

AVI POLICY BRIEF

Cambodia | 04 August 2022

National Housing Policies in Cambodia and Thailand: A Comparative Analysis

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Executive Summary

- ❖ Cambodia's 2015 National Housing Policy was adopted and implemented to promote people's livelihoods by ensuring that all Cambodians could access affordable, secure, and adequate housing. However, the policy has not been successful yet. As of 2018, only 10,000 residences had been reportedly built by the affordable housing projects. Investors are still less interested in this initiative because they think it could generate low profit.
- ❖ Thailand's housing policy is relatively more successful, as the country has more infrastructure. In addition, the availability of state-owned land in urban areas has allowed the government to provide land subsidies to private investors, making it attractive to the investors.
- ❖ Improving urban infrastructure and making private-owned land available and affordable to investors are crucial for better implementation and success of Cambodia's national housing policy.

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- ❖ គោលនយោបាយជាតិស្តីពីលំនៅដ្ឋានរបស់ប្រទេសកម្ពុជាដែលចងក្រងឡើងនៅឆ្នាំ ២០១៥ ត្រូវបានអនុម័ត និងអនុវត្តដើម្បីលើកកម្ពស់ជីវភាពរស់នៅរបស់ប្រជាពលរដ្ឋ ដោយធ្វើអោយប្រាកដថាប្រជាពលរដ្ឋកម្ពុជាទាំងអស់អាចទទួលបានលំនៅដ្ឋានដែលមានតម្លៃសមរម្យ មានសុវត្ថិភាព និងមានគ្រប់គ្រាន់។ ប៉ុន្តែគោលនយោបាយនេះនៅមិនទាន់ទទួលបានភាពជោគជ័យនៅឡើយទេ។ រហូតមកដល់ឆ្នាំ ២០១៨ មានលំនៅដ្ឋានត្រឹមតែ ១០០០០ ប៉ុណ្ណោះដែលត្រូវបានសាងសង់ដោយគម្រោងលំនៅដ្ឋានដែលមានតម្លៃសមរម្យ។ វិនិយោគិនមិនសូវចាប់អារម្មណ៍លើគំនិតផ្តួចផ្តើមគម្រោងនេះទេ ដោយសារមានការរំពឹងថានឹងទទួលបានប្រាក់ចំណេញទាប។
- ❖ គោលនយោបាយលំនៅដ្ឋានរបស់ប្រទេសថៃមានភាពជោគជ័យជាងកម្ពុជា ដោយសារប្រទេសនេះមានហេដ្ឋារចនាសម្ព័ន្ធច្រើនជាង។ លើសពីនេះទៅទៀតដោយសារដីធ្លីនៅក្នុងទីក្រុងមួយចំនួនជាកម្មសិទ្ធិរបស់រដ្ឋ ដូច្នេះធ្វើឲ្យរដ្ឋាភិបាលអាចផ្តល់ការឧបត្ថម្ភដីធ្លីដល់វិនិយោគិនឯកជន។ ហេតុនេះហើយធ្វើឱ្យអ្នកវិនិយោគមានការចាប់អារម្មណ៍ចំពោះការវិនិយោគគម្រោងលំនៅដ្ឋានដែលមានតម្លៃសមរម្យនេះ។
- ❖ ការកែលំអរហេដ្ឋារចនាសម្ព័ន្ធទីក្រុង និងការធ្វើឱ្យដីឯកជនមានតម្លៃសមរម្យសម្រាប់ អ្នកវិនិយោគគឺសំខាន់សម្រាប់ការអនុវត្ត និងសម្រេចបានជោគជ័យនូវគោលនយោបាយលំនៅដ្ឋានជាតិរបស់កម្ពុជា។

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Introduction

In 2015 the Cambodian government adopted the National Housing Policy to ensure the right to adequate housing for all Cambodian citizens, especially poor and vulnerable groups (Habitat for Humanity Cambodia 2017). In addition, progress has been made in cooperation with private investors by setting house prices to no more than \$30,000 per unit. However, despite the progress, the policy remains mostly unimplemented, as most investors focus on more profitable housing projects.

This article compares housing policies in Thailand and Cambodia, explaining why Thailand's housing policy is relatively more successful. The study suggests that, compared with Thailand, Cambodia still lacks adequate infrastructure and subsidised state-owned land for investment.

The article begins with an outline of the challenges facing Cambodia's national housing policy, followed by a case study on the success of Thailand's housing policy. It then explains the rationale of the comparison before discussing policy emulation. The conclusion provides some recommendations for Cambodia's national housing policy.

Cambodia's National Housing Policy Challenges

Cambodia's National Housing Policy for low-cost housing was adopted in 2015, but little progress has been made, regardless of the high demand. Deputy Prime Minister Chea Sophara, Cambodia's Minister of Land Management, Urban Planning, and Construction (MLMUPC), asserted in June 2017 that with urban population growth, there would be a demand for 800,000 low-cost urban homes to be constructed by 2030. By that time, Phnom Penh population is anticipated to grow to 7 million, compared to about 2 million at present.

Due to the rapidly expanding urban areas, a study by the MLMUPC found that there was a demand of 55,000 new residences needed to be built each year to reach the 800,000 targets by 2030. With the expected high demand for housing, the government has established an affordable housing programme by providing regulatory and tax incentives for the private sector to encourage their investment. However, this approach has appeared not successful. The *Phnom Penh Post* reported in April 2018 that private developers showed less interest in the government's incentives. As a result, only 10,000 residences were announced to be built in three affordable housing projects (*The Phnom Penh Post* 2018). Hong Socheat Khemro, General-Director of the Department of Housing at the the MLMUPC, stated that affordable houses needed to cost between US\$15,000 and US\$30,000 per unit.

As a result of the low-price set in the affordable housing programme, local and foreign investors find the programme less attractive due to the low profit. Therefore, the main problem with the national housing policy is the insufficient cooperation of private investors. The developers focus instead on luxurious accommodation projects for upper-income and high-income families (*Khmer Times* 2020).

Success of Thailand's Housing Policy

The Thai government started to focus on the issue of housing in 1940. Its purpose was to address housing problems and help 3 million low-income households to own residences. It created a housing division within the public welfare department to focus on affordable housing

policy (Giles 2003). As a result, Thailand has more experience, thus making its housing policy more successful than Cambodia's.

In September 2020, the National Housing Authority of Thailand (NHA) announced 141 new affordable residential projects to support the government policy's to sell residences at a price not over one million Thai Baht, equal to 31,000 USD (The National Thailand 2020). Most of the housing projects are for construction in Bangkok, an opportunity for low to middle-income families to own a house in the city. In October 2019, Minister of Commerce Jurin Laksanawisit told the *Bangkok Post* that the success of the policy was due to the collaboration of all the involved parties, from the government and private investors (*Bangkok Post* 2019).

The government attracted private developers by providing them with highly subsidised land and opening auctions for private investors to bid for the right to develop government-owned land, thus encouraging them to agree to build low-cost residences. Those plots of state land in the city have a crowded population. This mechanism works well when the land is state-owned, and the government could subsidise private developers for the public interest (Webster 2009).

Why Needs to Compare with Thailand's Housing Policy?

Thailand is Cambodia's neighbouring country with similar culture and tradition. Moreover, both countries are members of the ASEAN community. Due to their similarities, the most similar system (MSS) design is applied as a logic of comparative method in this paper. The similarities include three aspects: the nature of the housing crisis, the investment policy, and the economic development.

First, both countries have similar housing problems. Inadequate residence is a serious problem in the capital cities of both countries, Phnom Penh and Bangkok. According to a 2006 report by the Asian Development Bank, Cambodia and Thailand shared a similar percentage of 30.9 and 24.6, respectively, of urban populations having inadequate housing (Asian Development Bank 2019). Working people with low to average income in both countries face financial problems in affording their own houses.

Second, both countries have similar investment policies, seeking to attract investors by offering tax incentives and legal process facilitation. Recently, Cambodia and Thailand have reviewed and made changes to their investment policies to promote investment projects, including affordable housing projects. According to Pattanapanchai, Deputy Secretary-General of Thailand Board of Investment, Thailand will grant one hundred per cent ownership to foreign investors who match the set criteria and requirements (The Board of Investment of Thailand 2017). Similarly, Cambodia encourages both local and foreign investment. Investors can invest freely in many areas, and those who invest in prioritised areas, such as affordable housing projects, will be given more incentives.

The third similarity between both countries is their economic growth. Before making an investment decision, investors or developers study the overall economic development of the countries in which they will invest. Over recent years, Cambodia has experienced strong economic growth, with an average annual GDP growth rate of more than 7 per cent (Sothan 2018). The real estate sector accounted for the bulk of growth. With this rapid growth, Cambodia was reclassified as a lower- middle-income country by the World Bank in 2016. For Thailand, the economy grows significantly with a free-enterprise economy and pro-investment policies. In their research, Raza and his team pointed out that Thailand's domestic investment

largely contributed to the service sector, including real estate, which added approximately 58.59 per cent to Thailand's GDP growth (Raza, Al-Deehani, and Alshebami 2020).

Models and Emulation

Even though Cambodia and Thailand share noticeable similarities, there are some differences between them. Therefore, for the success of Cambodia's housing policy, this paper will identify a few different features between Thailand and Cambodia before implementing policy emulation.

First, Cambodia is still behind Thailand regarding an investment-friendly environment. Both local and foreign investors, who are the key actors in making the housing policy successful, complained about the energy supply shortage and infrastructural problems in some parts of the city (Kowattanawaranon 2019). The investors said that they would need to build roads and invest in the accessibility of energy and water supply before they could build houses, which costs a huge amount of money. Therefore, inadequate access to those facilities remains a significant obstacle to affordable housing investment. Second, the subsidy on state-owned land could not happen in the Cambodian context because most plots of state-owned land are not located in urban areas. Therefore, it is not possible to provide subsidies to investors to build affordable houses. Third, many foreign investors claimed they were interested in investing in Cambodian housing. However, they have encountered the problems of the unavailability and unaffordability of urban plots of land.

To address the above problems, in 2012, the World Bank stated that to promote industrial and real estate sector investment, the Cambodian government needed first to improve the country's infrastructure, especially the accessibility of water and energy supply (Warr and Menon 2016). Electricite du Cambodge (EDC), the electricity authority of Cambodia, admitted that the current supply of power was not well-responded to the growing needs. The EDC director-general said that the Cambodian government needed to spend around US\$100 million on subsidies by 2021 to reduce electricity tariffs and spur economic growth (Open Development Cambodia 2019). The cost involved in improving the infrastructure could be a challenge to the government. Thus, the government either must use the national budget or sell the EDC share to private owner to gain sufficient capital for the improvement.

Concerning land use for affordable housing construction, the government needs to adjust the use of state land to private land to construct affordable housing. To do so, it should work with private actors or companies that own large plots of land in the urban area. The government could work as an agent negotiating and connecting local private landowners with land developers, especially foreign investors. The government could list the available private land that wishes to cooperate and open auction. Cambodia's local landowners, who are also crucial for the success of the affordable housing policy, said that, with the government's assistance, they were more confident in cooperating with foreign investors in affordable housing projects (Vuthea Min and Narong Leungbootnak 2019).

Conclusion: Policy Recommendations

Using Thailand's housing policy as a comparative policy, the key success to Cambodia's affordable housing policy lies in investors' accessibility to affordable plots of land. As this paper has pointed out, the Cambodian government, specifically the Ministry of Land and Urban

Planning, should act as an agent connecting Cambodian landowners with construction investors.

Moreover, the list of the available plots of private land for public auction could be an effective method to attract developers who are looking for affordable plots of land for their construction. The government should also focus on developing city infrastructure before implementing the affordable housing policy to ensure a high success rate for Cambodia's National Housing Policy.

The policy emulation in terms of land use from subsidised state-owned land (in Thailand's case) to private-owned land (in Cambodia's case) could benefit both local landowners and foreign investors keen to develop the land. This emulation has no negative impact. Thus, it is a "Win-Win solution". It is one of the best options for Cambodia's affordable housing policy.

The opinions expressed are the author's own and do not reflect the views of the Asian Vision Institute.

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