

BRIDGING THE FINANCE GAP IN HOUSING AND INFRASTRUCTURE

CAMBODIA: The Urban Poor Development Fund (UPDF) A Case Study (Draft)



A meeting of a community savings group in Phnom Penh

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1.1 The situation in Cambodia

After many years of civil war, unrest and almost unspeakable troubles, Cambodia is getting back on its feet. In 1975 and 1976 the newly installed Khmer Rouge regime, led by Pol Pot, proclaimed the country a worker-peasant revolutionary state and renamed it Democratic Kampuchea. Pol Pot advocated economic isolationism involving the abolition of money, rejecting foreign capital and shipping many urban inhabitants to rural work camps. He ordered the evacuation of all cities and towns leaving the capital city, Phnom Penh, almost deserted for the next 5 years. Many of Phnom Penh's residents died during the period of evacuation and until 1978 the only inhabitants of Phnom Penh were Khmer Rouge soldiers, who used abandoned buildings as barracks.

Civil war between Vietnamese forces and the Khmer Rouge began in 1978 and soon after Vietnam created a new government and changed the name of the country to the People's Republic of Kampuchea (PRK). War continued throughout the 1980s until the five members of the United Nations (UN) Security Council sought to negotiate a conclusion, culminating in the Paris peace agreement in 1991. The country then became known as the State of Cambodia (SOC) while the UN implemented a large-scale peace keeping force under the UN Transitional Authority in Cambodia (UNTAC) early in 1992.

Despite the lack of support from, and intimidation by, the Khmer Rouge, elections took place in 1993 and a coalition government was formed. The coalition was unstable as parties fragmented and reformed under different banners, but in the same year as the death of Pol Pot (1998), a new coalition government was formed after national elections. Despite rumours that opposition parties have faced intimidation, the new government was seen to have brought renewed political stability to Cambodia.

Out of a population estimated at around 12 million, over a million currently live in Phnom Penh. The World Bank estimates that approximately 36% of the country's people lived below the national poverty line in 1998¹ and urban poverty is emerging as a major issue. Informal squatter settlements in cities (discussed more fully below) are threatened by flooding and natural environmental hazards, particularly during the monsoon season.

The violent political unrest has also left the country with a lack of human and financial resources within government administrations and civil society. Today, poor planning hinders most aspects of development in the country as a whole and as a result more and more people are migrating to the capital city. Phnom Penh has therefore become the centre for hope and employment for many people in Cambodia.

1.2 The situation in Phnom Penh

Phnom Penh, the capital-city and main urban centre, is now filled with the noisy energy of building, trading and growth. For those with nerve and resources, the city offers many opportunities to make money in a relatively unregulated environment. The local economy is expanding, making the city a magnet for investment from around Asia and elsewhere. It also draws an increasing number of migrants from the provinces - most of them poor - who come to the city looking for work believing that, after decades of upheaval, it is on the brink of a boom and offers employment opportunities for cheap labour. For the poor, the climb to prosperity is not easy. The city needs the poor, whose cheap

¹ See The World Bank Group website: <http://devdata.worldbank.org/external/dgprofile.asp>

labour is vital to economic growth, but is slow to acknowledge that they too have needs. In the mean time, they must live in squalid and dangerous conditions, without secure land tenure or basic services.

According to a survey carried out by the Solidarity for the Urban Poor Federation (SUPF) in 1999, about one-fifth of those living in Phnom Penh (or 35,000 families) live in 500 informal settlements around the city. Over the past two decades, poor people coming into the city from the provinces and refugee camps have had no option but to build shacks on whatever land is available. People who had more power were able to occupy larger houses, while the poorer occupied whatever was still available. Single-unit shop-houses of three or four stories might be occupied by between five and twenty families together. In addition, the SUPF survey found that 25% of the city's poor families lived along river and canal banks, 10% along railways and roadsides and others on open land or rooftops. Only 20% of these settlements have access to the municipal water supply system, and less than half have toilets or drainage systems.

As the political situation in Cambodia stabilises, Phnom Penh's urban economy is becoming more robust, and investment in the city is increasing pressure on urban land-use. As a result, there is a growing conflict between the city's need for land on which to develop and the poor's need for land on which to live. The city and the poor find themselves in an uneasy stand-off that helps neither group. Phnom Penh has thus become a fast growing city with clear evidence of urban poverty and rapidly expanding squatter settlements.

Many of the poor find themselves isolated, without any formal support to help them find jobs or affordable housing. They improvise means to make a living, by selling vegetables, labouring on construction sites, pedalling taxi bicycles or working in garment factories. Alternatively they are involved in making shacks for their families in Phnom Penh's burgeoning squatter settlements, or in renting small cubicles in the growing informal room-rental market in the inner city core and around the factory areas at the periphery. Rent in these areas is high, taking up a major part of poor families' typical daily earnings, which average about one US dollar a day. This can be compared to Bangkok, where the absolute minimum daily wage is four or five US dollars a day and where almost all basic necessities are cheaper – food, transport, housing rents and health care.

In 1991, when the Asian Coalition for Housing Rights (ACHR) made its first exploratory visit to Phnom Penh, there was a marked lack of local community-based organisations amongst urban poor communities. Established international Non-Governmental Organisations (NGOs) warned of the lack of trust between people and organisations, and acknowledged the difficulty of building co-operative efforts following the recent history of the country.

1.4 Low-income housing, land and infrastructure in Phnom Penh

1.3.1 Housing delivery

Following the war, the earliest migrants to the city had better chances of getting some kind of solid housing in the free-for-all land grab. Land ownership systems had been destroyed by the Pol Pot regime and all land belonged to the state. People who migrated later have had to either purchase occupation rights from other inhabitants on an informal basis, or find space to squat. As a result, arrangements for ownership have emerged only through informal markets for buying and selling plots and shacks.

In the absence of entitlements or government assistance, Phnom Penh's first and second-generation poor have devised survival systems of their own in order to obtain land, housing, water, electricity and

to find jobs. These people's systems have helped more Cambodians than any government scheme or foreign aid could ever hope to do, because they have offered options for everybody, right down to the poorest. However, these basic informal systems are far from perfect.

From the late 1980s and through the 1990s, squatter settlements have expanded rapidly as Phnom Penh has developed into the country's main urban centre. They continue to be marked by an active informal housing market, with quick turnover, quick occupation and the development of plots in new places. Housing demand in all income groups has grown rapidly, partly because international assistance has concentrated resources in Phnom Penh.

By the end of the 1990s, there were clear signs that two more informal housing delivery systems had emerged. One was the small real estate or shop-house development for sale in the private sector, while the other involved the burgeoning room rental business within market areas of the city centre and around the new industrial areas in the peri-urban area. In general the informal systems delivering low-cost housing in Phnom Penh, can be classified as follows:

- ◆ Low-income communities on rental land;
- ◆ low-income communities on owner-occupied land (occupied before 1979);
- ◆ shared low-income housing in shop houses, apartments or other single-family houses;
- ◆ slums (subdivision) inside old, multi-story buildings in the city core;
- ◆ old flats or apartments;
- ◆ rooftop settlements;
- ◆ squatter settlements;
- ◆ room renters; and
- ◆ new resettlement projects.

There remains however a distinct lack of formal mechanisms to provide housing to low-income groups, unlike the situation in the neighbouring countries of Thailand, Vietnam, India and Malaysia. The Cambodian government has no National Housing Board, no Ministry of Housing and no budget for providing affordable housing to the poor. There is no system to make housing finance available at a subsidised level, or even at the market rate, to the poor and middle classes in Cambodia. Nor are there any suitable legislative mechanisms regulating informal settlements.

The small number of resettlement projects implemented before 1998 were relatively unsuccessful, as settlements were mainly used as dumping grounds for evictees forced from squatter communities in the city centre. Some new collaborative attempts at community resettlement have been implemented since the setting up of the Urban Poor Development Fund (UPDF) in 1998, starting with the relocation of the roadside squatter community at Toul Svey Prey (see case study 1). The relocation of families from several squatter areas to the Municipal Resettlement Colony outside Phnom Penh at Toul Sambo is another example (case study 2).

1.3.2 Access to land

Phnom Penh's unique history has blurred the lines separating owners and squatters in the city. For example, although there are laws in Cambodia which define ownership in terms of occupation for a certain number of years, they are largely ignored and have not prevented land being sold from under the families occupying it. Similarly the city does have a land registration system, but it is largely unknown or incomprehensible to most of the urban poor. Procedures for registering land are generally cumbersome and expensive, leaving too much space for ambiguity and corruption. As a result only 15% of the land in the city was registered under the title system in 1999, although the figure has risen to about 40% in 2000. As the city economy grows and conditions for investment improve, land becomes

an increasingly valuable commodity. As a consequence, issues of ownership are becoming more contentious.

The distinction between private and public land is also unclear. According to the 1999 SUPF survey of poor settlements in Phnom Penh, approximately half of the city's 500 or so settlements are on government or public land, with the other half on private land. However given that the majority of land in Phnom Penh is not yet officially registered, these figures may not be accurate. This issue remains to be addressed.

The systems of land ownership and land title in Phnom Penh are still characterised by a number of grey areas. Until the fall of the Lon Nol Government in 1975, the King technically owned all land in Cambodia. However, land has been bought, sold and handed down from generation to generation for centuries in Cambodia in a process governed by deep-seated rules and cultural norms. During the Pol Pot regime, these ancient land systems were destroyed when all land became the property of the state, a situation which continued in the period of Vietnamese occupation. Private ownership of land began only in 1992, and for most Cambodians today it remains an unclear concept that leaves plenty of scope for corruption and mismanagement. In Phnom Penh's informal settlements, tiny plots and houses are bought and sold in a land market which is no more and no less formalised than that by which hotels, shop-houses and large tracts of peripheral land are bought and sold.

People in poor settlements have increasingly found themselves threatened with eviction, despite having occupied plots of land continuously for between 5 and 20 years. In many cases families had officially been allotted this land during the socialist period, or had subsequently purchased it. Nevertheless, some of these plots have been bought and sold by powerful local figures without the knowledge of the poor people occupying them. Newspapers have recently been full of stories concerning land grabbing in the provinces, where powerful local figures have quite openly seized rural and urban land from poor farmers. Often using force, they have manipulated the land title systems to register themselves as the new owners.

In the past, pressure on urban land was low and evictions were fewer, because the development of Phnom Penh was slowed by political upheaval. However, as security and conditions for investment in the city improve, land values are rising and the pressure to develop land is increasing. It is inevitable that as land values rise, powerful vested interests will have good reasons to maintain the ambiguities in systems of land ownership. They are therefore unlikely to create clear, equitable land-rights legislation or to draft clear, transparent land-ownership and land registration systems. If we assume this to be the case, it is important to develop a pragmatic, flexible approach to dealing with the land problems of the urban poor, and to find an approach which can coexist with these uncertainties and ambiguities. This is the rationale behind investing in the organisation of the urban poor under SUPF.

1.3.3 Inadequate infrastructure and support services

As more and more people come into Phnom Penh, the problems of housing, employment, environmental conditions and health are growing more acute. Many of these problems arise from the absence of alternatives, forcing the urban poor to live in conditions that are unhealthy and insecure, without organisations or institutional arrangements to help deal with these issues. For example, in Cambodia there are no national or municipal programmes to provide poor communities with basic services, or to support communities' own efforts to improve environmental conditions within their settlements.

The municipal authorities are poorly organised, under-funded, and dependent upon foreign aid. As a result, they are overloaded and have put the needs of the urban poor low on their list of priorities.

Problems like crime management and updating power grids have taken precedence. Municipal arrangements are still embedded in the old socialist system developed during the Vietnamese occupation, which divides the city up into strictly-defined districts, wards, communes and villages. Appointed representatives at all these levels have not changed much in recent years and the system has grown static, leaving it unable to provide the kind of active initiatives needed to deal with the array of problems in the city.

Consequently, Phnom Penh's infrastructure systems are not nearly sufficient. The present availability of land is not enough to provide for adequate housing, roads, water, sanitation, solid waste disposal, transport, electricity and public lighting in the city. In addition, owing to structural, traditional and attitudinal biases, the urban poor are usually served last within the population. Improving their access to basic urban services is a major challenge for Cambodian planners and policy makers, both now and in the future.

Some alternative approaches and mechanisms to deliver services to the urban poor have been tried, with varying degrees of success. NGOs, UN agencies, city officials and communities themselves have been involved, but if conditions are to be improved on a larger scale then active partnerships between the various actors are required. It is therefore imperative that an understanding of alternative solutions is developed in conjunction with capacity building initiatives amongst the urban actors involved.

1.3.4 Relocation issues

The process of buying large tracts of land outside the city – even in other provinces – and compelling people to move there, is an outdated method which has already been attempted in many cities elsewhere in Asia. There are in fact many ways of finding land within the city, which are both practical for the city and still offer people the chance to find suitable land on which to live. Possibilities include:

- ◆ **District-wise land-sharing** involves land searches within a district (or 'Khan' as it is known in Cambodia), so people can move to nearby land which they have selected and which meets their needs for proximity to family and friends.
- ◆ **Settlement "squeezing"** can occur within loose settlements that are on fairly secure land. Settlements can be made denser either by encouraging people to live on smaller plots, or by planning better layouts that use open space and roads more effectively. The development of two and three storey buildings can also play a part, but this process is expensive. When land is subsequently available, nearby communities can relocate
- ◆ **Classic Land-sharing** focuses on redesigning housing blocks to utilise space more efficiently, allowing the remainder of the land to be given back to the land-owner, developer or city authority who can then develop it commercially.
- ◆ **District-wise land inventory and land banking** involves poor people in surveying their own community or settlement to identify possible spaces for new developments. By combining the results from neighbouring communities, options can be identified in each Khan. Tasks include identifying open land areas, finding the actual owners of each plot, determining market prices and then assessing the possibilities for resettlement in available space. Details about existing infrastructure (such as water supply, access to electricity and sewage grids), the availability of schooling, opportunities for employment and the geographical features of the land all feed into the inventory. The information collected by communities about their settlement becomes an asset base upon which to build a land-banking system.

1.4 Regulatory framework for not-for-profit organisations

The Cambodian legal system has evolved over time, through a series of contributions from various legislative sources. Beginning initially with customary rules of Asian origins, it has also been influenced by French legislation², by socialist civil law traditions, by the transitory legislation of UNTAC and finally by contemporary legislation from the government elected in 1993. The development of the country's legal system has been unable to keep pace with the changing situation within the country.

Large numbers of foreign NGOs have registered in Cambodia over the past two decades, as registration is a key element in their ability to stay and engage in development work. NGOs now have a strong social status in Cambodian society, due mainly to the perceived need for development assistance. NGOs and voluntary organisations - both foreign and local - have become respected development actors in the country, working with government organisations on various development issues.

Immediately following the period of control by the Khmer Rouge, community organisation was tightly controlled. Even after 1979, district and ward officers retained control of communities and people in their constituencies, in response to fears of Khmer Rouge infiltration. However, the system was loosened after UNTAC and the general election in the early 1990s. Rapid urbanisation brought significant demographic changes in Phnom Penh and surrounding districts, which seem to have had a corresponding loosening effect on the former controls. Although there are still appointments of leaders or headmen for each "village", communities have not generally had any clear form of organisation save perhaps for some rules imposed by village headmen or ward officers. In this context, the development of community saving and credit groups has significant implications, since it allows community organisations to emerge outside the present regulatory system. Community organisations need time to nurture and build their own development capacity, especially in relation to developing skills to negotiate effectively with actors in the formal system of governance.

1.5 The regulatory framework for financial institutions and micro-finance programmes

There is still no properly functioning financial system in Cambodia, following years of currency fluctuation combined with problems of inflation, financial and political insecurity, uncontrolled and unofficial capital flow, and money laundering. Most development capital in the country still comes primarily from foreign aid international development agencies, rather than from internal financial markets.

There is no formally functioning banking act. An interview with officials in one commercial bank showed that most commercial banks concentrate mainly on saving and withdrawal of savings, or acting as financial windows for business transfers between Cambodia and other countries. Commercial banks are not particularly active in the realm of private lending, unlike banks in most other countries. However, where there are arrangements for foreign guarantees for instance, it is possible to initiate loans in specific cases.

The combination of the above factors explains why a large number of micro-credit activities have been introduced by NGOs in Phnom Penh, as an attempt to build up some kind of financial mechanism for the urban poor. The development of Cambodia's financial systems will take time, but it is important to encourage the community-level financial activities that have begun from scratch.

² Introduced during the period of the French protectorate from 1863 until 1945.

2 THE URBAN POOR DEVELOPMENT FUND (UPDF)

2.1 Background

The Urban Poor Development Fund (UPDF) was established in March 1998, under a Memorandum of Understanding between ACHR, SUPF and the Municipality of Phnom Penh. Contributors to the Fund's capital include SELAVIP, Shack/Slum Dwellers International (SDI), ACHR (funded by Misereor), Caritas, SUPF savings and the Municipality of Phnom Penh. It was established to make affordable loans available to poor urban communities (who would otherwise be unable to access credit) to enable them to improve housing and settlements. It was also intended to act as a tool to strengthen the Federation of community savings groups, by supporting and "topping up" the financial resources required for scaling-up community driven development processes. In this sense it was aimed at building communities' capacities to manage their own development, as well as supporting the partnership between municipal government, community groups and NGOs.

The UPDF - Extract from Memorandum of Association

"The guiding principle of the proposed revolving fund is development of a people-centred and community driven process with an efficient structure. The urban poor are the beneficiaries of this fund, and will be represented in majority in the decision making and implementing of this fund. The core principle of the fund is to build trust and partnership amongst community members, government agencies and other urban actors."

Objectives

- ◆ "To set up a revolving fund to enable urban poor communities to access credit at reasonable rates of interest for housing and related activities.
- ◆ To strengthen the partnership between government agencies, urban poor community groups and non-governmental organisations.
- ◆ To develop the capacity of communities to manage their own development process.
- ◆ To promote the participation of communities to improve their living and social conditions."

Although under the umbrella of the Phnom Penh Municipality, the fund operates independently. It is managed with as little bureaucracy and as much flexibility as possible by a governing board made up of government officials, UN personnel, and representatives from NGOs and CBOs (see list in Table schmeer1 below).

Table 1: The UPDF Governing Board

Board Members: 2 representatives from the municipality 2 representatives from SUPF 1 representative from ACHR 2 representatives from other community organisations 1 representatives from an NGO 1 "co-opted" member 1 fund manager.	Tasks of the Governing Board: Determining policy for Fund use Developing rules of use: Setting loan terms and interest rates Determining annual community contributions Reviewing the Fund's operation Raising capital to augment the Fund
Board appoints the following: Chairperson Treasurer Manager (full-time)	

2.2 The main stakeholders

The **Governing Board of the UPDF** has an important role to play in how the fund operates (see Tasks of the Governing Board above), but in order to decentralise the process, **district or 'Khan' officials are encouraged to work directly with Federation members**. They work together to improve savings schemes and to plan various appropriate community development activities. As this collaborative district-level process has consolidated, especially in three of the seven Khans, the possibility of managing the UPDF process through this mechanism has been examined as a long-term possibility (see section below discussing Community Development Management Councils).

The **Asian Coalition for Housing Rights (ACHR)** has been closely involved in work with low-income settlements in Phnom Penh since a team visited the city whilst it was still under United Nations administration. ACHR provides advocacy and negotiation assistance to promote the UPDF at local, regional and international level and creates the forum for discussion between the various stakeholders. It also supports the organisational development of the UPDF by providing training and management support. Through fund-raising initiatives and supporting community exchanges between Cambodian communities and similar groups in India, Pakistan and South Africa in association with Shack/Slum Dwellers International (SDI - see below), ACHR encourages the sharing of information and advocates further developments based on previously successful models.

The **Solidarity for the Urban Poor Federation (SUPF)**, formerly the Squatter and Urban Poor Federation, is a growing network of community groups, all of which have been organised around a community savings base. SUPF is Phnom Penh's largest poor people's organisation, operating in half of the city's 500 poor settlements, through district-based "Khan" units and women's savings groups. It has experience in loan management, and helps to prepare community groups to manage money, carry out projects and engage with other stakeholders to find solutions to poverty. SUPF has organised exhibitions of low-income housing models, has played a prominent role in resettlement processes and has also carried out surveys of low-income settlements in Phnom Penh. SUPF teams have also taken part in the exchange programmes coordinated by ACHR.

The **Municipality of Phnom Penh** actively supports community-driven redevelopment in Phnom Penh and where possible provides land to displaced communities. It contributed to the establishment of UPDF by signing the Memorandum of Understanding in March 1998, by providing office space for those involved in UPDF administration and by contributing to the Fund itself.

Community Development Management Councils (CDMCs) are collaborative, district-level planning committees made up of community leaders, district officials, local NGOs and international NGOs. Their function is to identify problems facing the urban poor in a Khan, and then to work out solutions in close collaboration with communities. In this way CDMCs link the formal Municipal system with poor urban communities, becoming a key participative mechanism for making decisions about low-income settlements in the city.

The **Urban Resource Centre (URC)** is an NGO based in Phnom Penh. It provides technical assistance to the community processes of surveying, settlement mapping, affordable house design and construction, community layout and infrastructure planning.

Shack Dwellers International (SDI) is an international network of Federations of the urban poor from India, Cambodia, the Philippines, Thailand, Nepal, South Africa, Zimbabwe, Namibia, Kenya, and Colombia. The National Slum Dwellers Federation (NSDF) of India has been particularly active in providing regular support and back-up, through ACHR, to SUPF.

2.3 Using the UPDF to encourage partnership

Developing a new relationship between the people and the district (or city) is a key element in building a genuine, working local partnership for the long term. Thus one role of the UPDF, in addition to looking at the financial aspects, is in examining how to use the Fund in such a way that it **boosts such partnerships**. Money is seen as powerful, especially in the society of Phnom Penh, and the decision-making process is consequently a tool in itself.

Decentralising the operation of the UPDF (as discussed above) contributes to two goals simultaneously. Firstly, there is the process of bringing together different actors within the CDMC to work on something concrete and productive. Secondly, there is the ability to give loans to those who are in genuine need, a process which can be managed most effectively by those who know the poor in their own district best. Furthermore, decentralisation means that there are no outside staff in the UPDF trying to keep track of everything which is happening in various different parts of the city. In fact decisions are made at the local level and communities carry out much of the work.

The UPDF has also focused upon **strengthening and expanding savings groups** within the city, during its initial stages. Besides being the primary channel for UPDF loans, strong community savings and credit groups - and a large, strong Federation of these savings groups - are seen as being a critical element in building a people-driven development process in Phnom Penh. For example, by building collective management skills through collective saving, communities acquire the capacity required to negotiate effectively with other stakeholders on wider development issues. Community savings schemes demonstrating fairness, transparency and flexibility, encourage community groups to demand accountability from community leaders and municipalities whilst also providing a forum for women to play a central role. Similarly, involvement in credit and savings groups enables communities to learn how to deal with typical problems of theft, corruption or loan default through the gradual processes of building trust. Given the unsettled environment and troubled recent history of Cambodia, the process of building trust is as important as it is difficult. In general, savings groups can provide the basis for expanding people's own resource base, their self-reliance and hence the development capacity of the community as a whole.

A second aspect of strengthening savings groups has involved expanding the number of communities involved in Federation activities. **Scaling up the Federation** in this manner gives it significant bargaining power in negotiations with municipal and government authorities, which in turn improves the prospects for each community group. In this sense the UPDF has played an important part in boosting a city-wide community process, by helping to initiate a further 150 savings groups (with combined savings of over 60 million Riels - equivalent to US\$ 17,000) in Phnom Penh's poor communities. Table 2 shows the extent of Federation activities as a whole. The combination of people, their energy and collective savings gives the Federation bargaining power and concrete identity within the urban development framework.

Table 2: Federation Activities (based on figures from the 1999 SUPF survey)

Official population of Phnom Penh (Municipal estimate):	1.1 million
Number of poor communities Phnom Penh:	472
Number of families living in these poor communities:	35,165
Number of people living in these poor communities:	172,624
Number of communities now in SUPF (total of all 7 Khans):	207
Number of savings groups:	207
Number of families saving within SUPF groups:	6,872
Amount saved across all 7 Khans (November 1999):	120,680,500 Riels
Amount given in loans from people's savings:	60,700,000 Riels

In addition to the points made above about strengthening negotiating capacity through the Federation of communities, a third advantage of bolstering savings and credit groups is that communities are encouraged to **express and discuss problems that are relevant** to their immediate situation. The UPDF can enable groups to develop a more integrated development approach, according to needs arising in different contexts. It is therefore important that the UPDF continues to remain flexible and responsive to communities' real needs and avoids setting complex terms and quotas. This framework catalyses communities not only in terms of ideas, but also in terms of confidence, resource accumulation, income generation and the collective action which ensues.

The Fund also expands the range of options available to poor communities by allowing people to work beyond their financial capabilities. It can act as a **"top-up" to community savings**, while the expanding network of community groups also provides new opportunities for borrowing and lending amongst themselves. Similarly, access to the range of management skills and / or practical skills (acquired through housing and related projects emerging as a result of the Fund) within the Federation, widens the range of resources available to communities.

Finally, the Fund acts as a **"short-cut" to initiating development activities**. Conventional government mechanisms involving only the municipality, often take too long to deliver and are not sufficiently flexible to cater for community needs. The UPDF can shorten the time involved by linking resources directly to activities, thus enabling groups to use their creativity in developing solutions to the complicated issues surrounding housing, income generation and welfare.

2.4 Results so far

ACHR programmes, with the help of regional groups in the ACHR network, have supported a change process in the development by and for the urban poor in Cambodia. The change process has evolved not only at the level of the urban poor communities, but also at institutional level in the city. Some concrete results and impacts of ACHR involvement are summarised below:

- ◆ SUPF has emerged as the key urban poor community network in Phnom Penh. Its activities have included:
 - ◆ Expanding the range of community-saving groups and credit activities - there are over 16,000 individuals who are members of savings-groups in 207 urban poor communities under the SUPF umbrella.
 - ◆ Enabling inter-community learning by supporting exchange activities
 - ◆ Enabling inter-community resource mobilisation to take place.
 - ◆ Gathering and organising information about urban poor conditions in Phnom Penh - two city-wide urban poor surveys have been conducted by communities and the results have been widely distributed.
 - ◆ Linking city and district authorities with communities.
- ◆ The Urban Poor Development Fund has been established through a partnership between ACHR, the Municipality of Phnom Penh, SUPF and others. It provides a collaborative mechanism to develop community housing loan facilities and income generating activities.
- ◆ A partnership of community networks has developed at District (Khan) level. The district authorities and other development actors have established working committees (CDMCs) in all 7 districts of Phnom Penh. This new collaborative local structure has the potential to become a significant, decentralised and participatory development mechanism in Phnom Penh and Cambodia.
- ◆ There is now established collaboration and co-ordination between ACHR / SUPF and all the key development agencies. These include UNCHS, UNDP, the Municipality of Phnom

Penh, Khan chiefs, the University of Phnom Penh, and a significant number of NGOs in the area.

- ◆ **A significant number of active young professionals have become involved in urban development for the poor** and other urban activities in Phnom Penh. In 1996, with the support of ACHR, an Urban Resource Centre was established to facilitate information sharing and provide technical support to community developments.

2.5 Issues of sustainability

There have inevitably been some teething problems as the savings and credit scheme has expanded rapidly. However, it has been realised that during the process of developing new savings and credit activities, communities build their capacity by identifying problems and developing appropriate solutions. This is a vital ingredient in the expansion of communities' confidence and capacity to deal with other aspects of development. Leaving space for this to occur, whilst also providing appropriate assistance, is the dilemma faced by supporting agencies.

The issue of sustainability has to be contextualised. Cambodia is still extremely unsettled, leaving it institutionally and financially weak. There are no sources of formal credit available, the entire national government is running on foreign aid and 35 years of civil war have left a culture of violence that constantly threatens to explode. Many people live in poverty and uncertainty is a dominant factor in many aspects of life. As a result, conventional questions about whether or not the lending system is sustainable are not appropriate. Despite this, SUPF is continually required to demonstrate the Fund's financial sustainability by external funders. This is paradoxical given that the country's systems and institutions can not yet be analysed in terms of sustainability because they are themselves comparatively new. Sustainability may be important in the longer term, but at the moment it is an abstract notion rather than a practical option.

The important questions of sustainability therefore concern the feasibility of various institutional arrangements given the unsettled environment. The UPDF is part of the strategic process which seeks to open up possibilities, develop institutions and test the new arrangements. In the long term it is expected that more funds can be generated within the loan system and obtained from other sources, as the UPDF becomes a more integral part of the developing Cambodian financial structure. At the moment, it is appropriate that the UPDF is a collaborative effort which is slightly removed from the formal Cambodian systems, because there can be more flexibility. However, in the longer term, it has to gravitate towards the formal system in order to incorporate more resources from elsewhere within the country. Considering the enormous scale of foreign funding pouring into Cambodia at the moment and given the scale of the problem, it should be possible to strengthen the UPDF and then focus on sustainability in the conventional sense.

3 CASE STUDIES

The collaborative mode of working, that was envisaged in the design of the UPDF has already been tested and explored in relocation projects. Two of these projects - Toul Svay Prey and Toek La'ok 14 - used the same land-purchasing arrangements. UPDF has also supported families involved in government relocation and has started to develop income-generation loans.

3.1 Toul Svay Prey relocation

Toul Svay Prey was a roadside settlement of 129 houses, just off Mao Tse Tung Boulevard in Khan Chamkar Mon. Its small wooden and bamboo houses were built up against a high wall. Of all the types of poor settlements in Phnom Penh, those built along roadsides have probably the most uncertain tenure. SUPF's 1997 survey indicated that at least 25,000 people live along Phnom Penh's roadsides. UPDF's first loan enabled this community to relocate to Boeung Krappeur.

3.1.1 Situation before resettlement

Toul Svay Prey's leader is called Men Chamnan. After being demobilised in 1984, he brought his family to Phnom Penh, to send his kids to school and find work in the city. At first he rented land and built a small hut. When this land was sold, Chamnan and several neighbours went to the Sangkat and got permission to rebuild their huts outside the land, along the street, until they could afford to buy land elsewhere. The rapid rise in land prices made this impossible, so their makeshift settlement became permanent.

Roadside settlements are the result of a lack of alternatives. Living on the roadside is polluted and dangerous; it is dirty, cars roar by, and there's no safe place for kids to play. The city tried unsuccessfully to evict the Toul Svay Prey settlement and the owners of nearby villa even tried to burn down the houses. But the settlement is close to schools, jobs and markets, and as the people have no alternative, they continued to stay there.

The settlement at Toul Svay Prey had no basic services. Only two families had latrines. The other families were forced to use open areas nearby, but this was difficult, especially in morning and evening hours, when competition for private corners was fierce. During the rainy season, the unpaved road became a swirling river of mud and backed-up sewage. Since there was no water supply in Toul Svay Prey, people had to buy water for drinking, cooking and washing from small hand-pulled tankers. They paid 1,500 Riels for 200 litres (7.5 Riels per litre). The official city rate for water was 350 Riels per 1,000 litres (0.35 Riels per litre). That meant that people in Toul Svay Prey were paying 21 times higher than the city rate for water - the most essential commodity. They also bought electricity from houses and shops nearby, at rates that were five to ten times higher than the city rate.

3.1.2 Planning for resettlement

The community of Toul Svay Prey began drafting plans to change their situation, and worked with some other roadside settlements to plan Phnom Penh's first entirely community-designed, community-managed relocation project. These are some of the activities that took place during this planning:

- an intensive programme of housing savings, with daily deposits;
- identifying plots of open land around the city as possible relocation sites;
- exploring different plot sizes and house layouts

- designing small, affordable houses using cost-saving building techniques;
- building full-sized models of these houses and showing them at a public exhibition;
- beginning negotiations with the city about relocation to the sites identified; and
- holding community meetings to plan the new community together.

3.1.3 Stakeholders and process

The relocation of the Toul Svay Prey community to Boeung Krappeur involved a number of stakeholders. The **partnership solution** which was developed involved government, NGOs and the community themselves. The land was chosen by the **community**, purchased by the **Municipality** and developed by the **UNCHS** Project, according to the layout plans the community drew up with young architects at the **Urban Resource Centre**. The **Khan Chief** helped negotiate, **UPDF** provided loans, the **community** built their own houses, and **SUPF** helped turn every step of the process into lessons for communities around the city.

The community worked out affordable house designs with help from young architects at Phnom Penh's Urban Resource Centre. Houses were designed and constructed to use old materials and to stay within the US \$400 budget. Several families mobilised more funds from family, other loans and savings, and were able to build more expensive houses. But the majority of families built very cheaply within this limit. The housing was constructed by community people through loans from **UPDF** which would be paid for by the people themselves.

The infrastructure was developed by the UNCHS UNDP Urban poor project. Much of the infrastructure was built by the community through community contracts. While the UNCHS prepared the land and infrastructure, the community voluntarily dismantled their houses and prepared to live nearby under plastic shelters until their new settlement at Toul Svay Prey was completed. The project started mid 1998, and by December 1999 120 families were living in security at the relocation site. Most houses had been constructed, and others were being improved step by step.



The community demolished their own housing and moved across the street to live for months under temporary plastic while the relocation site is prepared³. UNCHS filled the relocation site to prevent flooding in the wet season

3.1.4 UPDF Loan

The box below sets out the key statistics for the loan made by the UPDF to the Toul Svay Prey community. Much of the loan was given out to families in the form of materials, which the community bought collectively in order to save money. Repayments are collected daily, on a door-to-door basis, at

³ Photographs from ACHR web site www.achr.net

the same time as daily savings. Each family chooses to make repayments daily, weekly or monthly, depending on their income pattern. A special community women's unit was set up to manage the repayments. The community finance committee repays the money collected to the UPDF in a weekly block. Of each family's daily, weekly or monthly payment, 80% goes towards the loan repayment and 20% goes into mandatory savings. These savings can be drawn upon if a family has trouble meeting a payment. Then when the house is repaid, each family has a nest-egg.

Total loan to community	US\$ 47,988 (182,354,400 Riels)
Number of families in community	120
Interest Rate	8%
Loan term	10 years
Loan amount	Mainly US \$400 loans, a few US \$500.
Total repaid (as of 30 Nov. 1999)	14,000,000 Riels (8%)
	Repayment rate has been more than 90%

3.1.5 Inauguration

The inauguration of the Toul Svay Prey community was held on 20th April 2000, and become a national event. Along with members of poor communities from around the city, key government officials attended the inauguration, including the Prime Minister Mr. Hun Sen, and the Governor of Phnom Penh Mr. Chea Sophara. In his speech, the Governor proposed that the Royal Government allocate some funds to the Municipality to enable it to continue purchasing land for families displaced by development projects, especially in communities along the riverfront and along railway tracks. The Prime Minister answered this proposal with an initial allocation of US\$ 200,000 to the Municipality to purchase approximately 10 hectares of land for voluntary resettlement. This much-welcomed support acknowledges that secure land for the urban poor is a public responsibility, and represents a strong, concrete commitment by the Municipality and the Royal Government of Cambodia to housing the poor displaced by development. Given the country's current budget situation, the attitude that this support demonstrates is much more important than the actual amount of money. The Prime Minister's gesture is a concrete step in the right direction, and has the power to reorient many key institutions towards a more constructive problem-solving approach to solving the land security needs of the urban poor.

3.1.6 Conclusions

The Toul Svay Prey relocation project made an attractive first case for an acceptable solution, because of the process of collaboration it involved. The UPDF loan fund alone cannot solve all the housing problems; however, the process through which the Toul Svay Prey project developed was an affordable solution. The UPDF linked with the Federation (SUPF) and then the Federation negotiated with the landlord, the municipality and the UNCHS. The community was able to access free land and free infrastructure through the negotiations; and as a result the people only have to pay for housing loans. The availability of loans from the UPDF was not a complete solution, but was an important bargaining chip in the negotiation process. The community was able to bring their savings, plans, organisation and housing finance to the negotiating table. All they needed land and basic infrastructure. The process of collaboration between the various actors involved is crucial, because if the problem is too big for any party - whether the community, the municipality, or the UN - they will not do it.

The Toul Svay Prey relocation provided a resettlement formula which all partners could agree to, and through which the needs of all parties could be met : the city got the road cleared in good time for

it's drainage project, and 129 poor families got secure land, houses and infrastructure. As a result, negotiations began for two similar voluntary relocations - 120 families from another roadside settlement at Toek La'ok 14, and about 100 families to the Municipal Resettlement colony at Toul Sambo. Once communities have secure land tenure, they can improve their housing and environment by themselves. NGOs can help in this process and Government can also help improve the city with their limited resources. However, to solve the urban poor's housing problems on a large scale, it is necessary to form a partnership process where each of these groups collaborates together. The Toul Svay Prey project has demonstrated that partnership processes can solve the problem. The people of Boeung Krappeur have demonstrated their determination as poor people to help themselves, through their savings schemes and their participation in planning and building their houses and community.

3.2 Relocation to Toul Sambo

In December 1999, loans were issued to a second group of families undergoing relocation. These families who were from several different communities were to be relocated to Toul Sambo. Toul Sambo is a voluntary government relocation project - at a site about 24 kilometres outside the city - where the government planned to re-house 200 families from several inner-city squatter settlements. For Phnom Penh, the site is comparatively far from the city, but not when compared to other Asian cities such as Bangkok. In contrast to the Toul Svay Prey case, where the community sought the land, the municipality had the land at Toul Sambo and a street built to it and offered the land to the people. Communities had rejected the offer earlier. However, a few years later and with help from the UNCHS, the Municipality revived the project and the people were more interested.

UPDF didn't encourage this resettlement, but supported the people who had already agreed to go there. A number of these relocation families were SUPF members; they were organised, had instituted savings activities, and were determined to live there without other assistance. The land is free, because it is municipality land so the people had only to think about housing. Families without much money could begin to live there with a tent, and with a minimum of about \$400 they could construct a basic house. UPDF has given a total loan to the Toul Sambo community of US \$12,400.

3.3 Income-generation loans to fish-processing community in Khan Roessei Kev

On December 26th 1999, the UPDF decided to expand its loan schemes beyond housing into **income-generating activities**. The UPDF gave a US \$15,000 loan to the community network at Roessei Kev to help those involved in the activity of fermenting and selling preserved fish. Further income-generating loans are planned. Roessei Kev District was a pilot case chosen because of the immediate needs of the groups that produce the fish sauce. The community is located along the river with plentiful fish available; they can process sell the products within a period of six months, with a certain market for this popular fish sauce. The loan provided was therefore a short-term loan, just six months, and had a ceiling of \$150 per family loan. This is the first example of such a loan and is very much a pilot. The funds were raised to make the loan and it will be reviewed at the end of the repayment period. About 100 families planned to borrow to buy equipment such as jars and materials for the fermenting process.

LIST OF ABBREVIATIONS

ACHR	Asian Coalition for Housing Rights
CDMC	Community Development Management Council
NGO	Non-Governmental Organisation
PRK	People's Republic of Kampuchea
SDI	Shack/Slum Dwellers International
SOC	State Of Cambodia
SUPF	Solidarity for the Urban Poor Federation
UN	United Nations
UNCHS	United Nations Centre for Human Settlements
UNTAC	United Nations Transitional Authority in Cambodia
UPDF	Urban Poor Development Fund
URC	Urban Resource Centre

TERMS

Khan	Cambodian term for district
Riel	Cambodian currency: <u>(as at November 2000)</u> US\$ 1 = 3,825 Cambodian Riel £1 = 5,423 Cambodian Riel

APPENDIX 1

SUPF SURVEY OF POOR SETTLEMENTS IN PHNOM PENH, 1999

KEY STATISTICS

POPULATION

Number of settlements surveyed	472
Total number of houses	31,482
Total number of households	35,165
Total population	172,624

LAND OWNERSHIP

Number of houses in settlements on Private land	10,745	(34.0%)
Number of houses in settlements on Public land	14,961	(48.0%)

SETTLEMENT CHARACTERISTICS

Number of houses in Railway settlements	1,355	(5.0%)
Number of houses in Roadside settlements	1,227	(4.6%)
Number of houses in Rooftop settlements	2,489	(9.3%)
Number of houses in Riverside settlements	6,903	(25.8%)
Number of houses in Plain land settlements	9,581	(35.7%)
Number of houses in Mixed land settlements	5,246	(19.6%)

BASIC SERVICES

Toilets

Number of houses with private toilet	11,035	(35.0%)
Number of houses without any toilet	13,838	(44.0%)

Water Supply

Percentage of Railway settlements that buy water from private sources	100%
Percentage of Roadside settlements that buy water from private sources	67%
Percentage of Riverside settlements that buy water from private sources	82%
Percentage of Plain land settlements that buy water from private sources	74%

Electricity

Percentage of Railway settlements that buy electricity from private sources	83.3%
Percentage of Riverside settlements that buy electricity from private sources	82.6%
Percentage of Plain land settlements that buy electricity from private sources	73.3%

Paved Roads and Drainage

Number of settlements with no paved road	174	(45.5%)
Number of settlements that have built their own drainage systems	125	(35%)
Number of settlements without any drainage	103	(33.4%)