



Policy Brief: Housing Adequacy and Affordability in Phnom Penh.

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Introduction

Urbanization in Cambodia has been relatively slow when compared to other nations in the Asia-Pacific Region (General Department of Housing and MLMUPC, 2016). However, as Cambodia's urban areas develop and offer increasing opportunities in employment and education, rural-urban migration will rise, placing pressure on the availability and affordability of adequate homes.

"The challenge of providing affordable housing for low-income city-dwellers is universal" (Rizvi, 2018). Affordable and adequate housing is a development imperative that is critical for the sustainable socioeconomic development of both people and cities (Preparatory Committee for the United Nations, 2016). Accordingly, it stands at the center of the New Urban Agenda²; an international, action-orientated document outlining policies and standards to achieve sustainable urban development (Charles, 2016).

The New Urban Agenda was developed and informed using national reports submitted by member states, of which Cambodia is one ("National Reports - Habitat III", 2016). The report submitted by the Ministry of Land Management, Urban Planning and Construction (MLMUPC) for Cambodia highlights the importance of improving the provision of adequate and affordable housing to low- and middle-income groups, especially vulnerable groups in urban areas, (General Department of Housing, 2016).

Cambodia's Urban Landscape

Cambodia has a total of 26 municipalities/Krong in addition to its capital city, Phnom Penh (General Department of Housing, 2016). Provisional data from the 2019 population census shows that approximately 2,129,371 people (13.9% of the total population) currently reside in Phnom Penh (National Institute of Statistics, 2019).

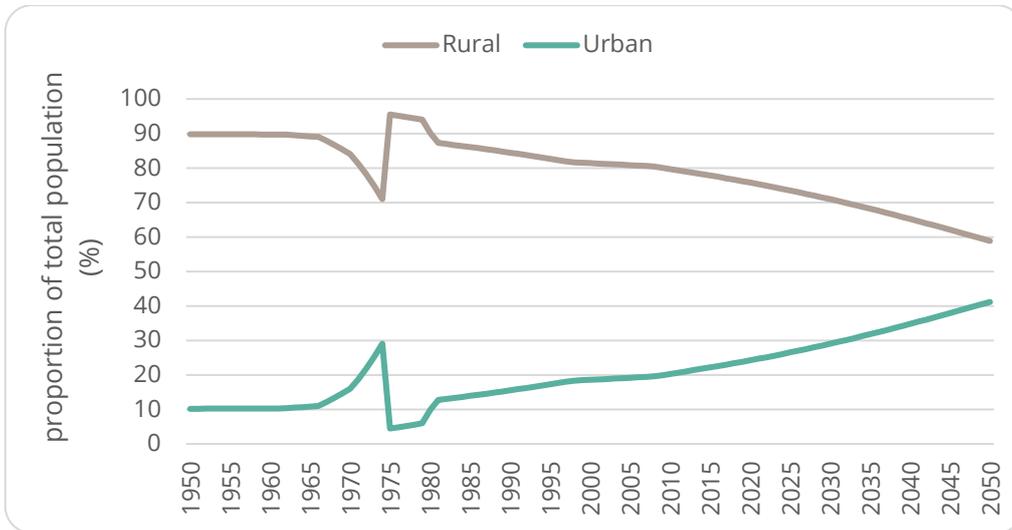
Following 2018's revisions to the UN's World Urbanization Prospects dataset, it is predicted that by 2050, 41.2 percent of the Cambodian population will reside in urban areas (figure 1) (UN Population Division, 2018). Moreover, H.E. Senior Minister Chea Sophara; Minister of MLMUPC, echoed this insight when he

¹ This paper has been edited by Future Forum's in-house editorial team.

² The New Urban Agenda was adopted at the United Nations Conference on Housing and Sustainable Urban Development (Habitat III) in 2016 (New Urban Agenda, 2017).

announced at the 2017 National Housing Forum that “Cambodia’s urbanites would increase from 4.4 million in 2014 to 7.92 million in 2030” (Habitat for Humanity Cambodia, 2017).

Figure 1: Rural/Urban Divide (and projection from 2019-2050)

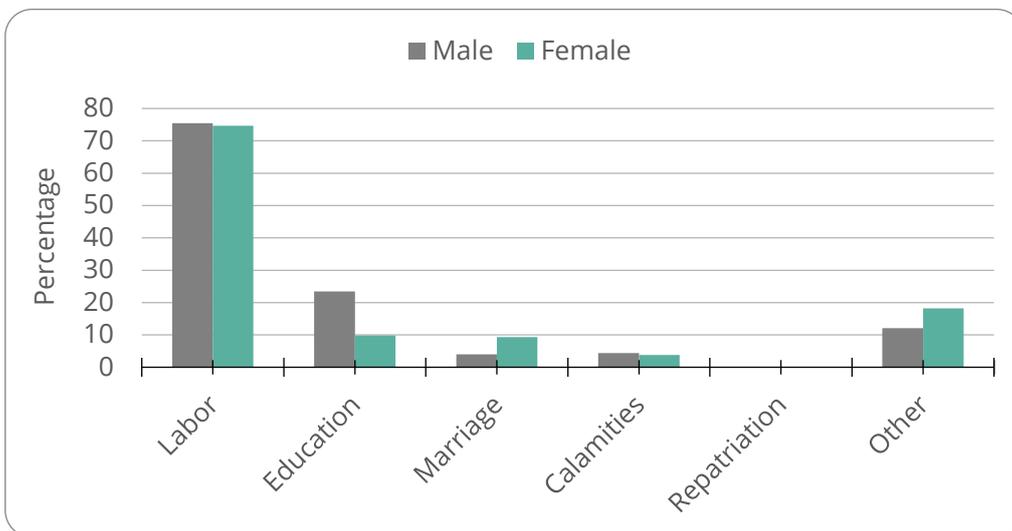


Source: UN Population Division, (2018)

Key Drivers of Rural-Urban Migration

Rural-urban migration is being driven by the growth in the urban economy (Ministry of Planning, 2012), where greater economic opportunities are drawing more and more people from rural areas. Figure 2 depicts the key drivers of Cambodia’s rural-urban migration.

Figure 2: Reason for Migration (CRUMP data)³



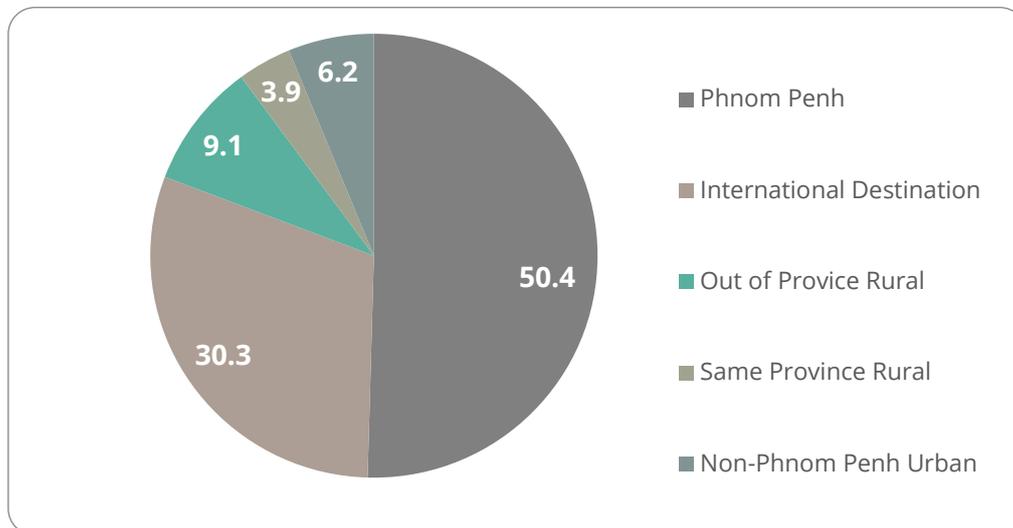
Source: Ministry of Planning, National Institute of Statistics 2012

As depicted, employment is the primary driver behind Cambodia’s rural-urban migration. More specifically, employment opportunities in garment factories, the construction industry, and the service sector have the

³ CRUMP allowed multiple answers; therefore, percentages do not add to 100.

largest pull for many migrants (National Institute of Statistics, 2019). As the majority of these opportunities are situated in and around Phnom Penh, it is unsurprising that over half of all rural-urban migration flows into this capital city (figure 3). Additionally, given employment opportunities is the major driver, it is also unsurprising that rural-urban migration in Phnom Penh is most prevalent with the productive labour force, aged between 20 to 54-year olds (National Institute of Statistics, 2017).

Figure 3: Destination of rural migrants⁴



Source: Ministry of Planning, National Institute of Statistics 2012

With rural-urban migration expected to continue increasing (UN Population Division, 2018), planning and financing to ensure sufficient supply of adequate, affordable housing is, and will continue to be, paramount.

Access to Housing for All: Meeting SDG Targets

The universality of the adequate housing challenge is captured in goal eleven of the United Nations Sustainable Development Goals 2030 (UN SDG 2030): sustainable cities and communities. Target one explicitly outlines the global requirement to “ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums” (UN, 2018).

Despite a declining number of slums in developed nations, globally the number of people living in slums is expected to continue rising, driven by the reality that 95% of urban growth in the coming years will occur in developing nations (UN, 2018). Meeting the SDG target presents a major challenge for developing nations in particular who suffer from a low initial stock of adequate and affordable housing units, weaker financing opportunities to fund new construction, and a larger quantity of low-income citizens (“AESOP Annual Congress: Planning for Transition”, 2019).

In Cambodia, UN-Habitat (2017) has noted that slums in urban areas decreased from 79 percent in 2005 to 55 percent in 2015. Despite this decrease, urban planning and investment in adequate housing has failed to keep pace with rural-urban migration, resulting in an insufficient supply of appropriate housing; in 2013,

⁴ It has been noted that a rounding error totalling 0.1% seems to have occurred in the original report.

34,000 inhabitants of Phnom Penh were recorded as living in slum-like conditions (General Department of Housing, 2018).

One of the more daunting challenges of urbanization has been the provision of adequate housing that people can afford (UN HABITAT, 2015). Currently, only 10 percent of urban dwellers in Phnom Penh can afford average housing market prices of between USD 50,000 to 80,000 (General Department of Housing, 2018). As such, informal settlements are becoming common, and may continue to rise in the absence of sufficient action to address the lack of supply of affordable homes.

H.E. Senior Minister Chea Sophara; Minister of the Ministry of Land Management, Urban Planning and Construction said at the National Housing Forum in 2017 that “Cambodia’s municipalities really needed an additional 1 million housing units; therefore, on average 50,000 housing units must build each year for response to housing demand in 2030” (Habitat for Humanity Cambodia, 2017).

Ensuring Sufficient Supply of Adequate and Affordable Housing in Phnom Penh

During 2001 and 2002, the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) provided the Ministry of Land Management, Urban Planning and Construction with technical assistance in the area of low-income housing. This was later translated into a National Housing Strategy Paper (OHCHR, 2006), and resulted in an agreement between the United Nations Development Programme, UN-Habitat, ESCAP and the MLMUPC to formulate the National Policy on Housing. This policy was approved by the MLMUPC in 2014. The National Policy on Housing proposed policies in the areas of housing finance, institutional organization, standards for land development and building construction, and development of housing programmes as an element of master plans (MLMUPC, 2014).

The aim of the National Policy on Housing is to ensure all Cambodians can gain access to adequate housing, particularly in urban areas (MLMUPC, 2014). Lacking incentives for investment from private firms, however, has resulted in slow delivery of adequate housing. In response, the Royal Government of Cambodia released a National Policy on Incentivization of Adequate Housing in 2018, which included tax and regulation incentives to private construction firms on low cost housing investment (no more than 20km outside of Phnom Penh), in an effort to increase supply (General Department of Housing, 2018).

As highlighted by the World Bank (2015), the success of future cities is contingent upon the positioning of housing at the center of national urban agendas. Cambodia’s National Housing Policy provides a crucial point of reference for the promotion of inclusion and equality of opportunity in the urban development process.

The next section of this brief outlines the core barriers to supply that must be prioritized in the agenda moving forward.

Cambodian Adequate Housing. Barriers to Supply

Land Affordability: Land prices are higher in the city centre than they are in districts located in the outskirts of Phnom Penh, and this trend is increasing (Vireak, 2019). This itself is driving both the expansion of the capital and the increasing distance of affordable housing projects to the city’s outskirts. For example,

the Worldbridge Home and Bun Ches Group developments are based eighteen kilometers from Phnom Penh's centre. This presents a challenge of distance to employment opportunities for residents.

As noted by Rapelang, Nel and Stewart, (2017) where households were located near areas of employment and livelihood opportunities, their prospects for economic success were significantly enhanced. However, when places of work were separated from places of residence by a long distance, or by an inefficient transportation system, households may spend a disproportionate amount of time and money on travel, and poverty levels will be exacerbated. Where current infrastructure is unable to cope with consistently increasing commuter traffic, this distance can become problematic, with regards to personal time wasted, lost productivity, and increased pollution (Sahmakum Teang Tnaut, 2017).

Transport Infrastructure: While efforts are being made, traffic and congestion remain a considerable issue for daily commute in Phnom Penh (Narim, 2019). Accordingly, the provision of suitable transport infrastructure is crucial for ensuring that adequate housing can be developed on the outskirts of the city, where land prices are lower (Realestate.com.kh, 2017).

Due to the negative effects of urban sprawl on existing road infrastructure, other methods of transport infrastructure should be prioritized. Public transportation should become a priority of focus. Rail systems (skytrains, trainlines, subways) are one possibility, as they offer faster commuting times, personal cost savings, and help reduce congestion on the already stressed roads.

Feasibility studies for a skytrain from Phnom Penh International Airport to Morodok Techo National Stadium are currently in progress, with the aim of easing traffic conditions during SEA Games 2023 in Phnom Penh. The line is intended to be 18 kilometers, where the Japan International Cooperation Agency (JICA) is expecting to spend approximately \$800 million USD (Sokhornng Cheng, 2018).

In addition to this project, the Ministry of Public Works and Transport also have skytrain project plans that will be positioned along major boulevards in Phnom Penh (Thak, 2017). These are anticipated to reduce traffic congestion and road accidents, and modernize the city; however, connectivity to affordable housing projects should become a feasible priority for such projects, as it is an inclusive policy capable of enhancing the ability of low- and middle-income groups to gain access to adequate and affordable housing without sacrificing the opportunities facilitated by Phnom Penh city centre.

Existing Utilities and Services: In addition to transportation concerns, the outskirts of Phnom Penh typically lack quality utility services; clean water, adequate sanitation facilities, and regular waste collection (Sahmakum Teang Tnaut, 2018). Additionally, there are comparatively fewer employment opportunities and lower access to education and hospitals than in the city (World Bank, 2017).

Upgrading local utility connections (electricity, clean water, sanitation, waste collection), and access to services such as hospitals, schools and public transportation, can encourage private construction investment in areas with more affordable land prices (and as a result, more affordable homes).

The WorldBridge Home Project, for example, lacks proximity to early childhood education centers and primary schools. Currently, residents must commute to Krong Takhmao, eight kilometers away; a problematic distance for children, especially if traveling alone or at night.⁵

To address current gaps in the availability and adequacy of such utilities and services, NGOs and IOs have a crucial role to play, both in terms of knowledge capacity and financing projects. For example, UN-Habitat, Asian Coalition for Housing Rights Cambodia, and Habitat for Humanity Cambodia are working towards a common goal in partnership with the government in ensuring adequate living conditions for lower-middle income groups. The National Policy on Incentivization of Adequate Housing, however, has recently lacked discussion and fact-finding collaboration with other NGOs and IOs. The Royal Government of Cambodia should utilize this network of willing and able national and international NGOs and IOs to assist in the provision, upgrading, and maintaining of key utilities and services, particularly in the immediate and near future.

Conclusion and Policy Recommendations

Housing is a significant socioeconomic asset; it offers opportunity, dignity, and peace of mind. Phnom Penh’s economic growth has motivated increasing rural-urban migration (Ministry of Planning, 2012) and construction of affordable housing, however, this has not kept pace with demand, resulting in an increasing number of informal settlements in Phnom Penh (General Department of Housing, 2018).

Public-Private Partnerships, transportation, and public services facilities are acknowledged in the National Policy on Incentivization of Adequate Housing. They are understood as key to incentivizing private investment in adequate and affordable housing. However, the World Bank’s “Urban Development in Phnom Penh” report argued that transport infrastructure still requires upgrading as traffic volume increases; moreover, per-urban areas still have insufficient access to public services. Nothing these realities and the prior discussion above, this paper makes three recommendations:

1. First, in line with the government’s current approach, Public Private Partnerships (PPPs) should be the core model for developing adequate and affordable housing. PPPs are public investment agreements between the Royal Government of Cambodia and one or more private firm for building, rehabilitating and management public infrastructures or services (Ministry of Economy and Finance, 2016). Table 1 provides an example of three such projects around Phnom Penh.

Table 1: Public-Private Partnership Projects for Affordable Housing.

Total Investment (\$USD)	Ha. land	No. Units constructed	Price per one unit (\$USD)	Affordable Housing Location	Distance from Phnom Penh (Km)
World Bridge					
60 million	24	2,297	25,000-30,000	Saang district, Kandal Province	18
Bun Ches Group					

⁵ The WorldBridge Home developer does, however, have plans to begin operating a bus service to overcome this issue (Spiess, 2019).

88 million	82	5,340	23,500-24,800	Ponhea Leu district, Kandal Province	18
Arakawa Residence					
70 million	1.4	2,000	20,000-30,000	Sen Sok district, Phnom Penh	6

The strength of PPPs is in their ability to combine private sector innovation, efficiency, and scalability, with public sector coordination along national planning lines. The combination advocated here is for Cambodian commercial bank financing to fund private sector developments receiving permanent tax-exemption, and low-income housing credits to preserve the affordability of units for their intended audience.

In this regard, the Royal Government provides incentives on tax, regulation and public infrastructure to private construction firms which propose throughout National Policy on Incentivization of Adequate Housing application to Ministry of Land Management, Urban Planning and Construction and Ministry of Economy and Finance. By way of illustration, Sear Rithy, chairman of WorldBridge International, stated during the WorldBridge Home opening ceremony that *“the company was asking for support from the Royal Government, for them to relieve the company of tax burdens such as output tax or stamp duties (equipment, machinery, utensils and so on) that could be offered to the housing project or taxation on the additional prices”* (Nhean & Dara, 2017). Sear Rithy continued that proper infrastructure highly required support from the government such as clean water, sanitation, drainage and sewerage system, road and electricity.

2. Concomitantly, this brief puts forth a second recommendation that Cambodia’s transport infrastructure undergo a full national audit and review to identify areas in need of immediate investment. These should be prioritized in the immediate catchment areas for adequate and affordable housing development on the outskirts of Phnom Penh to ensure smooth transition between the home and workplace. In this regard, the Ministry of Public Works and Transportation should complete a feasibility study on central urban and peri-urban connectivity in the form of rail (sky train or subway) in cooperation with development partners such as JICA, ADB, China Aid, with an eye towards building relationships with the private sector in the form of Public-Private Partnerships (PPPs) in order to facilitate the lowering commute time and commute costs for peri-urban areas.
3. Finally, clean water and sanitation facilities, and sewerage and drainage systems must be well considered and constructed to ensure adequate housing is in accordance with the SDGs as it is an essential service for well-being household withstand diseases (UN, 2016). If affordable housing projects do not have access to clean water and to adequate sanitation facilities with sewerage and drainage system, there are significant, deleterious impacts to household health. Therefore, the Phnom Penh city government, Phnom Penh Water Supply Authority, and the Ministry of Public Works and Transportation should conduct a feasibility study with an eye towards the development of a comprehensive plan with assistance from development partners such as JICA, AFD, China Aid and private sector for enhancement clean water and sanitation facilities to 100 percent in peri-urban areas.

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