



Homeless International

BRIDGING THE FINANCE GAP IN HOUSING AND INFRASTRUCTURE

CAMBODIA: The Urban Poor Development Fund - a Case Study



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1. BACKGROUND CONTEXT

1.1 The situation in Cambodia and Phnom Penh

After many years of civil war and almost unspeakable troubles, Phnom Penh is getting back on its feet. Phnom Penh is Cambodia's main urban centre at the moment. The city is filled with the noisy energy of building, trading and growth. For those with nerve and resources, the city offers many opportunities to make money and almost no rules.

Its economy is wide open and freewheeling enough to make 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 looking for work in the city, which after decades of upheaval is on the brink of a boom, and is ready for the cheap labour which growth depends on. For the poor, the climb to prosperity is not easy. *The city needs the poor*, whose cheap labour is vital to the formula for economic growth, but it is slow to acknowledge that the poor have needs like everyone else. In the mean time, they must live in squalid and dangerous conditions, without land security or basic services.

In the absence of entitlements or government assistance, Phnom Penh's first and second-generation poor have had to devise survival systems of their own - to get land, build houses, get water and electricity, find jobs. These *people's systems* have helped more Cambodians than any government scheme or foreign aid could ever hope to do, because they offer options for *everybody*, right down to the poorest. But these systems are far from perfect.

Over a million people live in Phnom Penh right now. According to the 1999 SUPF survey, at least, about one-fifth of them - 35,000 families - live in 500 informal settlements around the city, along the rivers, streets and rail lines, and on open land and rooftops. 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.

As the city filled up after 1979, available places became increasingly problematic, offering less security and greater environmental hazards. The survey found that 25% of the city's poor families live along river and canal banks, 10% along railways and roadsides. Only 20% of these settlements have access to the municipal water supply system, and less than half have toilets or drainage systems. Now that the political situation in Cambodia is stabilizing, Phnom Penh's urban economy is growing more robust, and investment in the city is bringing about increasing pressure on urban land, and increasing conflict between the city's need for land for its development projects, and the poor's need for land for housing. The city and the poor find themselves in an uneasy standoff, which isn't working for anybody.

Subsistence level in Phnom Penh - a dollar a day: But the situation in the city is still pretty raw, and the poor find themselves on their own, without any sort of formal support to help them find jobs or affordable housing. They make their way as best they can, selling vegetables, labouring on construction sites, pedalling cyclos or working in the garment factories, and probably make shacks for their families in Phnom Penh's burgeoning squatter settlements, or rent small cubicles in the growing market of informal rental rooms in the inner city core and around the factory areas at the periphery. Rents in these places are high, and eat heavily into the typical daily earnings among the city's poor, which average about one US dollar a day. *(Compare that to Bangkok, where the rock-bottom 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 ACHR made its first exploratory visit to Phnom Penh, Cambodia there was a marked lack of local community-based organisations amongst urban poor communities. Established international NGOs warned of the lack of trust between people and organisations and the difficulty of building co-operative efforts because of the recent tragic history of the country.

The war in the 1960s and 1970s, followed by the reign of the Khmer Rouge, had also left the country with a lack of human and financial resources within government administrations and civil society. Today, planning and development in most aspects of the capital city and in the country as a whole still remain very weak. As a result, more and more people are migrating to the capital city, which has become the centre for hope and employment. Phnom Penh has thus become a fast growing city with clear evidence of urban poverty and rapidly expanding squatter settlements.

1.2 Low Income housing & infrastructure policy and delivery systems

When the Pol Pot regime occupied the country, the entire city of Phnom Penh was cleared and remained deserted of life during the 5 years of the regime. A large number of Phnom Penh's residents died during the painful period of evacuation, or in subsequent slaughters. Between 1975 and 1979, only some Khmer Rouge soldiers had barracks in abandoned buildings in the city. When the regime changed in 1979, people started coming back to city, occupying whatever deserted rooms, apartments or dwellings they could find. People who had more power were able to occupy larger houses, while the poorer occupied smaller ones, as long as these were still available. Single-unit shop-houses of three or four stories might be occupied by between five and twenty families together. The earliest migrants to the city, of course, had better chances of getting some kind of solid housing in this free-for-all land grab. People who migrated later had to either informally purchase occupation rights from other inhabitants, or had to find some open place to squat. Land ownership systems had been likewise exploded by the Pol Pot regime, and their reconstruction has been slow. During the Socialist period after Pol Pot, all land belonged to the state, and there was not private ownership of land at all. In those early years, there was plenty of vacant land available for squatting, and informal rules of ownership and informal markets for buying and selling plots and shacks.

Phnom Penh - a city of squatters: So not too long ago, everyone in Phnom Penh was a squatter. In 1979, when people began to tip-toe out of the jungle, into an empty, broken down city, they huddled in empty buildings, lit fires to cook their rice. As things settled down, more people came. After all the houses and flats had been occupied, people set up house wherever they could - in open land, along roads, on rooftops.

The resettlement of Phnom Penh was controlled only by the irrepressible informal sector, never kept down for long in Asia. People occupied houses which they had grabbed themselves, or bought them from earlier grabbers. Land became a saleable commodity, like gold or rice. Trading was brisk, but strictly off the record. Even ten years of communism and state ownership of all land didn't slow this informal market for land and houses.

At the end of 1980s and into the 1990s, Phnom Penh started to develop as the country's main urban centre. More and more people migrated to the city to seek for jobs, since more and more international assistance flowed into the country, with the key concentration of these external development resources occurring in Phnom Penh. Squatter settlements expanded rapidly during this period, marked by an active informal housing market, with quick turnover, quick occupation and the development of plots in new places. Housing demand for all income groups grew rapidly during this period, despite the almost total absence of any formal housing supply. By the end of the 1990s, there had been a clear signs of the emergence of two more housing delivery systems: the small real estate or shop-house development for sale by private sectors, and the burgeoning room rental business,

within market areas at the city centre and around the new industrial areas in the peri-urban surroundings. Low-income housing delivery systems 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
- ◆ New resettlement projects

A few new resettlement projects were implemented before 1998, but they did not provide impressive results and were mainly used to dump forced evictees from squatter communities in the city centre. New, collaborative attempts at community resettlement have been implemented since the setting up of Urban Poor Development Fund (UPDF) in 1998, starting with the relocation of the roadside squatter community at Toul Svey Prey community, and the relocation of families from several squatter areas to the Municipal Resettlement Colony outside Phnom Penh at Toul Sambo. With the existence of UPDF, these new resettlement projects seem to be the only appropriate low-income housing supply being coordinated among various groups in the country.

No support systems for the poor: As more and more people come into Phnom Penh, the problems of housing, employment, environmental conditions and health are bound to grow more acute. Many of these problems arise from the basic fact that in the absence of alternatives, the urban poor are forced to live in conditions that are unhealthy and insecure, without organisations or institutional arrangements to help deal with the problems. In Cambodia right now - unlike its neighbouring countries of Thailand, Vietnam, India, and Malaysia - there is no formal provision for low-income housing of any sort. The government has no national housing board, no ministry of housing, and no budget for providing any affordable housing to the poor. There is no provision for housing finance of any sort - *to any sector* - poor or middle class, subsidised or market rate. There are no legislative mechanisms for regularising informal settlements and no national or municipal programmes to provide poor communities with basic services or to support their own efforts to improve environmental conditions within their settlements.

Overburdened Municipal Government: The bewildered, overburdened, underfunded, foreign-aid dependent municipality finds itself overloaded, and - not surprisingly - has put the needs of the urban poor far down on the priority list, below problems like urban flooding, crime management and updating power grids. The municipality itself still follows the old socialist system from the days of 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 and unable to provide the kind of active mechanism needed to deal with the array of problems that are emerging in the city.

Consequently, infrastructure systems in the city are totally insufficient. It has been observed that the present availability of land for housing and urban services is inadequate in all sectors, including land for housing, roads, water, sanitation, solid waste disposal, transport, electricity and public lighting. More than any other population group, the urban poor are usually served last, owing to structural, traditional and attitudinal biases. Improvement of the access of the poor to basic urban services is a major unmet challenge for Cambodian planners and policy makers, now as well as in the future. A variety of approaches and mechanisms for delivering urban services to the poor have been

tried, with varying degrees of success. There have been a variety of projects and processes used by NGOs, UN agencies and communities themselves, along with the attempts of city officials. However to improve conditions on a large-scale partnership processes between the various actors are required, and knowledge of alternative solutions and capacity building amongst urban actors needs to be developed.

Some Figures from the SUPF 1999 Survey of Poor Settlements in Phnom Penh:

Population:

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

Land Ownership:

Number of houses in settlements on Private land	10,745 houses	(34%)
Number of houses in settlements on Public land	14,961 houses	(48%)

Settlement Characteristics:

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

Basic Services:

Toilets

• Number of houses with private toilet	11,035 houses	(35 %)
• Number of houses without any toilet	13,838 houses	(44 %)

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 settlements	(45.5%)
• Settlements which have built their own drainage systems	125 Settlements	(35%)
• Number of settlements without any drainage	103 Settlements	(33.4%)

1.3 Access to Land in Phnom Penh:

Phnom Penh's unique history has made the lines which separate *owners* and *squatters* very fuzzy in Phnom Penh. There are laws in Cambodia which define ownership based on occupation for a certain

number of years. But these laws are largely ignored, and haven't stopped land from being sold right out from under the families who occupy it. The city has a land registration system, but most people don't bother. Its procedures are cumbersome and expensive, and even today, less than a quarter of the city's properties are recorded in this land title system.

The distinction between private and public land is unclear: According to the SUPF 1999 survey of poor settlements in Phnom Penh, approximately half of the city's 500 odd settlements are on government or public land, the other half on private land. But since a majority of the city's land is not yet officially registered, these figures may be doubtful. This needs to be sorted out eventually.

Land ownership in Phnom Penh: The systems of land ownership and land title in Phnom Penh right now occupy a wide spectrum of grey areas. Until the fall of the Lon Nol Government in 1975, all land in Cambodia was technically owned by the King. Land has of course been bought and sold, and handed down from generation to generation for centuries in Cambodia, according to rules and systems deeply rooted in culture and clear to everyone. During the Pol Pot regime, these ancient land systems were blown apart and all land became the property of the state - in both the Pol Pot and in the Vietnamese occupation periods which followed. Private ownership of land began only in 1992, and for most Cambodians remains today an unclear concept, with plenty of room for dirty work. In the city'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.

By 1999, only 15% of the land in the city was registered under the current title system, and now the figure has risen to about 40%. The land registration system is still something that is unknown or incomprehensible to most of the urban poor, and the procedures for registering land are still filled with ambiguities, corruption and grey areas. As the city economy grows and conditions for investment improve, land becomes increasingly valuable.

Suddenly people in poor settlements find themselves threatened with eviction from land which they were either officially allotted during the socialist period, or bought subsequently. Without their knowing, the land they have occupied continuously for between 5 and 20 years has been bought and sold. The newspapers have been filled recently with stories of land-grabbing in the provinces, where powerful local figures have quite openly seized rural and urban land from poor farmers, often using force, and have manipulated the land title systems to fashion themselves as the new owners.

Because the development of Phnom Penh has been arrested by fits and starts and slowed down by political upheavals, pressure on urban land has been low, and evictions have been few. But as the 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 in the city and these kind of machinations go on, powerful vested interests in the city will have good reasons to maintain the ambiguities in the land ownership systems and to extend these grey areas as long as possible. They are also likely to be reluctant to create clear, equitable land-rights legislation and draft clear, transparent land-ownership and land registration systems.

If we take that as a given, it is important to develop a pragmatic, flexible approach to dealing with the land problems of the urban poor, and find an approach which can coexist with these uncertainties and ambiguities.

Where is the land that we buy?

The idea of buying large tracts of land outside the city - even in other provinces - and dumping people out there is the old way of thinking, which most cities all over Asia have tried. There are in fact many

ways of finding land within the city, which are practical for the city, and which offer people the chance to find land which works for them. A possible way of looking at land is:

- ***District-wise land-sharing***, with Khan land searches within the Khan, so people can move nearby, and can move to land which they have selected and which meets their needs for proximity to...
- ***Settlement "squeezing"***: in many settlements in the city, which are on fairly secure land, the settlement is very loose, and could be made denser, if people had smaller plots. On the land leftover after squeezing, more communities could come and live. Re-blocking, Better layouts, more efficient use of open space and roads, and smaller plots. Or even 2 and 3-story development later (expensive though).
- ***Classic Land-sharing***: People re-block in a more efficient way, and squeeze onto a portion of the plots, and then the remainder of the land can be given back to the land-owner or developer or city to develop commercially.
- ***District-wise land inventory and land-banking***: An important task the CDMCs have ahead of them is the search for open and available and affordable land within their Khan for resettlement. If poor people are to be involved in choosing their own land, in small ways, this kind of land search has already taken place with the resettlement projects. But if the process is to grow more systematic and scale up, there will have to be land inventories, which the poor can start creating within each Khan. This means finding open land, researching to identify the actual owners, determining market prices, etc. Assessing its plus points as resettlement possibility, and its minus points (flooding, proximity to schools, jobs, markets, etc. Infrastructure details about water supply, access to electricity and sewage grids, etc.) This will be a key part of the land bank system, these "people's inventories"
- ***People do land-search, project wise or in general***

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, then the French legislation introduced during the period of the French protectorate, the socialist influenced civil law traditions, the transitory legislation of UNTAC and, finally, the contemporary legislation of the newly constitutionally elected in 1993. The construction of the country's legal system has generally been unable to keep pace with changing reality.

There have been overwhelming numbers of foreign NGOs registering in Cambodia over the past two decades. Registration is a key element in their ability to stay and to do development work. Because of the great need for assistance in the country and the strong presence of NGOs in supporting all aspects of development work in the country, NGOs now occupy a strong social status in Cambodian society today, whether they are registered or not. NGOs or voluntary organisations - both foreign and local - have become key development actors in the country, and occupy a respected development position to work with government organizations on various development subjects.

As regards the community system, there has been tight government control of community life and organisation since the Khmer Rouge time. District and ward officers had tight control on communities and people in their constituencies, even after 1979, as a response to fears of Khmer rouge infiltration. However, the system was loosened after UNTAC, and the general election in early 1990s. With rapid urbanization came significant demographic changes in the city, in all districts, and the former control systems seemed to be almost automatically loosened. There are still appointments of leaders or headmen for each "village." Communities do not have any clear form of organization, and are under no particular laws, beyond some control, perhaps, by those village headmen and ward officers.

The organisation of community saving and credit groups can have very important implications in this context, since it allows community organizations to emerge outside of the present regulatory system.

Community organizations need time to nurture and build up their own development and capacity to be able to negotiate with the larger system.

1.5 Regulatory framework for financial institutions, micro-finance programmes.

Given the years of Riel fluctuation (the Cambodian currency is the "Riel" - 3,800 Riel = US\$1), problems of inflation, financial and political insecurity, uncontrolled and unofficial capital flow and money laundering in Cambodia, the country's financial systems is still not working properly and there is no formally functioning banking act. An interview with officials in one commercial bank showed that most commercial banks mainly concentrate on saving and withdrawal of savings, or acting as financial windows for financial transfer in doing necessary business between Cambodia and other countries. Commercial banks do not have particular interests in giving loans as in other countries. However, if there are arrangements about foreign guarantee for instance, it is possible to work out for specific cases.

Which means Cambodian society is still without any functioning financial system. Most development capital in the country still comes primarily from foreign aid and from the budgets of international development agencies, rather than any internal financial markets. This 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 people.

Starting from Scratch: Lack of access to any credit. This is the major reason why the Urban Poor Development Fund (UPDF) has been set up, to be a collaborative financial institution to provide credit to the urban poor communities. This unit will link with a wide range of community saving and credit groups to support and "top up" necessary additional resources for community driven development process in a large scale.

Inflation and interest rates cannot be looked at in isolation. They are only elements in the much larger systems in the whole country and those larger systems can only be developed over time. We can't restrict the people's process if the larger country systems are not ready! Do poor people have to die waiting for Cambodia's economic indicators to become favourable? In Cambodia, the poor people are helping to build a financial system almost from scratch.

SUPF provides wide-scale saving and credit activities

Because SUPF's savings and credit system is on a large scale and has grown in a very short time, there are certainly lots of problems - any savings system of that scale will not be perfect - there may be defaults, and other problems here and there. But people who develop savings and credit activities as new tools for communities realize that having problems is a necessity! Problems are the elements through which communities learn - when they are forced to find out where the problems are, how to tackle them, and how to create solutions themselves.

The SUPF savings process is a broadening process. The important problem is not defaults or small, specific problems, but how the savings process as a whole enables people to learn, to pick it up and to develop it further.

Another dimension is how the savings and credit activities are involved with and connected to many other activities like housing, settlement improvement, environmental improvements, negotiation, etc. It is not just an activity restricted to save, loan and repay. That is a very individual activity. Savings and credit are tools for integrating and for developing much broader activities. So having problems is not a problem, as long as there is a mechanism to deal with it and linkages to provide assistance in that.

There has been research on savings and credit groups in Phnom Penh - this kind of comparative analysis can be useful in some ways, but provides a very narrow window for understanding the importance of community-driven savings processes. (Reference) Savings and credit is not an end in itself, but one part of a much broader process of solving poverty problems. In the long term, the SUPF savings model will have very large impacts on alleviating poverty in Phnom Penh's poorest communities. Already the process has yielded some profound breakthroughs - house-building, access to land, effective negotiations with municipal authorities, partnerships with the city, improved infrastructure, advocating alternative models of development, being involved with partnership processes with other urban actors including government.

The Big Problems in Phnom Penh: We have to consider the scale of the community process we are involved with in Phnom Penh. According to the survey SUPF is now working on, we're talking about 40,000 poor families in Phnom Penh. This number includes squatters, rooftop dwellers, and rental communities - but doesn't include those newcomers who are migrating into the city right now. People are flooding in. The City needs the poor, and their cheap labour which is part of the urban prosperity. However their rapid influx still causes serious trauma in Phnom Penh due to the lack of systems of any sort for dealing with the pressures of urban migration.

Things are moving fast, and the poor are already in trouble. UPDF supports a strategic process which seeks to open up possibilities and to create and test new kinds of institutional set ups, and we expect to get more funds to come from the system and other sources, eventually. However it's important to remember the context in which we are working in Cambodia. Nothing at all is sustainable right now - the country is still in serious trauma, and in many ways can be considered a basket case. The institutions don't work, there are no sources of formal credit for anyone, the entire national government is running on foreign aid, 35 years of civil war have left a culture of violence that threatens to explode constantly and people are impoverished and uncertain about the future.

In Phnom Penh there is a situation where no loans are available in the market - none whatsoever, even in the private sector. So whether or not there is a subsidy, or whether or not the lending system is sustainable is not such a big question. The question we focus on is: What form of solution makes sense and what type of institutional arrangement can work? Sustainability may be important in the longer term but at the moment is an abstract notion rather than a practical option. Despite this the SUPF fund is continually required by external funders to demonstrate sustainability. It seems extremely strange to insist that this little fund demonstrate some kind of sustainability, when the people themselves are not sustained, the country's systems and institutions are not sustained.

1.6 History of the partner organisation

The development process in Cambodia started from an initial community survey in the mid 1990s. Through SUPF, poor communities in Phnom Penh have conducted several city-wide enumerations, have negotiated with the city to set up a urban poor fund, have begun two community resettlement projects, and are planning many more. They run a saving and credit program, and they combat on a daily basis with International NGOs and bilateral and multilateral programmes which push their development in the wrong direction. It shows the hidden strength to develop in such a short time even when things move slowly.

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 structural and institutional levels in the city as well. Some concrete results and impacts of ACHR involvement are summarised below:

- Emergence of the *Solidarity for the Urban Poor Federation [SUPF]* as the key urban poor community network at the city and district level and as key participants within most government to community linkages. SUPF are also becoming the main link among urban poor communities for community learning and mobilisation.
- Information about urban poor conditions in Phnom Penh has been gathered and systematised. Two citywide urban poor surveys have been conducted with overall information that has been widely distributed to all related sectors.
- A wide range of community saving and credit activities have been established and within SUPF there are 16,000 members of savings groups with members in 240 urban poor communities.
- The emergence of the Urban Poor Development Fund, a collaboration and partnership between ACHR, the Municipality of Phnom Penh and SUPF. This is a collaborative effort and partnership mechanism to develop community housing loan facility and income generating activities together.
- Partnership of Community networks at District (Khan) level. The District Authority and other development actors have established working committees (Community Management Development Committees [CDMCs] in all 8 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.
- The emergence of a critical number of active young professionals involved in the urban poor development and 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.
- There is now established collaboration and co-ordination between ACHR / SUPF with all key development agencies; UNCHS, UNDP, Municipality of Phnom Penh and all Khan chiefs, University of Phnom Penh, and a significant number of NGOs in Phnom Penh.

2. THE UPDF PROJECT

2.1 Overview of the main stakeholders - savings groups, Government departments, funders.

BOX: Urban Poor Development Fund: First \$5,000 contribution to the fund comes from the people . . .

The land was given, the houses and infrastructure were being planned, and everybody was saving. The only thing missing was finance, which so far in Cambodia is not available to the poor in any way. That's when the idea emerged of creating a revolving loan fund to help poor communities build new houses. The municipality was behind it from the start and agreed to contribute to the fund. In March 1998, SUPF, ACHR and the Municipality of Phnom Penh signed the Urban Poor Development Fund into reality. Here is how it will work:

- 1. What will the fund do?** Phnom Penh's poor have no access to credit from formal financial institutions. The fund will provide them affordable credit for housing and settlement improvement, through their savings groups and community federations. The fund will strengthen the capacity of communities to manage their own development process and support the partnership between municipal government, community groups and NGOs.
- 2. Who can borrow from the fund?** The fund will eventually be available to settlements actively involved in a community savings process, *not to individuals*. Community organisations and federations can become members of the fund. At first, yearly membership will be one dollar per household, which will be the urban poor's contribution to the fund.
- 3. Who will decide how the fund is used?** The fund will operate independently, but under the umbrella of the Phnom Penh Municipality, and will be managed with as little bureaucracy and as much flexibility as possible. The fund's Governing Body will include two representatives from the municipality, two from SUPF, one from ACHR, two from other community organisations, one from an NGO, one "co-opted" member and one fund manager. The Governing Body will appoint a chairperson, treasurer and full time manager, and will develop the rules, review the fund's operation, make policies for its use, set loan terms and interest rates, raise funds to augment the fund and determine the annual contribution from communities.
- 4. How much money will be available in the fund?** The plan is to eventually raise the fund to as much as US\$ one million, but the fund will start with an initial capital of US\$ 75,000, which comprises:
 - \$ 5,000 - from the Solidarity and Urban Poor Federation (SUPF)
 - \$ 10,000 - from Slum Dwellers International (SDI)
 - \$ 35,000 - from Asian Coalition for Housing Rights (with SELAVIP's help)
 - \$ 25,000 - from Municipality of Phnom Penh
- 5. Who pays for managing the fund?** For the first two years, the costs of managing the fund have not come out of the fund itself. The Municipality will provide one staff member and a room for the fund office, and ACHR and UNCHS will jointly raise funds for office equipment, running costs and the expenses of three volunteers.

Urban Poor Development Fund (UPDF) was set up to be a tool for strengthening the urban poor federation and as a vehicle for boosting savings and credit in poor communities. An M.O.U. was signed

in March 1998 between the Municipality, ACHR and the *Solidarity and the Urban Poor Federation (SUPF)*. The UPDF represents a search for a collaborative fund, which can be jointly operated by the municipality, the development agencies and the urban poor themselves. This is a new institutional mechanism in which different actors in the development process work together - particularly the urban poor, who should be the main subject of the development process. In the absence of any form of housing finance for the poor in Cambodia (except in scattered NGO savings projects.), the development of this kind of fund is critical.

Focus on savings groups: In its first year, the UPDF has focused on the building, strengthening and expanding of savings groups in the city. Besides being the primary channel for UPDF loans, we see strong community savings and credit groups - *and a large, strong federation of these savings groups* - as being the most crucial element in building a people-driven development process in the city.

Why are the savings groups important?

- *Building collective management skills:* By saving together and managing money collectively, with equitability, transparency and flexibility, communities acquire management skills and negotiation capacities they will need in working on larger development issues - community improvement, negotiation with other actors, etc. This also means learning to demand accountability and transparency of community leaders, involving women, etc. Through S&C groups, communities learn to deal with typical problems of theft, crooked leaders, loan defaults, etc.
- *Building mutual trust:* The UPDF is very new, and in the beginning, it was a little difficult because the people didn't trust each other - that's from the history that there is no trust among themselves. After some trouble in the beginning, now they have started coming into the saving activity again and have just starting providing loans.
- *Building people's own resource base and self-reliance:*
- *Building the federation with enough scale to have some clout:* The existence of the UPDF has played an important part in boosting a citywide community process. UPDF helped to initiate over 150 savings groups in Phnom Penh's poor communities, with combined savings of over 60 Million Riels (US\$ 17,000). Without this kind of scale, it is hard to deal as a partner with the city, etc. As preparation for the next phase, the urban poor federation did a community survey that covers the whole urban area. This will be another stage, where the UPDF will be a vehicle in which the urban poor organisations can be the main actor to develop whatever they feel as a need to alleviate poverty - by themselves. They will need support from other organisations - not so much to ensure but to facilitate systematization of the processes and rituals used to support the Federation.

Some SUPF figures: (1999)

- Number of communities now in SUPF (total of all 7 khans): **207 communities**
- Total number of savings groups: **207 Savings Groups**
- Total Number of members who are saving in SUPF (in all 7 districts): **6,872 families**
- Total amount saved - in whole city, all 7 khans (November 1999 only): **120,680,500 Riels**
- Total amount given in loans from people's savings: **60,700,000 Riels**
- Total number of poor communities in the city (according to the new SUPF survey): **472 (+) communities**
- Total number of families and total number of people living in those poor settlements, according to the 1999 SUPF census of poor families in Phnom Penh: **35,165 families, (172,624 people)**
- Official population of Phnom Penh right now, according to Municipality: **about 1.1 million people**

Decentralization of Urban Poor Development Fund management and decision-making to the 7 Districts (Khans):

During the first year of UPDF activity, we have worked closely with each of the seven districts (khans) to set up a process in which district officials and federation members from the same khan are working together on savings and many kinds community development activities (along with NGO and UNCHS representatives). As this collaborative, district-level process has consolidated (especially in three khans); we are now looking at the possibility of channelling the UPDF process through this mechanism. This would allow us to hit two targets with a single bullet:

- On the one hand, we are bringing these different actors together to work on something concrete and productive, through the CDMC (the district level "Community Development Management Council").
- And on the other hand, we are also giving loans to those who are in genuine need. Those people who know the poor in their own district best can manage this most efficiently.
- This means we don't have to have lots of outside staff in the UPDF rushing all over the city trying to keep track of everything and make all sorts of decisions - we can use the existing mechanism, and get the people to work. Then the benefits of the fund will go to the right kind of people

Using UPDF to bring the actors to work together: This is a key to building up of genuine, working *local partnership* in the long term, using this process to build a new relationship between the people and the district (the city). This is a critical role of UPDF, which is not just looking at money as such, but looking at how to use money in such a way that you get many other things to work. This is the reason - money is powerful, especially in the society of Phnom Penh - how you channel the decision process and the fund and the follow up and the monitoring in such a way that it boosts the new relationship of people working together. This is very important.

How does the UPDF Work?

At the moment, the UPDF has a governing board, which comprises government officials, UN, NGOs and CBOs. It is this combination which makes the shape of what the process should be. We have advised the UNCHS to develop a process of collaboration at the district level, through the "Khan Committees", which comprise district officials, community members and NGOs.

The fund operates independently, but under the umbrella of the Phnom Penh Municipality, and is managed with as little bureaucracy and as much flexibility as possible. The fund's Governing Body includes two representatives from the municipality, two from SUPF, one from ACHR, two from other community organisations, one from an NGO, one "co-opted" member and one fund manager. The Governing Body appoints a chairperson, treasurer and full time manager, and is developing the rules, reviewing the fund's operation, developing policies for its use, setting loan terms and interest rates, raising funds to augment the fund and determining the annual contribution from communities.

It is expected that, in the long term, the UPDF will become more a part of the Cambodian infrastructure than it is today. At the moment, we think it is a good idea to make the UPDF a collaborative effort, as it is, but keep it from being too much under the Cambodian structure, so that at the beginning, we can have more flexibility. But in the longer term, this structure has to go a little nearer to the Cambodian structure. This means there should be more resources from that side, from the country's own system, coming into the UPDF fund. Considering the enormous scale of foreign funding pouring into Cambodia at the moment - given the scale of the problem, it should be possible to link this emerging credit-for-the-poor innovation with more resources that come through that local system.

What does the fund do? The fund provides affordable credit for housing income generation and settlement improvement, through savings groups and community federations. The fund is aimed at strengthening the capacity of communities to manage their own development process and supports the partnership between municipal government, community groups and NGOs.

The fund as a partnership builder: Using UPDF to bring the actors to work together: To work out solutions which everybody contributes to and which solves everybody's problem. And people know that they have this backdrop, so they go ahead. In this process of UPDF, there has been close links with the federation, so it also provides the federation with a bargaining power in a way. This is a key to building up of *genuine, working local partnership* in the long term, using this process to build a new relationship between the people and the district (the city). This is a critical role of UPDF, which is not just looking at money as such, but looking at how to use money in such a way that you get many other things to work. It is the process of using the financial process of UPDF as intervention how to channel the decision process and the fund and the follow up and the monitoring in such a way that it boosts the new relationship of people working together. *The fund as a link between the poor and the existing system*

Using finance to promote an integrated development process in the city: (tense) The fund will enable the urban poor groups to develop a more integrated development process - according to needs which arise from different situations. It is important to avoid setting complex terms and quotas so that the fund can remain flexible and responsive to people's real needs. So if this could be a new direction in an instance that the system in Cambodia is still not developed much, and it will be quite a long time to develop institutionally or financially. But this is a direction to cope with the problems by the people and poverty needs a way in the future when we compare with the country which has a more strict system.

The fund as a people's process booster: And the idea of getting the people to start themselves the savings activity in some ways is drawing the people's own resource to deal with the problems. Resource means not only financial, but also the energy, the collaboration among the people as the basic social mechanism to work together and to solve the poverty issues together. I think this is something very important. We have to beef this up! By the strength of the poor people themselves. Of course in the concrete sense, we have finance, which is not so much, but it's going together with the scale of operation of the poor in a way. So it means that the boosting of the Savings and Credit activity in a big scale in Phnom Penh is boosting up the basic mechanism in which the poor people will start doing things by themselves and have the network, have the links, so that each poor person is not dealing with these things in isolation. So the fund is one part of a much larger thing that is happening with the federation's growth, with the partnerships that are being forged. It is important to let the people see something very clear, that there is a fund, and that the fund is supporting what they are doing. In this way, they will go forward. And if people have that confidence, they will start working. Then the poor people themselves will start establishing their own network of welfare and collaboration and exchange to assist among themselves

The fund as an expander of options: The fund itself allows the people to work beyond their financial capabilities, and a little more than that. Which means that they may draw from different groups, take loans between groups - maybe one network can borrow from another, maybe some mobilization is already happening. The fund can add more loan money by increasing the capital. And if we find the way that the people saving can be a part of the fund itself - a in some way it would mean that the fund itself would have a little more money in addition to the resources that have been mobilised from outside.

The fund as a development short-cut: The model of a fund is a "short cut" in a way to allow the people who want to do things but don't have sufficient resource and assistance to be able to do it - right away. This shortcut is something so crucial about the role of a fund. Conventional development processes delivered through the conventional government mechanism, the municipality, take too long a time and are too inefficient to be sufficiently flexible to cater to community needs. A development fund can shorten the time factors involved considerably. The fund is a quick shortcut way in which we

can link resources to the needy groups and allow the groups to use their creativity to develop as well as to solve problematic and complicated issues like housing, income generation, welfare.

Who can borrow from the fund? The fund will eventually be available to settlements actively involved in a community savings process, *not to individuals*. Community organisations and federations can become members of the fund. At first, yearly membership will be one dollar per household, which will be the urban poor's contribution to the fund.

2.2 Stakeholders

- 1. SUPF federation:** Organises and builds communities through savings and credit, prepares them to manage money, carry out projects and engage with other stakeholders to find solutions to poverty. SUPF is Phnom Penh's largest poor people's organization, operating in half of the city's 500 poor settlements, through district-wise "Khan units" and women's savings groups.
- 2. Community Development Management Councils (CDMCs)** are collaborative, district-level planning committees of community leaders, district officials, local and international NGOs to work out solutions to problems of the urban poor in the district. CDMCs are a link between the formal Municipal system and the urban poor, and will become a key mechanism for making decisions about poor settlements in the city.
- 3. The UNCHS Project:** provides basic infrastructure in community housing projects through materials grants, community contracts, turn-key contracts and technical assistance.
- 4. The Municipality of Phnom Penh** actively supports community-driven redevelopment in Phnom Penh and where possible provides free land to displaced communities.
- 5. The Urban Resource Centre (URC)** provides technical assistance to the community process of surveying, settlement mapping, affordable house design and construction, community layout and infrastructure planning.
- 6. Asian Coalition for Housing Rights (ACHR)** provides advocacy and negotiation assistance for the Cambodia process at local, regional and international levels through fund-raising, organizational assistance and community exchange learning.
- 7. Shack Dwellers International (SDI):** an international network of Federations of the urban poor which includes Federations in India, Cambodia, the Philippines, Thailand, Nepal, South Africa, Zimbabwe, Namibia, Kenya, and Colombia. The National Slum Dwellers Federation of India has been particularly active in providing regular support and back up, through ACHR, to the Cambodian Federation.
- 8. Community Development Management Committees (CDMCs):** The CDMCs now operating in each district (Khan) comprise representatives from community organisations (through SUPF), NGOs and the District Authority. CDMCs have been established and accepted by Khan Chiefs in each of the eight districts in Phnom Penh. Their function, briefly, is to identify community problems in the district then plan and implement solutions and community improvements together. They have only recently been established but already some CDMCs have worked together on planning and implementing community improvement programmes and expansion of savings schemes and income generation loans in their districts. Teams from the CDMCs have participated together in ACHR's regional exchange programmes in Thailand, Sri

Lanka and Pakistan. This plus undertaking district level projects together has led to increased understanding, collaboration and acceptance at each level and the endorsement of the PP Municipality. The CDMC mechanism has significant potential as an acceptable and appropriate mechanism for participatory problem solving and development of the city.

2.3 Background and overview description of the specific UPDF resettlement projects

Examples so Far: This kind of collaborative model has already been tested and explored in two relocation projects - Toul Svay Prey and Toek La'ok 14. These both had land-purchasing arrangements which followed the collaborative mode of TSP.

2.3.1 First Loan: Toul Svay Prey Roadside Community's relocation to Boeung Krappeur

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 are 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.

Toul Svay Prey's colourful leader is Men Chamnan. His broad shoulders and booming voice must have made him a formidable soldier. After being demobilized 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. But skyrocketing land prices nixed those plans, and their makeshift settlement became permanent.

Nobody likes living in the street. It is dirty, cars roar by, and there's no safe place for kids to play. A year ago, the city tried unsuccessfully to evict the settlement. Nearby villa owners have even tried to burn down the houses. But the settlement is close to schools, jobs and markets, and the people have no alternative, so they continue to stay. Same old story.

Toul Svay Prey has no basic services. Only two families have latrines. All the others must use open areas nearby, but this is difficult, especially in morning and evening hours, when competition for private corners is fierce. During the rainy season, the unpaved road becomes a swirling river of mud and backed-up sewage.

The high price of being poor: Since there is no water supply in Toul Svay Prey, people must buy water for drinking, cooking and washing from small hand-pulled tankers. They pay 1,500 Riels for 200 litres (7.5 Riels per litre). The official city rate for water at 350 Riels per 1,000 litres (0.35 Riels per litre). That means people in Toul Svay Prey are paying **21 times higher than the city rate** for water - the most essential commodity. They also buy electricity from houses and shops nearby, at rates that are five to ten times higher than the city rate. ***It's not cheap being poor!***

But that's where the unhappy story stops and the good news begins. Toul Svay Prey is drafting plans to turn things around, and working with some other roadside settlements to plan Phnom Penh's first entirely community-designed, community-managed relocation project. Here's what they've been up to:

- Run an intensive programme of housing savings, with daily deposits
- Identified plots of open land around the city for possible relocation sites
- Explored different plot sizes and house layouts
- Designed small, affordable houses using cost-saving building techniques

- Built full-sized models of these houses and showed them at a public exhibition
- Begun negotiations with the city about relocation to the sites which they've located

The UPDF's first loan went to Toul Svay Prey, in Khan Chamkar Mon, to build new houses at their relocation site at Boeung Krappour. First of all, subsidies in this first UPDF project have come in several different forms: when you talk about the resettlement land, which was purchased by the government, that is a kind of subsidy. Then they got the infrastructure from UNCHS, and that is also a subsidy. The low interest rate of 8% on the housing loans is also a form of subsidy.

The project made an attractive first case, as an acceptable solution because of the process of collaboration it involved. We don't think that the loan fund itself can solve all the housing problems, but the process in which the fund links with the federation and then the federation negotiates with the landlord and the municipality and the UNCHS and finally got the free land from the negotiation and free infrastructure, and people pay only the loans for housing. This is an affordable solution. The model is reasonable - the direction is not just to get loans, because the loan itself is not able to solve all the problems. It's a kind of bargaining chip. The community says we've got our savings, we've got our plans, we've got our organization to manage, we've got finance for our houses, and all we need is land and basic infrastructure. The fund is a bargaining chip for the community in these negotiations that helps trigger other related structural element such as land and infrastructure. Because if the problem is too big for any party, they will not do it - either the people or the municipality or the UN. If we look at these major actors, they each pay a little bit - you have your chat and you put it together and you've got your housing project. Make an attractive offer. Municipality paid 25,000 for TSP land.

Once they have secure land tenure communities will improve their housing and environment by themselves, NGOs can help the process, and Government can also help improve the city with their limited resources. But 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 Krappour have demonstrated their determination as *poor people* to help themselves through their savings schemes and their strong participation in planning and building their houses and community. Much of the infrastructure was built by the community through community contracts.

The **partnership solution** which developed involved government, NGOs and the people themselves.

- The land was purchased by the **Municipality**;
- The infrastructure would be developed by the **UNCHS UNDP Urban poor project**;
- Housing construct by community people through loans from UPDF which would be paid for by the people themselves

Many community meetings were held to plan the new community **together**. The community people worked out affordable house designs with help from young architects at Phnom Penh's Urban Resource Centre.

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 in middle of 1998 and by December 1999, **120 families** are now living in security at Toul Svay Prey relocation site. Only a few houses are yet to be constructed, some others are being improved step by step. A special community women's unit has been set up to manage the repayments.

The people are paying back their housing loans weekly and monthly. The pilot project involving resettlement and housing loans to 120 families has succeeded with a greater than **90% repayment rate** on **\$400 housing loans for each of the 120 families**.

Loan to Toul Svay Prey details:

- **Total loan to community:** US\$ 47,988 (182,354,400 Riels)
- **Total number of families in community:** 120
- **Total number of families taking loans:**
- **Interest Rate:** 8%
- **Loan term:** 10 years
- **Total repaid** (as of 30 Nov. 1999): 14,000,000 Riels (8% so far)
- **Repayment began?**
- **Repayment procedures:** Repayments are collected daily, on a door-to-door basis. As loan repayments are collected so are savings.
- Loan dispersal: Much was given in the form of materials (concrete, iron bars, bricks, sand, wood, tin sheets, etc. Which the people bought collectively at build purchase to save money.
-
- **Loan amount:** most took \$400 loans, a few took \$500. Houses have been carefully designed and constructed to use old materials and to stay within this budget. But several families mobilised more funds from family, other loans and savings, and built much more expensive houses, so the small loan was like "seed capitol" The majority is building very cheaply within this limit.
- **Book-keeping** is by the community
- **Repayments** to the UPDF are made weekly in blocks by the community finance committee, and collected daily, weekly or monthly, depending on the income pattern of the family.
- **Procedures for default:** Everyone repays a certain amount per day (or per week or month) of which 80% goes towards the loan repayment and 20% goes into mandatory saving, which can be tapped when people have trouble meeting a payment. Then when the house loan is repaid, everyone gets a nest egg.

The Toul Svay Prey relocation provides 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 its drainage project, and 129 poor families got secure land, houses and infrastructure. Two more similar voluntary relocations are in the pipeline now - 120 families from another roadside settlement at Toek La'ok 14, and about 100 families to the Municipal Resettlement colony at Toul Sambo.

The inauguration of this community was held on 20th April 2000, and become a national event in which Prime Ministers, Ministers, Governor of Phnom Penh have officially participated. Along with poor community's members 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. Since the country is cash-strapped at the moment, the attitude, which this support exhibits, 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 away from a confrontation approach and towards a more constructive problem-solving approach to solving the urban poor's land security needs.

2.2.2 Second Loan: Relocation of families from several communities to Toul Sambo

In Dec. 1999 loans were issued to a second group of families undergoing relocation (Toul Sambo). This will be quickly followed by loans to a third relocation project at Toek La-ok.

Toul Sambo is a voluntary government relocation project planned to re-house 200 families from several inner-city squatter settlements, about 24 kilometres outside the city. Toul Sambo is by no means a perfect case, because it is a far away from the city, a little far - not very far. Far away in the present sense - much farther in BKK. This is a case where there is a street to the new settlement and the municipality had the land and they offered the people this new land. Earlier, the people had rejected the offer, but now, a few years later, the Municipality, with help from the UNCHS, has revived the project and now the people are more interested.

UPDF itself didn't encourage this resettlement, but UPDF supports the people who already agreed to go there. A number of relocation families are SUPF members, they have organisation, they have savings activities, and they are determined to live there without other assistance. . Toul Sambo is also on municipality land. But they found it, and then when land it free, it's easy for the people to get access - what the people have to think about is only housing. People without much money could start with a tent and four columns and a roof. With a minimum of about \$400, they can have some kind of house. So if you talk about affordability, in this sense, it's not a serious issue, because this whole UPDF process involves a political process of negotiation. The fund helped the community to be able to negotiate better, in a better position.

Loan to Toul Sambo Details: Total loan to community: \$ 12,400 total

Update on capital available within the fund

2.2.3 Third Loan: Income-generation loans to fish-processing community in Khan Rossei Kev

On December 26th the UPDF **expanded** its loans schemes beyond housing to **income generating activities**. AT Rossei Kev the UPDF gave a 15,000 US\$ loan to the community network to help those involved in the activity of fermenting and selling preserved fish. More income generating loans are planned.

The case of Rossei Kev District is just the pilot case, because of the immediate needs of the groups that produces the fish sauce. There are a lot of fish because the community is community along the river. They process the fish and within a period of 6 months, they will sell all the things, very sure of how much money they will gain from that. The loan provided is a short-term loan - 6 months. In Cambodia, it is a little strange - they have never done it before, so we just use it as a pilot case. We raised the funds and explored this possibility. So in early next year, we will see how it woks. They will have to repay fully in 6 months. A ceiling of about \$150 per family loan - a good size. But for the Cambodians it seems a little big because it is for investment. About 100 families will borrow to buy equipment - fish they can catch. They need many jars and materials for the fermenting process. The end product is s popular fish sauce and production is possible on a big scale.

2.3 Analysis of the risk taken by different stakeholders.

(For example the risk undertaken by SUPF in dealing with the UNCHS, external consultants etc.)

2.3.1 Risk taken by UPDF

The idea all along has been that UPDF will become more a part of the Cambodian structure than it is today, in the long term. At present, UPDF has become a concrete, collaborative effort, and has tried to be flexible and remain independent from the existing Cambodian structure. This means there should be more resources from that side, from the country's own system, coming into the UPDF fund. 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 link this emerging credit-for-the-poor innovation with more resources that come through that local system.

In terms of scale, there are more people coming into the city, more evictions happening, more problems occurring, and we will use these problem cases to show how a new system would work. UPDF Fund can demonstrate some possible options to build trust and confidence and to understand how collaborative development is possible. Then, with that trust and confidence emerged; it is possible to link to more resources from the formal system within Cambodia. That way, this trust and confidence building and the UPDF's institutionalization process will grow and strengthen together.

Therefore, **risks taken by the hopeful process of UPDF** can be summarised as follows:

- a) Communities (SUPF) cannot organize and repay the loans accordingly, which is an important indicator for a feasible project. This aspect has clear risks since UPDF has been built closely with the SUPF process to be the main base of UPDF implementation.*
- b) Community saving and credit activities are not working well*
- c) The losing balance to stay acceptable and workable for all related actors. It is not easy to work on such balance with good understanding on delicate political relationship of various groups and their nature and interest. It demands rare skills.*
- d) Too much control and dominance of the Government or formal system.*
- e) Insufficient amount of funds to meet various needs of community loans.*

2.3.2 Risks taken by SUPF and community

- a) Danger of UPDF system becoming much too formal. Risks from all the formal thoughts, system, ways of doing are so much plenty that it may undermine the real people strength and their process.*
- b) Political interventions, interference and manoeuvring*
- c) Eviction problems*
- d) Fragile trust and confidence in any social organizations, institutions, among each others*
- e) Intervention from other development agents, NGOs, United Nations*

2.3.3 Risks taken by government or Municipality

- a) The strong needs for city development, the wish to modernize the city which gives considerable incentives to the private sector. This aspects may topple all the community-oriented approach*
- b) Support of international agencies guiding improper development direction*
- c) UPDF may provide alternatives making threat to present government system*
- d) The precedent for government policy and supports from earlier achievements which government resources are still insufficient*