



Facts, figures & recommendations

Approaches to affordable,
sustainable housing
in Phnom Penh





Affordability

Affordability in the housing sector is commonly defined by a ratio: housing should cost no more than **30 to 40 % of total household income**, or three times the annual household income¹. Anything above this threshold is considered unaffordable.

This problem is a global one: by **2030**, as the population reaches 8.5 billion, of which 60 % will be urban, an estimated **3 billion people will need new housing and basic urban infrastructure**²



Affordable housing

Affordable housing is designed for very low to moderate income households who can rent or purchase and maintain without entering financial stress.



Financial inclusion

Financial inclusion means empowering poor individuals, low-income households, and small to medium-sized enterprises (SMEs) through affordable access and use of a broad range of regulated financial products and services, including credit, deposits, insurance, remittance, and payments. When applied to the housing sector, it means **access to financial advice, banking services and affordable credit**.



Sustainable urbanization

Sustainable urbanization is based on **spatial and land-use planning** to improve environmental, economic and social outcomes at different scales across the city. It's a process of allocating resources, assets, and investments to ensure there are multiple benefits for residents and visitors. It also applies **different strategies to address housing, infrastructure, governance, and municipal finance to contribute to urban resilience**.



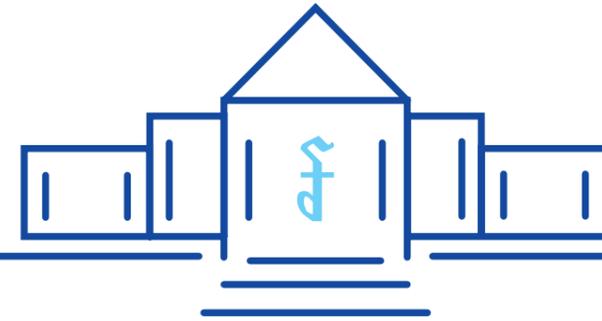
Sustainable housing

Sustainable housing **should be designed and built to minimize utility costs and be resilient in the face of natural disasters and extreme weather events**. Affordable and sustainable housing is associated with long-term cost savings due to energy and maintenance efficiency gains, better housing quality, long-term livability and environmental sustainability.

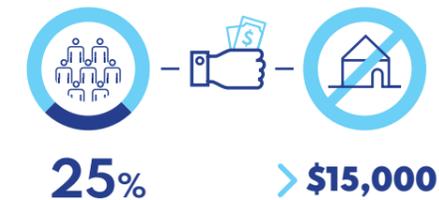
¹ For UN Habitat, affordability is measured as the net monthly expenditure on housing cost not exceeding 30% of the total monthly income of the household.
<https://unhabitat.org/11-1-adequate-housing>

² 2020, World Bank, Housing Finance in brief.
<https://www.worldbank.org/en/topic/financialsector/brief/housing-finance>

FACTS & FIGURES ON AFFORDABLE HOUSING IN PHNOM PENH



Housing Cost



25%
Phnom Penh
Resident

> \$15,000

1/ Based on income analysis, it is estimated that 25 % of Phnom Penh's residents cannot afford a home that costs USD 15,000 or more. Currently there are no policies to address this issue.

2/ Currently most housing units are unaffordable for approximately 60 to 70 % of the population. For housing to be affordable for the majority of households in Phnom Penh, housing units should be priced between USD 15,000 to USD 35,000 to respond to local demand.

3/ Many households who do buy homes place themselves at financial risk, resulting in defaults on payments or sacrificing other essential services, such as health, education and transport.



Affordable
Housing

Finance & Governance

4/ The 2014 and the 2017 Affordable Housing Policy are Cambodia's first frameworks to address the issue of housing affordability. These policies grant incentives to developers to build at least 100 housing units priced between USD 15,000 and USD 30,000. It remains difficult to determine the exact criteria to access these incentives, and the nature of the incentives themselves. As a result, affordable housing projects are scarce due to the lack of certainty the policy provides to developers. Currently, only five projects are under way in and around Phnom Penh.

5/ Developing affordable and sustainable housing requires strong **guidance from the national financial regulators**, especially in terms of beneficial treatment of lenders to develop and offer products, such as green loans.

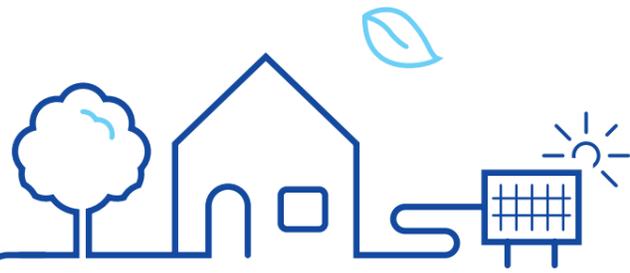
6/ Financial inclusion is increasing in Cambodia, accelerated by the development of microfinance institutions (MFIs) in the past decade. But borrowers who cannot access traditional housing finance due to high housing prices have resorted to risky non-traditional and non-bank financial solutions, sometimes offered by the developers themselves.

7/ Home loan services will need to evolve and adapt to **improve lending and credit options for lower income markets**. This would **require partnership** between all levels of Government, community organizations, donors and developers to improve market conditions. There are examples of sustainable financial products that support affordable housing in cities and governments around the world. These models could be explored for adaptation to the Cambodian context.

Planning

8/ Stronger **land-use planning** and control plays a central role in implementing existing policy and ensuring sustainability at city scale. This allows for more effective **distribution and development of affordable and sustainable housing** and improved quality of life for residents. These planning controls can also encourage companies and investors to invest in areas where affordable housing is located, providing closer proximity to employment opportunities for key workers.

9/ Access to decent housing is a national issue, but the **solutions are local** and must involve provincial and municipal authorities, developers and community stakeholders. The Phnom Penh Capital Administration, supported by the relevant ministerial and subnational authorities, can lead the way in planning for more affordable and sustainable housing solutions.



Sustainable Housing

10/ Developing affordable and sustainable housing **for low-income households** requires constructive cooperation among all stakeholders to **reimagine new housing models**, including design, manufacturing and production, supported by incentives and subsidies to support the industry.

11/ There are strong links between affordability and sustainability: in order to remain **affordable over the housing life cycle, sustainable housing** keeps maintenance costs low, reduces insurance costs, secures asset value, if supported by improved loan conditions such as offering discounted rates.

COORDINATING ACTORS, DEVELOPING AN ENABLING LANDSCAPE

Solutions are available, but will need the commitment of a range of stakeholders. The following suggestions are to be addressed together, as many are interrelated.



ACTORS	RECOMMENDATIONS
ROYAL GOVERNMENT OF CAMBODIA NATIONAL LEVEL	<ul style="list-style-type: none"> • Improve urban planning and controls, ensuring land is preserved for affordable housing • Provide incentives for developers to include affordable housing in new project development • Introduce mandatory quotas for affordable housing as part of all property developments over a certain size • Help private sector actors gain a better understanding of the affordable housing market, through partnerships with civil society organizations and research entities, to encourage investment in sustainable and affordable housing • Introduce building codes and building guidelines for green infrastructure standards for all construction (e.g. renewable energy, flood proofing, cooling), including affordable housing • Develop a financial inclusion strategy for affordable housing to prioritize access to banking, affordable credit and financial advice
PHNOM PENH CAPITAL ADMINISTRATION LOCAL LEVEL	<ul style="list-style-type: none"> • Create a joint agency at Capital, District, and Sangkat levels to support the upgrade of urban poor settlements • Identify the areas most in need of affordable housing and advise the national commissions working on land and construction regulations
MULTILATERAL & BILATERAL ORGANIZATIONS	<ul style="list-style-type: none"> • Support urban renewal efforts by funding existing or piloting new housing models for the poorest 25% of people living in Phnom Penh • Provide guarantees to attract investment in the affordable housing market • Work with private sector actors to promote understanding of the affordable housing market, through potential partnerships with civil society, Government and investors

COMMERCIAL BANKS	<ul style="list-style-type: none"> • Integrate international banking standards to help mobilize green finance • To lower interest rates and improve financial inclusion, commercial banks could partner with affordable housing NGOs to offer new loan products, such as: equity loans, small home credit, affordable loans, while establishing a credit history with lenders
MICROFINANCE INSTITUTIONS	<ul style="list-style-type: none"> • Develop new financial products, including savings and loans schemes and loan guarantees in partnership with NGOs and developers • Led by Government, MFIs could participate in developing regulations to mitigate against the practice of predatory lending • Develop consistent financial inclusion strategies in MFIs that ensure banking and financial products and services are available to vulnerable groups at an affordable cost. These products and services might include: <ul style="list-style-type: none"> - Basic no-frills bank accounts to accept and receive payments - Savings accounts - Low interest loans and overdraft facilities - Subsidized benefits and tax credit checks - Micro insurance (eg income protection, home and contents) - Financial management advice - Agreements with energy suppliers to reduce tariffs for customers
INVESTORS, & RELATED ACTORS	<ul style="list-style-type: none"> • Increase investment and diversify portfolios in Cambodia to include affordable housing
PRIVATE DEVELOPERS	<ul style="list-style-type: none"> • Develop business models that help grow the affordable housing market, via partnerships with civil society, Government and investors
NGOs	<ul style="list-style-type: none"> • Mobilize expertise to support national and local initiatives in affordable housing • Offer independent information, training and general financial advice • Help create innovative financing models for the poorest 25% of people living in Phnom Penh • Develop pilot projects to demonstrate new solutions that are able to be scaled up

