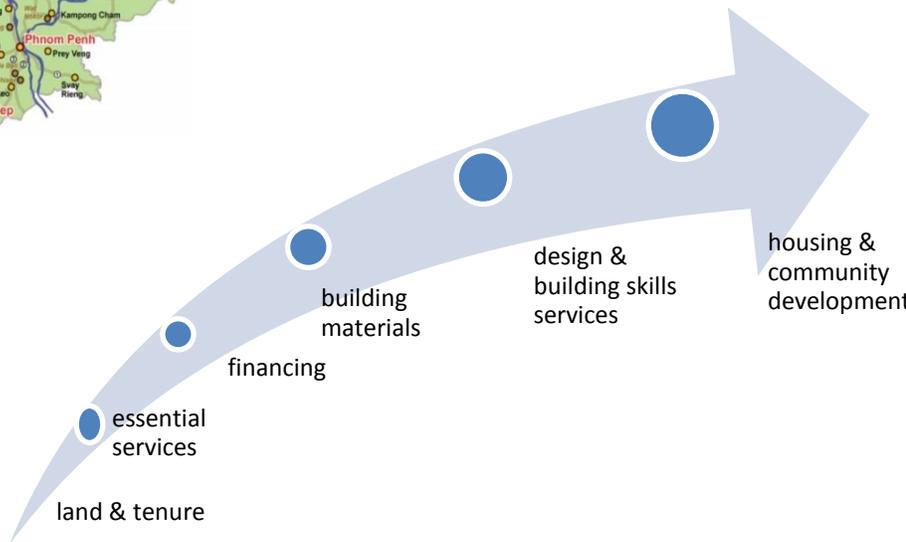


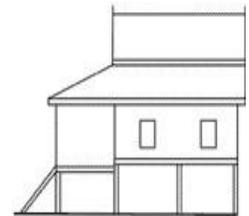


# Global Housing Policy Indicator Study and Market Mapping for Habitat for Humanity International Cambodia

## Final Report



housing & community development



March 2014



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## Abbreviations

BTB	Battambang
BTI	Building Trust International
CBC	Credit Bureau of Cambodia
FGD	Focus Group Discussion
GHI	Global Housing Indicators
GHPIS	Global Housing Policy Indicator Study
HFHI	Habitat for Humanity International
HFHIC	Habitat for Humanity International Cambodia
HH	Household
KII	Key Informant Interviews
LMAP	Land Management & Registration Program
MAFF	Ministry of Agriculture, Forestry and Fisheries
M & E	Monitoring & Evaluation
MFI	Micro Finance Institutions
MLMUPC	Ministry of Land Management Urban Planning & Construction
Mol	Ministry of Interior
NGO	Non-Government Organization
NHP	National Housing Policy
NSDP	National Strategic Development Plan (used when the actual source of data is not known)
PCL	People Care & Learning
PP	Phnom Penh
PSE	Pour Un Sourire D'une Enfant (for a Child's Smile)
RD	Royal Decree
RGC	Royal Government of Cambodia
SLC	Social Land Concession
SR	Siem Reap
TPC	Thannakea Poum Corporation
WB	World Bank
WG	Working Group

## Executive Summary

The Global Housing Policy Indicator Study and Market Mapping aims to collect reliable and comparable information on the global housing policy environment, identify structural and process gaps in the Cambodia Housing Market Value Chain, and helpful recommendations to strengthen the role of HFHIC HFHI and other housing advocates to enable the housing market. HFHIC is increasingly approaching housing as a process rather than just a product and study is designed support this.

The overall objectives of the study are to: 1) collect relevant data on the Cambodian housing sector using the HFHI standard Global Housing Policy Indicator Tool (matrix) which is designed to provide a holistic approach to assessing housing policy and identify value chain gaps; 2) produce Market Mapping to illustrate the actors, processes and gaps in the Cambodian housing market; 3) provide helpful recommendations for informing strategic partnerships and strengthening the role of Habitat for Humanity within its involvement niche. The completed GHPI and Market Mapping will be uploaded to the HFHI website to be part of a web-based housing policy clearinghouse with up-to-date information on housing policy environment in each country; and to arm advocates with factual data to influence housing policy.

This study was carried out with support from HFHIC and HFHI offices and conducted by Enterprise Development Institute (EDI) Consultant team from January to March 2014 using: (1) literature and document review; (2) 80 HHs quantitative and qualitative surveys in 4 HFHIC existing project communities of which 57 HHs received HFHIC support and 23 HHs did not. The 4 communities were: 3 resettlement sites established in 2006 in northwest peri-urban Phnom Penh Por Senchey District being i) Andong Community in Kok Roka Commune; ii) Trapaing Anchang Community in Trapaing Krasaing Commune; iii) Kok Kleang community in Kraing Thnung Commune; and iv) one Siem Reap north peri-urban older community area in Pouk and Angkor Chum Districts; (3) Focus group discussions in the above 4 communities; (4) 10 local authority interviews; (5) 14 key informant interviews including 4 government, 4 NGO, and 6 business sector stakeholders in Phnom Penh, Siem Reap, and Battambang. Brief 'snapshot' surveys to the HFHIC target resettlement sites being Veal Village in Sambour Commune Siem Reap Municipal District and site in SE Battambang Municipal District were also undertaken.

### Table of key findings for GHI matrix and housing market mapping

Research and analysis of the Cambodia enabling/constraint environment (institutions, infrastructure & market support services) found several major structural and process gaps amongst housing market main aspects and actors as indicated in the table of key findings below.

Actors	Actors' housing market regime and GHI regime subcategory	Actors' influence on other market aspects/actors	Main market gaps/bottlenecks actions/linkages needed to enable housing market
<b>Government</b>			
Ministry of Land Management Urban Planning & Construction (MLMUPC), National, Provincial and Municipal levels	Property Rights <ul style="list-style-type: none"> <li>○ Official Housing Policy</li> <li>○ Land admin and tenure/ title</li> </ul> Infrastructure <ul style="list-style-type: none"> <li>○ Assists in guiding infra planning at all levels</li> </ul> Regulation <ul style="list-style-type: none"> <li>○ Contributes to land use planning and building permits</li> </ul> MLMUPC is main government Ministry guiding primary policies and legal norms related to land and housing.	Policies legal norms achieved and put into implementation: <ul style="list-style-type: none"> <li>○ systematic land registration, land dispute resolution, state land management, SLCs, commune/ sangkat land use planning, spatial planning of the kingdom of Cambodia, solutions to temporary constructions on state land</li> <li>○ Training courses to officials at all levels on law and norms, cadaster, land management, land dispute resolution, land distribution and land-related policies.</li> </ul>	Unclear housing and land policy and planning framework at national, provincial and municipal levels restricts coordinated supply of land and infrastructure for affordable housing, temporary settlements delay on-site upgrading, reduces HH and investor (developers, lenders, material suppliers) confidence, and discourages design innovation and skills development. <p>Various govt departments at all levels received training on existing land law and norms and technical skills but are not yet fully using these skills.</p> Important policies and legal frameworks needed and still under development: <ul style="list-style-type: none"> <li>○ NHP, National Policy on Property Valuation, Law on Temporary Settlements, Concept on the development of Land Information System, and rules and regulations on urbanization and development, surveying, and mapping...etc.,</li> <li>○ Sub-decrees on: Provincial/Regional Land Management; Master Land Use Plan and Municipal, District, Khan Land Use Plan; urbanization in the Capital,</li> </ul>

			<p>Municipality, and Urban Areas; building, repair and demolition permit</p> <ul style="list-style-type: none"> <li>○ Procedures on: determination of standards of subsequent land registration; Implementation of mortgaging; Land Use Planning and Land Management; and for converting Land Use...etc.</li> </ul>
<p>Municipal District Governments (Phnom Penh, Siem Reap, Battambang, etc..)</p>	<p>Property Rights</p> <ul style="list-style-type: none"> <li>○ Cadastral office land title recording</li> <li>○ Granting of SLCs under sub-decree 19</li> </ul> <p>Infrastructure</p> <ul style="list-style-type: none"> <li>○ Main infrastructure provision</li> </ul> <p>Regulation</p> <ul style="list-style-type: none"> <li>○ Masterplanning, land use designations, building permits</li> </ul>	<p>Current regulations, procedures, plans etc in place:</p> <ul style="list-style-type: none"> <li>○ Land title recording and transfer</li> <li>○ Construction permits issued per Sub-decree #86</li> <li>○ SLCs granted in urban and rural areas to assist relocated HHs</li> <li>○ Masterplans endorsed for PP, SR and BTB serve as land use guides</li> </ul> <p>Infrastructure</p> <ul style="list-style-type: none"> <li>○ Main roads, water, sewer and electricity lines provided up to edge of new residential neighborhoods/ SLCs</li> </ul> <p>Municipalities contribute to policy working groups on land, housing and SLC policy including ideas for housing design options and developer incentives for affordable housing</p>	<p>Unclear housing and land planning and regulation framework restricts coordinated supply of land and infrastructure for affordable housing, temporary settlements delay on-site upgrading, reduces HH and investor (developers, lenders, material suppliers) confidence, and discourages design innovation and skills development. Lack of confidence for households</p> <p>As a result:</p> <ul style="list-style-type: none"> <li>○ loss of order/discipline in city expansion, urbanization, change of land use at will by powerful interests</li> <li>○ Lack of certainty and disruption for residents of temporary settlements</li> <li>○ Physical infrastructure planning is inefficient and regularly disrupted</li> <li>○ Property rights unclear in many situations</li> <li>○ Building permit regulation not consistently applied</li> <li>○ Lost opportunities to integrate affordable housing units into new inner city development sites or to promote innovative and 'green' housing designs</li> </ul>

<b>NGOs providing housing support</b>			
<p>HFHIC, PCL, PSE, Mary Knoll, HRTF, CLEC</p>	<p>Property Rights</p> <ul style="list-style-type: none"> <li>○ Land title</li> <li>○ SLCs</li> <li>○ Temporary settlements</li> </ul> <p>Finance</p> <ul style="list-style-type: none"> <li>○ Subsidized loans</li> </ul> <p>Infrastructure</p> <ul style="list-style-type: none"> <li>○ Support within communities</li> </ul>	<p>Current areas of housing support to poor, low income, and vulnerable HHs and advocacy:</p> <ul style="list-style-type: none"> <li>○ Land title and law training and assistance to</li> <li>○ Coordination of support with Govt and other NGOs on SLCs</li> <li>○ Subsidized housing loans and grants</li> <li>○ Design and construction training and support</li> <li>○ Water, sewer, latrine and roads support within community</li> <li>○ Community development ie. job and life skills training, savings groups and participation in decision making</li> <li>○ Contribute to land and affordable housing policy development with government</li> </ul>	<p>To increase HH and housing investor confidence and reduce supply bottlenecks, continue advocacy efforts to advise and encourage all govt levels to maintain dialogue with stakeholders and to establish and implement clear housing and land policy rights, regulations, procedures, design innovations, and development incentives.</p> <p>To increase supply of low-cost finance, start dialogue with banks re expanding role in housing financing for poor, low- and middle-income HHs (bank interest rates are typically significantly lower than MFIs and longer terms). Propose MFIs and Banks include flexible loan repayment and refinancing options (MFIs currently do not offer these).</p> <p>For more efficient delivery, and distribution of support according to degree and type of HH need. Improve coordination amongst NGOs and with target communities such as info sharing re type of support available.</p> <p>For community 'buy-in' to projects and sustained development, discourage free support.</p> <p>Work with design organizations to increase awareness on incremental house construction and improvement and explore options and linkages to promote livelihoods for growing and/or manufacturing and selling local renewable materials for incremental and other housing.</p>

<b>Business</b>			
MFIs	<p>Finance</p> <ul style="list-style-type: none"> <li>Loans for house construction and improvement</li> <li>Business and personal loans</li> </ul>	<p>MFIs provide some affordable financing for low-income HHs:</p> <ul style="list-style-type: none"> <li>MFIs have grown in no. and increased access for urban and rural poor and low-income HHs to more loan options.</li> <li>MFI loan rates up to 2% monthly interest are affordable by most low-income families.</li> <li>MFIs loan at market rates to NGOs who provide subsidized housing loans often below 2% to HHs to provide more low cost housing finance.</li> </ul>	<p>MFIs are limited in providing affordable housing finance for poor and low-income HHs because:</p> <ul style="list-style-type: none"> <li>MFI loan rates &gt;2.5% are common and generally not affordable by low-income HHs.</li> <li>Very poor households often lack collateral for a MFI loan and turn to other private lenders at much higher rates.</li> <li>MFI rates are on average significantly higher than bank loans in Cambodia which are offered for middle to upper income HH mortgages.</li> <li>MFIs do not offer terms longer than 5 years or flexible repayment or refinancing options as is common for banks.</li> </ul>
Banks	<p>Finance</p> <ul style="list-style-type: none"> <li>Banks loan currently offered to middle to high income HHs</li> </ul>	<p>Bank loans play an important role in the property development industry:</p> <ul style="list-style-type: none"> <li>loans to medium to large property development co.s and businesses</li> </ul>	<p>Bank loans are basically non-existent in affordable housing sector and could fill an important housing finance gap:</p> <ul style="list-style-type: none"> <li>need long term mortgage loans under 10% annual interest and with flexible repayment options</li> </ul>
Design and construction firms and material suppliers	<p>Design Construction Materials Labor</p>	<p>Some affordable and innovative design, construction and material suppliers:</p> <ul style="list-style-type: none"> <li>Some services and training offered to communities re innovative and 'green' design using locally made/ renewable materials, and to mitigate natural</li> </ul>	<p>Lack of small to large design and construction co.s and skilled labor to provide a large supply of suitable and low cost housing:</p> <ul style="list-style-type: none"> <li>Most affordable housing is built by local contractors with only basic skills</li> <li>Increasing the no. of skilled firms and laborers in affordable housing would result in a larger market, greater efficiencies, and lower costs, and more innovation</li> </ul>

		calamity/flood.	<ul style="list-style-type: none"><li>○ Currently affordable housing design and construction training is provided by a limited no. of NGOs with little govt involvement/support.</li></ul>
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## **I. Introduction**

### **Habitat for Humanity International Cambodia**

HFHIC aims to carry out the organization's mission focus is to improve the lives of poor families by providing them with sustainable, decent and affordable housing solutions. Per HFHIC's current 5-year plan, the organization will help over 6,000 families living in six separate provinces with the greatest housing need. The plan is to provide shelter solutions alongside families in need of affordable housing and develop new partnerships with volunteers, donors, sponsors, churches, NGOs, local authorities and government officials. HFHIC's programs aim to reduce poverty by empowering communities to improve their access to affordable basic services and better living conditions. HFHIC not only builds complete houses, but also makes house repairs, builds both family and communal toilets, digs wells and installs rainwater tanks, as well as providing livelihood, basic health and hygiene and construction skills training. The organization also engages in proactive housing development planning particularly for resettlement sites. HFHIC continues to build new partnerships with volunteers, donors, sponsors, churches, NGOs, local authorities and government officials and regards all existing organizations as potential development partners, to be supported and strengthened, and to work together in implementing programs.

### **Project Background**

Habitat for Humanity (HFH) has built, rehabilitated, repaired, or improved more than 400,000 affordable housing units worldwide since 1976. While this is clearly a laudatory achievement, the organization has come to realize that it can never meet its prime objective of "decent housing for all" through its own building efforts. It is now gradually moving towards an advocacy role, where it aims to influence overall housing policy and practice in the more than 100 countries in which it has a presence. To this effect, Habitat for Humanity in Cambodia seeks to generate reliable and comparable information on the global housing policy environment and identifying the gaps in the Cambodia Housing Market in reference to the Housing Value Chain. Moreover, it also seeks to identify enabling/constraining environment towards institutions, infrastructure and market support services within the housing sector. To accomplish this, HFHIC has commissioned a GHPIS and Market Mapping study for early 2014.



## II. Objectives of the Global Housing Policy Indicators and Market Mapping study

To generate reliable and comparable information on the global housing policy environment and identifying the gaps in the Cambodia Housing Market in reference to the Housing Value Chain.

a.) The study looks particularly on Global Housing Policy Indicators related to:

- 1) The Property Rights Regime;
- 2) The Housing Finance Regime;
- 3) The Housing Subsidies Regime;
- 4) Residential Infrastructure; and
- 5) The Regulatory Regime

b.) Market Mapping that look particularly on Gaps Analysis of housing market, and to understand

- 1) Policy intention of the government officials
- 2) The policy prescriptions as they are articulated in writing in published documents, regulations, laws, and decrees; and
- 3) The actual policy practices

## III. Methods of Study

### a.) Desk Review:

Initially, the consultant team reviewed various studies related to housing policies and regulations, existing research reports and program documents including program evaluation of HFHIC. HFHIC available current data related to socio-economics, housing design, affordability of the residents and current livelihoods options in the target sites were synthesized and analyzed to compliment the study.

## b.) Primary Data Collection

Quantitative and qualitative primary data/ information were collected employing three data gathering tools: household survey and focus group discussion in the 4 selected HFHIC existing project locations, and key informant interviews.

- **Household Survey**

The household survey used a structured questionnaire and gathered the quantitative information of the respondents on demographics, socio-economic performance, livelihoods development, institutional and physical infrastructure in the area which may affect them positively and/or negatively, including natural calamity (flood during rainy season). The HH questionnaire was reviewed and pre-tested and modifications made for easier HH understanding. A total of 80 respondents from the targeted 4 communities villages were interviewed broken down as 30 in Andong, 15 in Trapaing Anchang, 15 in Kok Kleang, 16 in Pouk and 4 in Angkor Chum district. The questionnaire was structured as follows:

1. Demographic & Characteristics of HH
2. Employment Status
3. Level of Adequacy of Housing & Infrastructure Services
4. Housing Assistance (Financial, Construction, Training)
5. Income, Expenditure, Savings and Debt
6. Advocacy and Women's Leadership
7. HH recommendations to enable housing market from community level

Collected household survey data was further analyzed using SPSS into simplified tables for making key findings and observations.



- **Focus Group Discussions & Local Authority Interviews**

One Focus Group Discussion (FGD) was facilitated in each of the 4 selected communities with an average no. of 12 participants in each community. A total of 48 local residents participated in the FGDs of which 17 were women. Local authority interviews with village/commune chiefs/deputy chiefs were also conducted in the 4 communities. The gathered qualitative information from the FGDs and local authority interviews were used to assess the performance and organizational management of these low income communities, the level of participation and commitment in community matters, housing and general needs, community history, plans for future expansion, and recommendations for government, NGOs and business to enable the market to produce more affordable housing.

- **Key Informant Interviews**

The key informant interviews were conducted to extract insightful qualitative information from major Government, NGO, and business sector stakeholders/actors in the housing market on important market aspects such as: property rights, finance, subsidies, infrastructure, regulation, design and construction etc. Government Informants included Deputy Director of Land Allocation for Social & Economic Development (LASED) Project, Ministry of Land Management Urban Planning & Construction (MLMUPC), Phnom Penh Office; senior lecturer at School of Architecture & Planning, Cambodian Mekong University Phnom Penh; and Siem Reap and Battambang Municipality Deputy Governors. NGO Informants included HFHIC Program Coordination/Management and Finance staff; HFHIC partner NGOs People Care Learning (PCL), Pour Un Sourire D'une Enfant (PSE), Mary Knoll, and Community Legal Education Centre (CLEC); and a non-HFHIC partner NGO Housing Rights Task Force. Business Sector informants included Microfinance Institutions (MFIs) Malis Finance Plc., Tannakea Poum (TPC), ACLEDA, and Kredit. Businesses CL Realty and International Building Trust were also interviewed.



## IV. Key Findings

### 4.1. Global Housing Policy Indicators

Per the ToR EDI project team collected qualitative and quantitative data on the Cambodian housing sector using the HFH standard Global Housing Policy Indicator Tool (matrix) which is designed to provide a holistic approach to assessing housing policy. EDI used the tool to collect data on the 5 standard GHI categories of 1) The Property Rights Regime; 2) The Housing Finance Regime; 3) The Housing Subsidies Regime; 4) Residential Infrastructure; and 5) The Regulatory Regime. EDI team leader and senior national consultant scrutinized the collected qualitative and quantitative data quality by comparing multiple responses and with data collected from other documents for consistency. In this way EDI was able to make sure the data was provided objectively and accurately interpreted by EDI staff.

#### **3<sup>rd</sup> draft National Housing Policy (March 2010)**

The currently proposed government housing policy framework is the 3<sup>rd</sup> draft National Housing Policy (March 2010) which has been led by MLMUPC. The NHP is currently at final stakeholder consultation stage before final approval. The NHP outlines arrangements and actions to enable the housing market including for the 5 housing market regimes referenced in this report. The goal of the National Housing Policy is to provide policy direction for appropriate housing solutions for all peoples and lessen the number of inadequately-housed families and ensure quantities of adequate houses and financial allocations for improving existing settlements. The NHP outlines institutional arrangements, national and sub-national mechanisms in charge of housing, institutional coordination and stakeholder participation, legal framework, housing alternatives for low income households, policy options for housing finance, resolution of current problems, basic services for supporting implementation, and coordinating land use planning for housing construction for low income households.

The NHP states that at the national level, a National Housing Committee shall be established and led by the MLMUPC in order to study current housing practices, housing demand, viable ways of providing housing supply as well as land allocation and preparations for future housing. The objective of the studies is to identify strengths and weaknesses in order to identify good practices and to provide opportunities to reduce weaknesses. The NHP states the committee shall be an inter-ministerial body and should convene a national housing forum at least once each year, with participation from all relevant stakeholders to build a housing strategy and link guidelines, programs and projects.

The NHP indicates at the sub-national level, there shall be a committee in charge of housing at the capital, province, municipal, khan and district; in accordance with the policy of decentralization and deconcentration and in line with the Law on the Management of the Administration of the Capital,

Provinces, Municipalities, Districts and Khans, organic law; with similar functions to the National Housing Committee. The sub-national authorities shall put all efforts to initiate a housing plan in collaboration with relevant stakeholders at the national level and local level.

#### **4.1.1 The Property Rights Regime**

This study proposes that the greatest constraint to enabling the housing market is lack of a clear legal framework for property rights and inconsistent interpretation and implementation of existing policies and laws. Uncertainty of tenure status has negatively impacted affordable housing development in terms of upgrading housing in existing neighborhoods and temporary settlements, and in new settlement areas. As land prices rise, land conflicts are becoming more common within cities and rural areas.

The main government contribution to land tenure security for households in recent years at national, provincial and municipal levels is roll-out of the MLMUPC national land titling program (LMAP). This systematic land surveying and registration program is free to residents who can prove ownership and provides them with legal and secure land title while increasing certainty for investors and lenders.

Presently, many temporary settlements are located on state public land, and continue to be impacted by evictions and relocation. Many of the relocation projects have been implemented with the goal of improving urban infrastructure and environment in order to reduce temporary settlements and undertake poverty alleviation in urban areas. However, in many cases, communities have been moved with little forward notice and with lack of clear explanation of legal rights and process. Often, families became homeless or moved onto SLC resettlement sites away from their livelihoods and social networks and without basic shelter or functioning infrastructure for the first year or two after relocation.

Government Circular 03 (2009) intends to address illegal occupation of state land in cities, urban areas. To address the above issue, RGC has provided guidance to all levels of local authorities and concerned agencies of how to solve the issue of temporary settlements illegally built on state land in cities and urban areas by gathering accurate data on the number of temporary settlements at the Sangkat/commune level; meeting, reviewing, discussing the rightness of each temporary settlement and entering data into commune/sangkat mapping; conducting census of the number of families and population living in the temporary settlements with the participation of local community representatives; and seeking solutions for implementation. Based on the collected information, Capital, District, Khan State Land Working Groups, local community representatives, and adhoc civil societies shall meet, discuss, and find solutions to the actual case of each temporary settlement by

taking public interest as a priority, and based on the benefits of the majority of the people within communities as well as the need for local development.

Circular 3 also states: to arrive at any solution, such as relocation, or on-site upgrading, or any other policies, the WG shall plan and set time frame for actual implementation. Any arrangement shall be based on the solution agreed upon that could be on-site upgrading if the location is favorable and to discuss with concerned parties to develop an infrastructure plan so that livelihoods development can be facilitated. For locations that cannot pursue on-site upgrading and relocation is necessary, a clear plan must be developed prior to implementing any solution so as resettlement of the people can be facilitated. In any cases, the beneficiaries from the resolution of illegal state land occupation in city, urban area may enjoy usufruct right following an agreement or property right after having occupied directly and living subsequently on the location not less than 10 years, or termed leasing right as defined by concessional rentals. Only in special case with RGC approval can on enjoy property rights without any conditions. In brief, any solution arrangements agreed upon by concerned parties must be accompanied by step by step implementing plan, based on the actual situation.

In the 3 Phnom Penh area communities (established 2006 by SLC) for this housing study survey all households felt their land tenure was secure. Most HHs were able to show either commune member land ownership certificate or municipal district title. The official process for district land title is to provide documentation of commune membership and other sufficient documentation to District cadastral office. Some villages were invited by the Municipal District to apply at the cadastral office. Some HHs made the application for R5000 and received title after approximately 6 weeks and reported this as a simple process. Some HHs chose not to apply. In the surveyed Siem Reap area older communities approximately only 30% of HHs had commune land ownership certificates papers and few had district title documents. These community members reported that they would choose to obtain the commune ownership certificate if a lender required it.

Transfer of title can be witnessed by the commune chief. In all 4 surveyed communities respondents felt that having district title would be disadvantage at time of sale in that transfer times and fees would greater. Respondents in all the communities stated however that they were waiting for the MLMUPC LMAP systematic national title process to come to their village and that acquiring national level title would be overall beneficial. Residents indicated that verbal house building approval was required from the village and/or commune and the Municipality did not require residents to apply for permits.

#### **4.1.2. The Housing Finance Regime**

Development in the finance sector legal regulatory framework in recent years, growth in the no. of housing lenders and products, and better household market access has resulted in relatively strong housing finance sector. MFIs are prevalent in most residential and rural neighborhoods and regularly

providing loans to low and middle income HHs. While interest rates have fallen in recent years MFI rates are still higher than MFI rates in some other countries and generally higher than bank loans in Cambodia. Most low income HHs are able to secure MFI credit however very poor households often lack collateral for a MFI loan and turn to other private lenders at significantly higher rates. NGOs have been the main source of housing support (ie. loans subsidized at lower than market rates) for the poor, low-income households and vulnerable groups in Cambodia and evidence shows their impacts as positive.

Some housing support NGOs focus on HHs in certain income categories. For example, HFHIC focuses on 'active' poor, often lower-middle to middle income HHs in coordination with government, NGOs and communities. NGOs PSE, PCL, Mary Knoll and UPDF focus on the poor and very poor and have been active in many of the same HFHIC communities. Coordination efforts between HFHIC and these NGOs have achieved a broad impact in these communities in terms of number of households, range of services, and skill building. However, many NGOs have been active in the communities surveyed for this report and residents reported that NGO coordination could be improved. Information of the type of support available should be shared to allow avoid duplication, ensure more efficient delivery, and be distributed according to degree and type of HH need.

The main types of housing support in the 4 beneficiary communities surveyed for this report are house construction and improvement loans at reduced interest rates, and loans and grants for infrastructure connections, toilets, rainwater tanks, and small business. Housing and community development skills trainings have been provided such as design and construction, title, and financial management/ savings groups; job skills; and health. Quantitative and qualitative research from HH responses, FGDs and Local Authority interviews in the 4 surveyed existing HFHIC project communities illustrated a generally positive beneficiary perception of the impacts of HFHIC housing, skill building and community development projects. 64 of 80 HHs including all 57 HHs receiving HFHIC housing support reported a high to very high level of satisfaction in terms of housing. All surveyed HHs felt that overall quality of life in the community had improved.

In the 4 surveyed communities, HFHIC HH housing loans typically required a downpayment. Loans in the 3 Phnom Penh area resettlement communities were mostly new 4x6m core housing loans between \$1000 and \$2500 for 5-year terms at 1% monthly interest and declining monthly payments. HHs with loan amount of \$1000 reported starting monthly payment of \$30/month. HFHIC housing loans in the Siem Reap area communities were mostly home improvement loans ranging from \$1,000 to \$3000 with 1.9% monthly interest and declining monthly payments starting at \$52/month for \$1000 loan. Some middle-income residents had taken out larger total loans. HHs generally reported loan repayments as affordable and that loans for housing, toilets and home improvements, and business were beneficial and were generally affordable.

Community and KII responses indicated that with rising house construction prices in Cambodia a 4 x 6m brick house with zinc roof and completed water and electricity connections currently costs around \$3,000. Data on HH income was collected to estimate an affordable housing price.

HH average monthly income in the past 12 months in the 4 surveyed communities

Ave mthly income	<\$150	\$150 to <\$300	\$300 to <\$450	>\$450
% of surveyed HHs	16.25%	38.75%	27.5%	17.5%

53.85% of respondents reported monthly savings of <\$60 month and over 75% of HHs had debts.

Using conceptual figures of starting monthly payments of \$100/month at 1% monthly interest for a \$3000 loan, such terms might be potentially affordable by around half of residents. However, some higher income residents in Siem Reap area communities indicated they currently had total HFHIC and other loans up to \$7,000 and for them this was affordable. For a housing loan of \$3000 to be affordable to the residents earning between \$100 and \$250/month - in addition the HFHIC subsidized interest rate of 1 to 1.9% - an additional subsidy of approximately \$1000 would be required.

Residents reported that multiple MFIs operated in the communities providing relatively easy credit access for home improvements and other purposes. 82% of respondents reported paying 3% or less monthly interest. However, access to affordable credit remains a challenge for some, such as very poor households with little or no collateral, who reported paying much higher rates to informal private lenders.

For the 3 Phnom Penh area resettlement sites (established 2006) residents perception of overall community improvement was higher than in much older Siem Reap area surveyed communities which had established houses, social networks and livelihoods. The 3 Phnom Penh communities contained many HHs evicted from central city locations around 2006 and who more recently had experienced major disruption of life routines. Resettlement community residents described that until only a few years ago the previous community situation in the resettlement sites was more anarchic with many HHs living ‘day to day’ without productive routines or clear goals.

Consensus of HHs, FGD participants and local authorities was that the most successful type of housing programs are those that achieve HH and community ‘buy-in’ by involving the beneficiary in the beginning to end processes, provides housing skills training, requires a down payment, and follows a declining monthly repayment schedule.

The 4 surveyed communities were also generally positive about the role of other NGOs providing housing, infrastructure, and job and life skills support and training. However, many NGOs have been active in the communities surveyed for this report and residents reported that NGO coordination could be improved. For example, research in Andong indicated up to 11 different NGOs have provided housing support in the form of minimal cost or free simpler homes for the poor or persons with debilitating health conditions, and some higher income HHs received more expensive homes with subsidized loans. Because of lack of clear shared community information about different housing programs some residents were unsure about the intentions and fairness of the housing programs ie why some HHs received free homes or had to pay and why the houses were of different quality or size. Information of the type of support available should be shared to allow avoid duplication, ensure more efficient delivery, and be distributed according to degree and type of HH need.

#### **4.1.3. The Housing Subsidies Regime**

This report assumes that ‘subsidies’ in the GHI matrix refers only to Government subsidies and that these are a ‘demand side’ input. In this report NGO subsidized home loans are categorized as ‘supply-side’ financial assistance. The only government subsidized housing identified in research for this report was basic Andong homes built in partnership between Phnom Penh Municipality and UPDF NGO. Based on housing construction cost analysis performed under Finance Regime (above) government subsidies will be required for an adequate supply of suitable affordable housing in Cambodia.

#### **4.1.4. Residential Infrastructure**

The current government role in residential infrastructure provision is municipal government construction of main roads, water, sewer and electricity lines in existing communities and to the edge of new settlements including to SLCs. At present, infrastructure construction in Phnom Penh, Siem Reap and Battambang municipal districts is not systematically planned or installed. As a result many new settlements such as SLCs wait 2 or more years for essential infrastructure. Official approval and implementation of the municipal master plans for Phnom Penh, Siem Reap and Battambang it can be assumed would improve infrastructure planning and coordination and also provide greater certainty for housing investors and buyers and reduce perceived risk by lenders.

All 3 Phnom Penh area surveyed communities are currently served by municipal government built main road and water supply and electricity access. Connection to the main water supply and electricity network requires connection fee and monthly user fee at standard Phnom Penh rates. Most households had completed these connections with NGO support or acquiring private loans and reported service as adequate. Sewer and drainage network within the communities is the responsibility of the communities. Only Andong community had completed a sewer and drainage network with

support from PCL NGO. Sewer and drainage in Trapaing Anchang and Kok Kleang was reported as main the infrastructure need because of flooding and pooling of tepid water. All the above 3 communities have schools and markets which were built either before or soon after 2006. Residents reported schools and markets as essential for family development and current and future employment.

The surveyed Siem Reap area older and semi-rural communities had smaller scale infrastructure in place such as roof rainwater collection and individual latrines with below ground concrete containment tanks. Most households had electricity connection however rates were substantially higher than in Siem Reap town. The commune was in the process of upgrading /concreting the main access roads from commune funds. Residents reported the main infrastructure challenges as high electric rates and that they had to be careful about amount of water use for home and agriculture during the dry season.

#### **4.1.5. The Regulatory Regime**

The main government role in recent years for enabling the housing market and to assist poor and low income families acquire affordable housing has been: provision of free land by granting of SLCs for relocated communities and essential infrastructure provision to edge of new neighborhoods and resettlement sites. However, research conducted for his report suggests that communication and information from municipal, provincial and national levels is still not completely clear in terms of growth planning, infrastructure planning, and whether more SLCs will be granted, how important urban planning and development assessment decisions are made, and how the public can participate.

Municipal master plans for Phnom Penh, Siem Reap and Battambang have been endorsed at the District and Provincial levels and are awaiting final approval. If approved, these plans for growth, infrastructure expansion, and designated areas for housing development would provide greater certainty for housing investors and buyers and reduce perceived risk by banks and MFIs. The only current officially approved urban growth plans are private company major development plans for large residential, commercial, industrial, and mixed use developments. If the NHP is approved and effectively implemented at the municipal level, urban and rural development (i.e. land use planning, city development or future development plans etc.) may achieve the setting aside of land for housing the poor, low-income households and vulnerable groups in suitable locations and developing forms of land tenure security.

Regulation of building permits is based on Decree #86 on Construction Permit\_971219 for construction design standards, permit categories, application requirements and approval timeframes which provide a degree of certainty for investors, HHs buying land, and lenders. However, regulation is not administered or enforced consistently. There are currently no specific building codes for affordable housing typologies, 'green', or flood mitigation building.

## 4.2. Market Mapping

Market Mapping was carried out using information gathered from the literature review, the completed GHI tool and the practical insights of key informants and surveyed communities. Market Mapping is presented through two diagrams (Appendix 6.4) that illustrate housing sector market needs and current housing sector market gaps as follows: 1) a value chain ‘steps’ diagram, and 2) a market ‘flow’ diagram of actors, inputs, outputs and the main inter-relationships required for a successful housing market. The Market Mapping approach borrows from the HFHI completed Philippines Housing Market mapping diagram and from the Emergency Market Mapping Analysis tool used in the international disaster response sector and includes the steps Gap Analysis, Market Analysis and Response Analysis. The table of key findings in the Executive summary identifies the main housing market actors and aspects (legal framework and infrastructure), role under housing market regimes, how they impact other aspects and actors in the value chain, and the market gaps associated with their role limitations. Insert/Put 6.4. diagram here

Market mapping of aspects and actors and their process interaction shows a lack of coordination and value adding supportive relationships in several important areas to solve market bottlenecks for housing development. The main gaps are an incomplete property rights and regulatory legal framework for clear rules and processes to facilitate land purchase, timely infrastructure connections, and house construction while maintaining household, investor and lender confidence. This includes land law; determination of tenure status including for temporary settlements; growth, infrastructure and land use planning; and building approvals and codes. Other important gaps are a lack of low-interest financing for poor, low-income and middle class households; lack of design and construction firms and skilled labor specializing in affordable and innovative/ ‘green’ housing and inadequate networks for accessing existing skilled builders and laborers.

## V. Recommendations to HFHIC

- Advocate to the government for the adoption and implementation of the national housing policy, clarification amendments to 2001 Land Law, and create a new Act based on Circular 3 to clarify rights of temporary settlers including the relocation process. Help facilitate dialogue between MLMUPC, MOI and MAFF to determine under which Ministry the NHP will sit.
- Emphasize to government a need to officially approve and implement existing endorsed municipal masterplans. Follow-up with government to make sure masterplans are periodically updated in an informed and participatory process for forward growth and infrastructure planning as well as designated areas for residential and mixed use community development.

- Continue to engage different levels of government on policy and forward planning for SLCs to ensure resettlement sites will already have in place essential infrastructure services and at least basic accommodation and that SLC location options are close to HHs existing work places and/or are close to new suitable employment/livelihoods opportunities.
- Continue to develop and strengthen institutionalized partnerships with all relevant stakeholders, especially local authorities and specialized organizations. Participate in government-led working groups to establish clear mechanisms and procedures for linkages, at national, sub-national level and between levels.
- Work with government, NGOs and university housing and urban planning experts to explore options for business incentives to encourage construction of affordable housing ie. tax breaks for land purchase, construction, materials and mortgages for affordable housing projects; requirement for a minimal percentage of affordable housing units in medium-large development sites; etc.
- Maintain a strong guidance support and coordination role for NGOs in-country providing housing and related community development support in/near HFHIC project locations. Work to ensure efficient delivery of support by identifying HH and community needs, leveraging the knowledge and expertise of each NGO and the community, sharing of information among NGOs and community leaders, reducing duplication, and discourage the provision of free support as this has less perceived value to beneficiaries than ‘buy-in’ projects. To facilitate housing support to poorest HHs, continue to partner with and leverage specialized support of NGOs such as Mary Knoll, PCL and PSE.
- Explore with NHP working group feasibility of a pre-paid housing saving card as proposed in the NHP. This could be implemented through sale of cards like mobile phone cards. Poor households can buy a card, according to their daily wages or at any time, and then scratch the card and inform the bank in which they open an account. The bank will transfer the money into the account based on the value of the card, meanwhile the state transfers an additional sum of money as incentive for housing saving. This is a form of saving to buy a plot or to build a housing unit, especially useful in rural areas without a dense system of bank branches that can be used by any household with a certain saving capacity.
- Increase dialogue with banks to about expanding their role in housing financing for poor, low- and middle-income HHs. Bank interest rates are typically significantly lower than MFIs and offer longer terms. Propose to MFIs and Banks to include flexible loan repayment and refinancing options (MFIs currently do not offer these).

- Take steps towards standardizing the rate of HFHIC interest charged in for all in-country project location areas ie. reduce or remove gap between Phnom Penh monthly rate of 1% and Siem Reap monthly rate 1.9%. This foster perceptions of equity between communities and help simplify HFHIC accounting and reporting.
- Require as part of loan conditions that each community set up a savings group for contribution of funds and in the lowest income communities make HH participation in the savings group compulsory.
- Explore and encourage HHs livelihoods diversification options for more stable HH monthly income and to increase loan repayment success.
- Work with government and other design and construction firms and associations to develop codes of low cost construction. Also, encourage study of development of various housing typologies— single, attached, semi-attached, multi-family/multi-level and rental units as well as government and institutional housing. Include strong foundation level for option of building upward for growing family.
- Explore strategies with affordable and innovative housing design and construction firms to set up a technical and labor skills pool/ database for public access.
- Work with various home design organizations to increase awareness on incremental house construction and improvement and explore options and linkages to promote livelihoods for growing and/or manufacturing and selling local renewable materials for incremental, ‘green’ and flood mitigation design housing.
- Continue to strengthen sustainable and effective village-based associations to take over projects and ensure housing and infrastructure maintenance and repairs to implement the minimum package of activities such as housing revolving funds, saving schemes, hygiene and sanitation, land livelihood options.
- Explore potential advantages of setting up a separate design and construction unit within HFHIC which could be contracted out by government, NGOs and business delivering affordable housing.

## **V1. Appendices**

**6.1) List of key informants interviewed**

**6.2) Global Housing Indicators completed matrix**

**6.3) Market mapping diagrams: Value chain diagram and Housing sector market flow diagram**

**6.4) Community Survey Data Tables**

**6.5) Community Survey Data Diagrams**

**6.6) Workplan and timeframe undertaken for the study**