

UPDF

Recent News from the Urban Poor Development Fund in Phnom Penh, Cambodia • November 2000



The Urban Poor Development Fund was set up in March, 1998, with a small capital of US \$60,000, as a joint venture of the Solidarity and Urban Poor Federation (SUPF), the Municipality of Phnom Penh and the Asian Coalition for Housing Rights (ACHR). The idea was to create a revolving fund to provide affordable credit for housing and settlement improvement to poor communities. Since then, the UPDF has broadened as a strategy for strengthening communities' capacity to manage their own development process. The fund is still new and has a long way to go, but in its first two years, the collaboration between UPDF, the Municipal Government, community groups, development agencies and NGOs has shown that when all these players work together, and when the poor take the lead role in their own development process, problems of urban poverty can be solved on a large scale.

Besides providing a much-needed source of affordable credit, the UPDF offers a support system for the poor in several ways: adding capital to community savings to help people work beyond their financial limitations, supporting community innovations in housing, settlement improvement and tenure negotiations which demonstrate fresh solutions and test new kinds of institutional set-ups. The fund provides a development "short cut" which allows people to do things neither their own nor the city's resources can immediately support, without a lot of fuss or bureaucracy, the fund can link needy groups to resources for house-building, water supply, income generation or welfare.

The fund provides low-interest loans for housing, settlement improvement and income generation to urban poor communities that are actively involved in a community savings process. Loans are made only to communities, *not to individuals*, through their savings groups and community federations. The fund aims at finding ways to develop the urban poor's capacity to control their own development process.

The UPDF operates independently, but under the umbrella of the Phnom Penh Municipality, which provides office space, staff support and has actively supported the fund from the start. The fund's governing body includes a majority of community leaders, representatives from the Municipal Government, ACHR and other local and international development agencies. The governing body appoints a fund management team, develops policies for the fund's use, reviews its operation, sets loan terms and interest rates and raises funds. In the early stages, it is important to avoid getting bogged down in complex rules and quotas to remain light enough and creative enough to respond to people's real needs, as they arise. This involves managing the fund with as little bureaucracy and as much flexibility as possible.

A critical task of UPDF is to use money strategically to make other things happen. It's not just a matter of providing *microcredit*. Money is powerful, and if you channel money - and decisions about how money is used - in ways that bring people in communities together and deepens their relationship, it can be a potent people's process booster. The fund can strengthen the negotiating position of poor communities who use the fund strategically as their own resource in negotiations for land, services and access to other resources. This is a key to building genuine, working partnerships in the long term, between the poor and the city. The UPDF is also a morale booster. When people see clearly that the fund is available to them, and that the fund supports what they are doing, it's like having a cheering section saying "Go ahead! I'm right here behind you!"

Partnership : Promoting a collaborative urban poor housing process through UPDF :

The problems of access to secure land and decent, affordable housing for the poor are too great for any one group to solve alone. Solutions to these problems which can work on a large scale must involve a collaboration between many actors. One of the most important functions of the UPDF is to build a collaborative, flexible, negotiated housing process, in which all the stakeholders are involved, and in which the focus is on making sure solutions are designed which allow all of their needs to be met. The UPDF supports solutions that are formed on the basis of mutual agreement and practicality, rather than stiff rules and regulations.

The UPDF is a partnership builder. It brings the key development actors to work together, to work out solutions which everybody contributes to and which solves everybody's problem. It's important that several kinds of local partnerships develop, between the poor

and other local actors, in order to support the people process in different ways. But it is also important that such partnerships remain balanced, productive and allow the poor to remain the "owners" of the process and the managers of their own development. In order to balance these partnerships and build more equitable relationships between the poor and the other development actors and be able to create space where they are able to work together.

Decisions about planning for land and housing the poor can be made in such a way as strengthens the people's process and increasingly ritualizes their involvement in planning decisions in their districts. The district is the key implementing body, and the UPDF collaborates and facilitates with this mechanism, helps channel the work in the right direction.

Saving: Why are savings groups so important?

In its first two years, the UPDF has focused on strengthening and expanding savings groups in the city to manage their own development. Strong community savings and credit groups - *and a large federation of these savings groups* - are the building blocks of a people-driven development process in the city, vitally connected to housing, and environmental improvement and negotiation. When people in poor communities start saving together and making collective decisions about money, they acquire the management skills and negotiation capacities they'll need to tackle larger development issues. When you boost savings and credit activities on a large scale in Phnom Penh, you boost the basic mechanism by which poor people will begin dealing with their problems collectively, with strength, rather than in weakness and isolation.

The UPDF is part of a much larger development of a poor people's movement that is happening in the city, and part of the partnerships that is developing with the city and with other development agencies. A critical element in the UPDF process has been its partnership with the *Solidarity for the Urban Poor Federation*. SUPF is a city-wide federation of poor community savings groups, established in 1994. Today it is the only large-scale people's organization in the city, active in half the city's 500 poor settlements. SUPF's seven district sub-federations ("*Khan units*") have helped poor communities within their districts come together, pool their own resources and work out their own solutions to problems of land security, houses, toilets, basic services and access to credit for livelihood and housing, using the tools of savings and credit, enumeration, model house exhibitions and community exchange.

Five principals of the UPDF approach :

Five important principals inform every aspect of the Urban Poor Development Fund's approach :

1.

The principal of mutual benefit : If a solution to problems of urban land tenure for the poor work for one party but not for the others, it will not be sustainable. Only when solutions are found which meet the needs of all the players concerned will they be repeated and become sustainable options. The city must be allowed to grow and develop, and at the same time, poor communities must be able to live in conditions which are safe, secure and allow them to develop themselves. Such solutions are possible, and may take a thousand different forms.

2.

The principal of collaboration : The problems of urban land and housing for the poor in Phnom Penh are too large and too complex for any group to solve alone. Communities can be very well organised, but without the cooperation of cities, without funds, without access to land, and without technical assistance, they cannot build secure communities for themselves. Cities, on the other hand, may have good slum redevelopment policies, but without the involvement of the organisations of the poor in that redevelopment process, the solutions won't work. Complex problems require complex solutions and complex solutions must involve lots of people and careful collaboration.

3.

The principal of flexibility : The situation with regard to urban poverty in Phnom Penh - and to land for the urban poor - is extremely fluid and raw just now. There are no systems in place, no formal mechanisms, no policies, no precedents. This presents both a great problem and a singular opportunity, for the city represents a kind of new territory, where rules can be made up as we go along. To take advantage of the opportunities in all this flux, it is important that the mechanisms and tools that we develop to help the poor get land and houses are also fluid, light, flexible, practical and ready to grab any opportunity, test any possible idea occurred from existing reality, and respond to whatever comes up. Practicality is the main thing. Whatever works must be acceptable to all stakeholders. This means avoiding creating cumbersome bureaucracies, heavy administrative and decision-making structures, and lots of rules. If there is a mistake in one project, the mistake can be contained in that one project, and we learn and don't make the mistake in the next one.

4.

The principal of reaching the poorest : Slum redevelopment processes very often fall into the trap of answering the needs of the better-off, at the cost of the poorer community members - houses are too expensive, plots are too big and encourage speculation or buy-outs, etc. Slums, like the larger societies of which they are a part, are filled with vested interests, entrenched power bases and both haves and have-nots. For solutions to poverty and to secure tenure to be sustainable in the longer term, those solutions must be designed to work to include the poorest, most vulnerable members of the community. And if it works for the poorest, adaptations of the solution will work for the better off.

5.

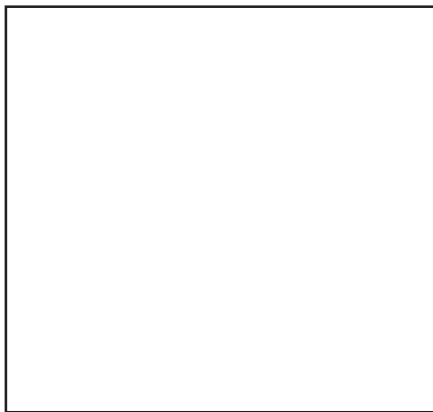
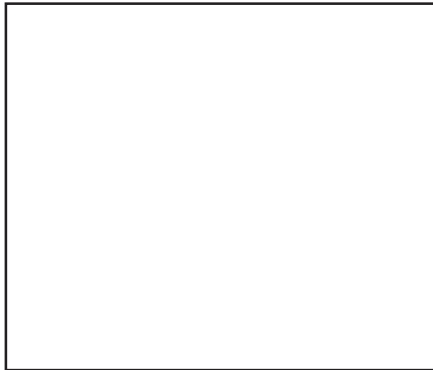
The principal of involvement in city planning : This is the principal of always working in ways which relate community housing with future city planning. Including - the principal of relating to city planning to influence city planning development direction. Negotiate with the development and planning process for more proper, decentralised city planning. Peoples housing should be the roots of human settlements in each district, not the other way around.

loans

UPDF loans already given :

In its first two years, the UPDF has operated with a small capital of \$100,000 drawn mostly from donors, and so far has extended community-loans to two collaborative relocation housing projects, one income generation project and one city-wide decentralized revolving fund loan through the districts. Here are a few details of those four projects :

1 First loan : Akphivat Mean Cheay resettlement housing project :



When 129 families in the roadside settlement at Toul Svay Prey found themselves threatened with eviction, to make way for a municipal drainage improvement project, they organised themselves through their savings scheme and negotiated their own planned, voluntary resettlement to new land at *Akphivat Mean Cheay*.

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 low-interest house-building loans, the community built their own houses and SUPF helped turn every step of the process into lessons for communities around the city. Most of the 120 families borrowed US\$ 400, which was just about enough to build the basic brick and timber "core house" the community developed with young architects at the Urban Resource Centre (URC). Most of the loans were given in the form of building materials, which were purchased and apportioned by a community committee. Repayment is in ten years at 8% interest per year. A special women's unit was set up to manage the loan repayments, which are collected door-to-door on a daily, weekly or monthly basis, depending on people's earning pattern, and 20% of the repayment goes into mandatory saving, as a pad against any repayment problems. Repayment is 96%.

The *Akphivat Mean Cheay* relocation project was officially inaugurated on April 20, 2000 and made a strategic first case for the UPDF because of the collaboration it involved. The project was training for everyone involved - the city's first chance to see how collaboration between the municipal government, the urban poor and support organisations can resolve an eviction conflict in a way which works for everyone, and in which the poor take a central role in planning and implementation. The *Akphivat Mean Cheay* relocation represents an eviction resolution 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 its drainage project, and 129 poor families got secure land, houses and infrastructure.

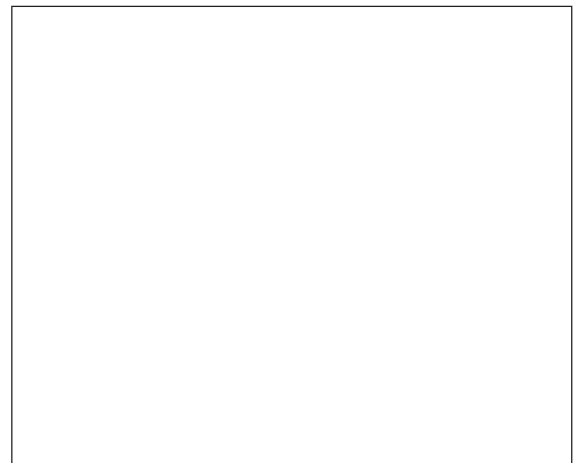


2 Second loan Tuol Sambo Relocation housing project



In December 1999, loans were issued to a second group of families being relocated at Toul Sambo, a government resettlement colony 24 kilometres south west of the city. Toul Sambo is by no means a perfect case, being far from the city and short on community participation of any sort. Nobody was keen to go there, but when federation members from several communities were evicted, they had little choice but to take up the city's offer of *free resettlement plots* there, and the UPDF responded to their need with another round of house-building loans.

In the first stage, 37 families took small loans of between \$200 and \$400 to build houses, at 8% interest over a 5-year repayment period. As of November, 2000, a total of 123 families, relocated from 7 communities around the city, have taken housing loans from UPDF. Most families will begin repayments in the end of November 2000, and will repay in small, daily installments of 1,000 Riels (about US\$ 0.3), according to systems set up and managed by their savings groups in the community. Discussions are on now to use further loans to set up fishing businesses and informal transport systems to and from the city.



3 Third loan : Fish-processing income generation loans in Roessei Keo District

The UPDF's third loan took a detour from house-building into the pungent, salty realm of income generation and fermented fish. Through the federation's very active women's group in Roessei Keo District, 356 families in 19 river-side communities took loans to purchase all the equipment, crocks and *riel fish* necessary to make *prahok*, the ubiquitous Khmer-style preserved fish. In six or eight month's time, the fully ripe *prahok* comes out of the crocks and goes to market. The loans are scheduled to match this ancient cycle : during the five or six-month fermentation period, families pay only the interest on the loans, and when the *prahok* is sold, they repay the loans in full, or in a few very close repayments, all within a one-year term, from loan to full repayment. The 1999 - 2000 batch of loans for making *prahok* has been very successful, and all but three of the 19 communities have repaid the loans in full (the three river-side communities having trouble repaying were badly hit by the serious flooding this year, and are now struggling to repay the loan.) The project has been so successful, that a proposal for another round of loans has been submitted to UPDF for the 2000 - 2001 *prahok* season, this time involving 307 families in 19 communities, asking for a total of US\$ 43,000 (about \$ 140 per family).

4 Fourth loan : Decentralized revolving fund loans to each of the 7 district federations

During the months of May and June, 2000, the first experiment in devolving the UPDF loan process to the city's seven districts began with a pilot scheme to let each of the federation's seven *Khan Units* (district-wise sub-federations) propose loans, up to a ceiling of US\$ 5,000 per each Khan. The idea was that the UPDF would extend up to \$5,000 to each Khan, which would then on-lend the money to savings groups members at a slightly higher interest rate. The proposals would have to go first through the Khan Unit, then through the district CDMC as a check, and finally to the UPDF Board. Between May 25 and June 23, each of the seven Khan units worked very hard to open their own common bank account for all the savings groups in the district, and to hold a series of meetings and surveys to decide who would get loans and for how much. The rather small \$5,000 ceiling was an intentional strategy to force the federations within each district to prioritize needs and ideas of member communities and individual savings members.

A large public meeting was held in the Municipality on June 23, in which all seven Khan units presented their work and their concrete proposals to the UPDF board and to each other. Most districts proposed a combination of house-improvement loans and business loans, with a few proposing loans to repay informal debts with extortionate interest rates. All the districts also proposed precise terms for interest that will be charged on the loans (most will charge between 10 and 12%). Khan Don Penh, for example, proposed charging 12% interest per year, which includes the 4% which goes back to UPDF, 4% to subsidize the the Khan Unit's administrative work, 2% to the community savings fund, and 2% to keep in the fund for emergencies. The meeting was a big learning chance for everyone. That same afternoon, the UPDF held it's monthly board meeting, and the loans were provisionally approved, pending receipt of full documentation from each Khan Unit.

Table : Summary of UPDF Loans so far . . .

(as of 15 November, 2000)

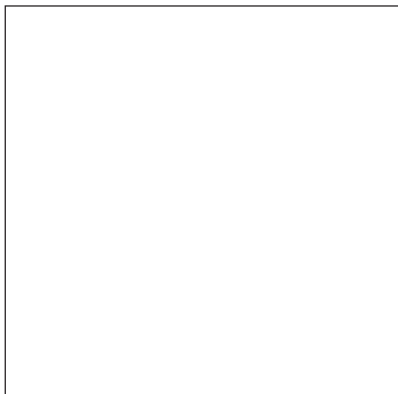
	Number of families	Average loan per family	Total loan amount	Term	Interest rate	Amount repaid so far	Principal balance
1. Akphivat Mean Cheay Housing	121	\$ 400	\$ 50,000	10 yrs.	8 %	\$ 6,900	\$ 43,100
2. Toul Sambo housing loans	123	\$ 350	\$ 47,000	5 yrs.	8 %	\$ 139	\$ 46,850
3. Roessei Keo Fish Processing	356	\$ 75	\$ 25,203	1 yr.	12 %	\$ 22,865	\$ 2,340
4. 7 Khans Revolving fund loans	545	\$ 49	\$ 26,560	3 yrs.	1-4%	—	\$ 26,560
TOTAL	1,145 families		\$ 148,763	—	—	\$ 29,904	\$ 118,850

UPDF loans in the pipeline :

UPDF is still small, but details of the next several loans have already been sorted out and more funds are being urgently mobilized to provide capital for these projects.

5 Fifth loan

Housing loans to Toek La'ok 14 Community at Kok Khleang 1:



Total project costs :

- **Land Cost :** \$ 35,000
(Phnom Penh Municipality paid \$10,000 and World Vision paid \$25,000)
- **Infrastructure :** \$ 70,000
(filling land, 4 common wells, individual pit latrines, storm drainage, roads, electricity)
- **Building Houses :** \$ 44,400
(Community members build own houses in groups, UPDF loans @ \$400/family)
- **Other Improvements :** \$ 3,000
(Tree planting, setting up composting and garbage collection points, etc.)

Total Cost : \$ 152,400

Toek La'ok 14 is a community of 111 poor families living on the roadside along three sides of the National Pediatric Hospital compound, in Sangkat Toek La'ok 3, Khan Toul Kork, Phnom Penh. The community is twenty years old. A majority of its families settled here between 1988 and 92, many of which migrated to the city from Svay Raing Province, or from other urban poor communities. In 1997, the Phnom Penh Municipality posted the first eviction notices in the community, citing three problems the community was causing the hospital: infection with unsanitary conditions, throwing garbage over the wall into the hospital compound, and interfering with the hospital's drainage system.

In 1998, the community entered into a long process of negotiation with the hospital, Khan (district) authorities and the Municipality, which led in 1999 to a collaborative resettlement agreement, formalized in a Memorandum of Understanding, signed by all parties involved, on 30 June 1999. As part of the agreement, the Municipality and the hospital's principal overseas funder (World Vision) would share the cost of buying alternative land chosen by the community, the UNCHS project would develop the new site and provide basic infrastructure, the Toek La'ok 14 community would build their own houses using loans from the Urban Poor Development Fund, young architects at the Urban Resource Centre (URC) would assist in the development of affordable house designs and community layout planning, and the SUPF federation would assist in negotiations and make sure the entire experience was capitalized as learning for the whole city.

The new land which the community chose for resettlement is in the busy airport suburb of Pochentong, at Kok Khleang (1), in Sangkat Phnom Penh Thmey, in Khan Roessei Keo. The site is six kilometres away from the existing settlement. The total size of the resettlement site is 7,700 square metres (73.6 x 114.3 m), of which 4,717 sm. (61%) will be under house plots and 2,983 sm. (39%) will be under roads, pathways, open spaces, water points, community centre and play areas. Each family will have 42.5 sm. plots (5 x 8.5 m). The community negotiated with the land-owner for a land price of \$4.54 per square metre, bringing the entire land cost to US\$35,000, of which the Municipality paid \$10,000 and World Vision paid \$25,000.

The land sale agreement was signed on 30 June, 1999 by the community, the land-owner, the Municipality and World Vision. Filling of the new land was finished on June 6, 2000, and digging of the 4 wells and building toilets, roads and drainage is going on. The families will move to the new site at Kok Khleang (1) and start building their new houses only after basic infrastructure is in place. The community is planning to move in three stages: 60 families in September 2000, 20 families in October and the final 31 families in November.

The Toek La'ok community has been involved in intense preparation for this move for several years. The community savings group, with 108 members, has been active since 1996, and savings as of February 2000 totaled 7.2 million Riels (\$2,000). The community has divided itself into nine groups of 12 families each. These groups are the basic working unit for collecting daily savings, planning house design, and managing preparations for the resettlement. Group members will also live together in the new community, and will draw lots for house plots within the same area. Different groups take turns coordinating with the URC, UNCHS, UPDF and the Municipality about the work as it goes on. The first 39 families are planning to move to the new site and start building their houses in mid November, 2000, and the community has set a target of all families shifting to the new site by the end of December, 2000.

6 Sixth loan

Housing loans to families from Basaac relocated to Prey Tituy Community

Total project costs :

- **Land Cost :** \$ 200,000
(Municipality paid, using national government funds from the Prime Minister)
- **Infrastructure :** \$ 270,000
(UNCHS fills land, provides wells, drainage, pit latrines, road and electricity)
- **Building Houses :** \$ 147,400
(Community builds own houses, some with UPDF loans @ \$500/family)

Total Cost : \$ 617,400

Nearly 3,000 families live in the swampy, sprawling river-front community of Basaac, the city's largest informal settlement, in the heart of Phnom Penh, many settled there right after the Pol Pot period in 1979. The communities have long been threatened with eviction, and some communities in the area have already been evicted by private and public land-owners (some with and some without compensation or alternative land). In recent years, the SUPF federation has been active in the area, with savings and credit, surveys, toilet building, house and bridge building, walkways, etc. A big part of the federation's work has been to explore on-site redevelopment options for Basaac. Communities there have worked with the SUPF federation, the URC, and with helpers from ACHR and the school of architecture to explore on-site redevelopment options, including land-sharing, reblocking, and etc and presented these ideas to the local and national governments. Unfortunately, so far, none of these options have been acceptable to the city, whose master plan to develop the river bank in Basaac area leaves no room for negotiation or housing for the poor.

While the city remains firm in its resolve to evict all of Basaac's residents, it has recently taken steps to provide alternative land for resettling families from Basaac, and even involved Basaac community leaders in the search for alternative land. At the Inauguration of the federation's first relocation housing project in Akphivat Mean Cheay in April 2000, the Prime Minister pledged US\$ 200,000 for buying land for such relocation. A month later, the Phnom Penh Municipality and community leaders subsequently searched for and identified a 12.5 hectare site at Prey TiTuy, about 15 kilometers from the city center, and purchased it for \$200,000, which includes land filling. In June and July, landfill work happened, and in August, the land was subdivided into 430 plots (120 square metres each) and dug 6 common wells. In October, 2000, the plots were assigned by lottery, and in November, families began moving to the site. As part of the relocation deal, the UNCHS will help build pit-latrines, and provide roads and drainage, by community contract, and the families will build their own houses.

7 Seventh loan

Housing loans to two communities being relocated to new land at Kok Khleang 2

Psar Toul Kork is a community of 89 poor families living on open land in Sangkat Toek La'ok 1, Khan Toul Kork, Phnom Penh. The community is also twenty years old, with a majority of its families having settled here around 1990, having migrated from Svay Raing Province, or from other urban poor communities. In 1997, the Phnom Penh Municipality announced plans to evict the community in order to rebuild the public market which was there before the war. After the *Toek La'ok 14* community successfully negotiated for resettlement to land they chose at Kok Khleang (2), community members at *Psar Toul Kork*, with help from the Toul Kork Khan chief, also began resettlement negotiations with the Municipality, and search for alternative land.

Eventually, another collaborative resettlement agreement was reached, in which the Municipality would use some funds from the market project (being developed and financed by a private-sector Hong Kong developer) to purchase land for resettlement at Kok Khleang (2), right across the road from Toek La'ok 14's resettlement site, the UNCHS project would develop the new site and provide basic infrastructure, the community members would build their own houses using UPDF loans, the URC would work with the community to develop house designs and community layout plans, and SUPF would assist in negotiations and make sure the entire experience was capitalized as learning for the whole city.

The resettlement site at Kok Khleang (2) is 6,534 square metres (66 x 98 m), of which 4,815 sm. (74%) will be under house plots and 1,719 sm. (26%) will be under roads, pathways, open spaces, water points, community centre and play areas. Each family will have 46.75 sm. plots (5.5 x 10 m). The land price was \$5 per square metre, bringing the entire land cost to US\$32,670, all paid by the Municipality, via the District.

Boeung Salang is a large, swampy area of the city surrounding an old lake, used as a drainage and open sewage dump for the whole city. Many poor settlements are located around the area. A small group of 10 families in the *Boeung Salang Canal-side Community* was living along a drainage canal which fed into the lake, and when a Municipal project to dredge the canal was undertaken in January 2000, these 14 families were evicted and given plots in the new resettlement area at Kok Khleang (2), where they are now living, as basic infrastructure is being laid by UNCHS.

Development of the new land by UNCHS has been problematic and although all the people have moved to the site now, the situation and environment is quite bad. The UNCHS work to dig wells, build toilets, roads and drainage has been delayed for months, and water from the few wells that have been dug is not drinkable. As of November, 2000, there are only 2 temporary toilets for the 99 families who have already moved to the new land. Both communities have started savings groups, set moving plans, planned houses and layouts with the URC team, set up housing project committees and are working with the district-level SUPF federations, the Khan Chief and the Municipality to coordinate the resettlement process.

Total project costs :

● Land Cost :	\$ 32,600
<i>(Municipality paid, through Khan, using Hong Kong Developer funds)</i>	
● Infrastructure :	\$ 60,000
<i>(UNCHS fills land, provides wells, individual pit latrines, storm drainage, roads, electricity)</i>	
● Building Houses :	\$ 18,000
<i>(Families build their own houses, some taking UPDF loans @ \$390 per family)</i>	
● Preparation for move :	\$ 2,000
<i>(design workshops, community exchange, model building)</i>	
Total Cost :	\$ 112,600

8 Eighth loan :

Second batch of fish-processing loans to Khan Roessei Keo

The 1999 - 2000 batch of loans for making *prahok* has been so successful that a proposal for another round of loans has been submitted to UPDF for the 2000 - 2001 *prahok* season, this time involving 307 families in 19 communities, asking for a total of US\$ 43,000 (about \$140 per family). As with the first round, the loans will be used to buy the special *riel fish* and all the materials necessary to make *prahok*. Loans will be repaid within a year, as soon as families can sell the fermented *prahok*. While the *prahok* is fermenting in crocks under the houses, members will only have to repay the interest.

Table : Summary of UPDF Loans in the pipeline . . .

(as of 15 November, 2000)

	Number of families	Average loan per family	Total loan amount	Term	Interest rate
5. Housing loans to Toek La'ok 14 Community	91	\$ 445	\$ 40,450	10 yrs.	8 %
6. Housing Loans to Prey Tituy Community	294	\$ 500	\$ 147,000	10 yrs.	8 %
7. Housing loans to Kok Khleang 2 relocation	46	\$ 390	\$ 18,000	10 yrs.	8 %
8. Second income generation loans for fish	304	\$ 135	\$ 40,900	1 yr.	8 %

TOTAL

735 families

\$ 246,350