

DECENTRALISED IMPLEMENTATION OF
URBAN LOW INCOME SHELTER PROGRAMS
THROUGH URBAN LOCAL GOVERNMENT INSTITUTIONS

A CASE STUDY OF
THE ROLE OF URBAN LOCAL AUTHORITIES OF SRI LANKA

BY
E S W A R A N S E L V A R A J A H
M.Sc (Town and Country Planning)
University of Moratuwa, Sri Lanka (1977)

Submitted to the Department of Urban Studies and Planning
in Partial Fulfillment of
the Requirements of the Degree of
Master of Science
at the
Massachusetts Institute of Technology
June, 1987

© ESWARAN SELVARAJAH

The author hereby grants to MIT permission to reproduce
and to distribute copies of this thesis document
in whole or in part.

Signature of Author
Department of Urban Studies and Planning
May 11, 1987

Certified by
Arthur T. Row
Director, SPURS Summer Program - DUSP

Accepted by
Philip Clay
Director, Master's Program - DUSP

MASSACHUSETTS INSTITUTE
OF TECHNOLOGY

JUN 08 1987

LIBRARIES

IV 16

DECENTRALISED IMPLEMENTATION OF
URBAN LOW INCOME SHELTER PROGRAMS
THROUGH URBAN LOCAL GOVERNMENT INSTITUTIONS
A CASE STUDY OF
THE ROLE OF URBAN LOCAL AUTHORITIES OF SRI LANKA

BY

ESWARAN SELVARAJAH

Submitted to the Department of Urban Studies and Planning
in Partial Fulfillment of
The Requirements of the Degree of
Master of Science

ABSTRACT

Appropriate strategies for the provision of urban low income shelter in developing countries have demonstrated the need for efficient managerial arrangements for their large scale replication. A long term viability of affordable low income program such as squatter upgrading and sites and services depends, to a great extent, on the urban managerial capacity of developing countries to translate the policy commitments into action and sustain that process. After several years of expensive experiments with public housing, the urban low income shelter program in Sri Lanka, has now been trimmed down to an affordable resource support program capable of serving a large proportion of urban low income communities. Such a program also suits the implementation capacity of urban local authorities which can offer, with adequate institutional improvements, a viable and nationwide urban management framework. The current urban low income shelter program in Sri Lanka is therefore a study in the sustainability of affordable shelter programs through urban local government institutions taking into account the scale of the problem, the resource constraints and political realities of a developing country.

Thesis Supervisor: Mr. Arthur T. Row

Title: Director, SPURS Summer Program

TABLE OF CONTENTS

CHAPTERS		Page
1.0	Introduction.....	6
2.0	Urban Development Management in Sri Lanka	15
3.0	Organisation of the Urban Local Authority Central - Local relationships.....	23
4.0	Scope and purpose of Urban Low Income Shelter Programs in Sri Lanka	43
5.0	Operational arrangements for Planning and Implementation of urban low income shelter program by the ULA.....	62
6.0	The missing links in management.....	70
7.0	Innovative mechanisms and critical concerns	79
8.0	Conclusions	85

I. Bibliography
II. Appendix

LIST OF ILLUSTRATIONS

Fig.		Page
1.	Sri Lanka - geographical context.....	13
2.	Distribution of Urban Local Authorities.....	14
3.	Typical Organisation of the Urban Local Authority	26
4.	Central - Local lines of Authority.....	27
5.	Examples of Central - Local Functional Relationships	31
6.	Overall Financial Sources of fifty ULAs.....	35
7.	Urban Low Income Shelter Program Management through ULA	64
8.	Monthly Loan Recovery Progress for Colombo - Year 1986	75

LIST OF TABLES

Table	Page
I. Comparative Demographic Indicators of Sri Lanka.....	10
II. Urban Population Growth in Sri Lanka	16
III. Hierarchy of Towns in Sri Lanka.....	16
IV. Urban Local Authorities in Sri Lanka.....	16
V. Hierarchy of Urban Local Authorities.....	17
VI. Urban Authorities Expenditure in the national context	35
VII. Relative size of grants as a percentage of local taxes	36
VIII. Major Tasks of Key Agencies	66
IX. Estimated Housing Needs by Sector.....	71
X. Urban Housing Sub Program - Progress upto October 1986	73
XI. Technical and Professional Training Courses.....	82

CHAPTER 1

1.0 Introduction.

The decade of 1970-80 marked a significant change in the strategy for international development assistance with greater emphasis on the alleviation of poverty among the urban communities in the developing world. UN agencies such as the International Labour Organisation (ILO) began calling for projects that would help the world's poor to overcome basic deficiencies in their standards of living and to satisfy their "basic human needs".

The ILO defined basic needs as, first, minimum family requirements for basic consumption such as adequate food, shelter, clothing, household equipment and furnishings; and second, as essential community services such as potable water, sanitation, health services, educational facilities and public transport. The ILO insisted that programs for satisfying basic needs be carried out as much as possible through self-reliant development and internal resource mobilisation. (1)

The above concerns were already manifest in the programs of international development agencies especially the World Bank; for example in their Urban sector projects implemented in Senegal, Botswana, El Salvador, India etc. The urban projects of World Bank were "designed to encourage the mobilisation of private savings and self-help efforts. Public sector interventions were to be limited to services that people could not provide for themselves, such as city wide planning and construction of infrastructure. Projects were aimed at the majority of the urban population living in unserviced slums and squatter

settlements, rather than the urban middle class, who benefited most from existing subsidies for urban services." (2)

Encouraged by the initiative and technical assistance of the World Bank, several developing countries commenced implementation of upgrading projects and sites and services projects as basic needs programs, affordable and appropriate for a large number of urban low income communities. The funding policy of the World Bank was also a major reason for the new directions taken by the governments of developing countries in their urban shelter programs. During the ten year period from 1972, an investment of US \$ 53.2 million was made by recipient countries with the approval of the World Bank. At an average project cost of US \$ 29.0 million, about 25,000 households benefitted from a new phase of development assistance. (3)

Most of the assistance were directed to public sector organisations and urban local governments of major cities in Sub-Saharan Africa, South Asia, Latin America and South East Asia. A new phase of urban shelter projects was underway in place of conventional public housing programs. With demands for similar projects in other countries growing evaluations were carried out to assess the impact and replicability of projects. Experiences in Lusaka, Zambia, highlighted the need for effective management of various procedures of allocation of housing and maintenance of project after completion. Projects in other countries showed similar deficiencies in management. While there was an acute need for external assistance there was also evidence that conditions

internal to the implementing agencies were less than satisfactory to handle projects - during and after implementation.

"The enduring success of these shelter projects depends on a simultaneous improvement of institutions working in the sector. The scale of subsequent projects, often after policy differences and implementation problems have been resolved, will be determined by the ability of agencies to staff their operations, to plan and budget effectively, and to carry out their responsibilities during implementation. Institutional development, therefore, is the next major step in further developing urban shelter projects and, indeed, is the precondition for national replicability." (4)

Sustainability of what has been achieved and coverage of additional areas have been seriously constrained by the weak institutional arrangements for implementation and maintenance of projects. Though more critical, finances were not yet considered as a constraint for replication of projects.

1.1. Shift of Emphasis to Institutional Development.

In the light of inefficiencies in the management of public sector institutions in developing countries, it was not possible to undertake more projects inspite of availability of funds from the bank. The focus of development agencies, as a precondition for assistance even in basic services, has been shifting to improvement of urban managerial capacities. In this context, urban local government institutions, and other agencies which are responsible for basic services, are being revitalised to manage

the affairs of the urban sector efficiently and continuously. Even though the Urban Local Governments participated in the new approach to the development of urban communities, several aspects have been indentified for improvement. Critical among them are,

- i. Financial discipline and local resource mobilisation to build up the self reliance of the institutions.
- ii. improved managerial systems to ensure more efficient implementation and maintenance of projects.
- iii. Co-ordination in the allocation and utilisation of resources such as land and manpower, through effective planning arrangements.

The scale of investment in the developing countries is growing fairly proportionate to the scale of the problem. The resources are however not entirely local but dependent on international development assistance. To be eligible for assistance enforcement of local managerial improvements has become a pre-requisite. This emphasis forms an important part of development assistance channelled through public sector institutions most important of them being the local government institutions.

1.2. Performance Improvement of Urban Local Authorities (ULA)

In Sri Lanka,

Considering the two critical areas of concern - provision of basic services and improvements to the capacities of public sector organisations to deliver such services, the urban local governments and their development programs emerge as areas for intervention. The century-old local government institutions in

TABLE I. COMPARATIVE DEMOGRAPHIC INDICATORS OF SRI LANKA

Country	Per Capita Income in US \$ (1980)	Crude Death Rate per 100 Popn. (1980)	Life Expectancy at Birth (1980)	Average Annual Popn. Growth (1970-1980)
Zaire	220	18	47	2.7%
Malawi	230	22	44	2.9%
Mozambique	230	18	47	4.0%
India	240	14	52	2.1%
Haiti	270	14	53	1.7%
Sri Lanka	270	07	66	1.6%
Sierra Leone	280	18	47	2.6%
Tanzania	280	15	52	3.4%
China	290	08	64	1.8%
Guinea	-	20	45	2.9%
Industrial Market Economies	-	09	74	0.8%

SOURCE: World Development Report, 1982.

Sri Lanka characterise the current focus on managerial efficiency. A case for definite action towards managerial improvements has arisen after a continuing history of poor financial management at the local level, dependence on the central government and in turn, dependence on external assistance. At present the urban local government institutions in Sri Lanka, and their Central Government Agencies, are undertaking for example, projects of infrastructure and basic services such as water supply schemes, augmentation of national electric supply (distributed through local government institutions) and improvements to Telecommunications network. Within the public sector record of supply and maintenance of services and recovery of costs, general performance has been dismal and the current investment involving foreign aid programs are, as a precondition, based on fundamental changes and improvements to the public sector agencies. The role of Urban Local Authorities (ULA) is, therefore, being re-oriented to perform their functions of delivery and management of services, more efficiently. Such a task has become more important with the assignment of urban low income shelter programs to local government institutions. As the shelter programs require efficient recovery of costs, assigning such programs to agencies traditionally weak in recovery performance i.e., the Urban Local Authorities (ULA) has created serious expectations among the policy makers.

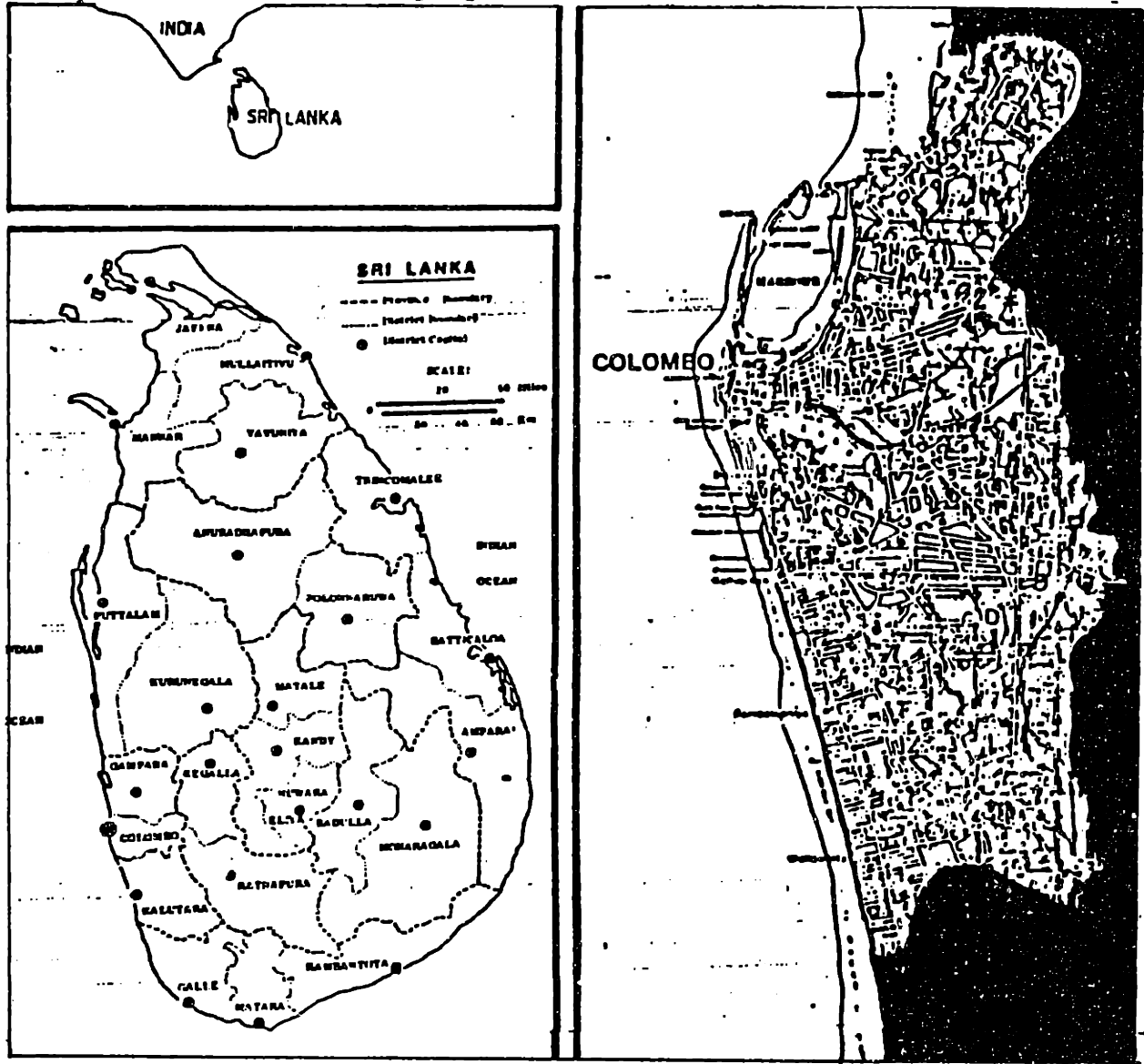
1.3. An effective intergration of policies, programs and management of urban local authorities.

With the formulation of current Urban Shelter Policy in Sri Lanka implementation of urban low income shelter projects has become a test of managerial efficiency within urban local authorities. Over the years ULAs have created a weak managerial image that they are incapable of functioning on their own. The extent of dependence on Central Government is an indication of their declining role as a local authority. An examination of their role with reference to their Urban Low Income Shelter Program offers an interesting evidence of their problems and potential.

Notes

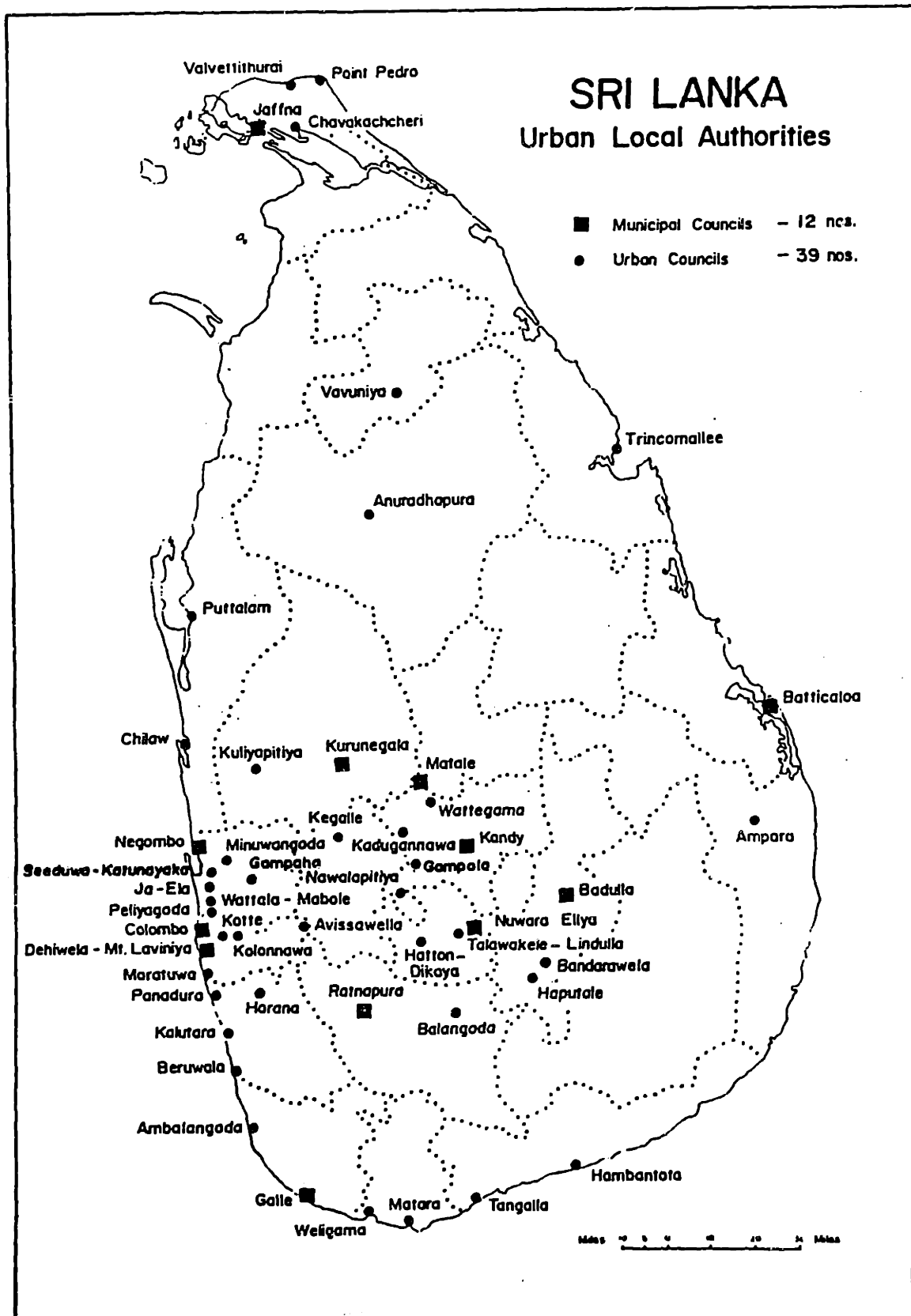
1. Ruddle, Kenneth and Rondinelli, Dennis A.,
"Changes in Development Theories and Policies: Toward Economic Growth with Social Equity" in "Transforming Natural Resources for Human Development: A Resource Systems Framework for Development Policy," Chapter II. The United Nations University, 1983. p. 18
2. The World Bank, Learning By Doing -- World Bank Lending for Urban Development, 1972-82, The World Bank, 1983, p. 14.
3. Ibid, p. 17.
4. Ibid, p. 17.

Fig.1. SRI LANKA - Geographical context



1. Total Population of the country	14.9 Million
2. Percentage of Urban Population	21.5
3. Rate of Pop. growth	1.8 %
4 Per Capita income per year	280 Us \$
5. Total land area	25,000 sq,mi
6. Capital City	Colombo

Fig.2. DISTRIBUTION OF URBAN LOCAL AUTHORITIES



CHAPTER 2

2.0. Urban Development Management In Sri Lanka

This chapter discusses the characteristics of urban areas in Sri Lanka and the managerial relationships between the central government and the local government institutions.

2.1. Urban Population Growth and Network of Urban Centers.

Relative to other developing countries, population growth in Sri Lanka has been significantly low at 1.6% (China 1.8% and India 2.1%) during the intercensal period of 1970-80. (For comparative figures see Table I.) More significant has been the low growth rate of urban population. (See Table II). Considering the growth rate in similar countries, the position of Sri Lanka is exceptional and can be described thus.

"Although there are difficulties in comparisons, it seems quite clear that no other low income or middle income country has as low a rate of urban population growth as Sri Lanka, in the last decade. Most countries at this level of income have urban growth rates that are around 150% to 200% of total population growth rates; none except Sri Lanka has slower urban population growth than total population growth. Part of the growth rate, it should be noted, includes those areas which are reclassified as urban. The growth rate, otherwise, would have been much lower. In spite of such advantages in the demographic context, basic economic activities and quality of services have been inadequate. (1)

2.2. The Hierarchy of Urban Local Authorities.

Urban areas, by definition, are governed by a three-tiered

TABLE II. URBAN POPULATION GROWTH IN SRI LANKA.

	Census Year				Annual Growth Rate		
	1953	1963	1971	1981	1963-71	1971-81	1963-81
Population	8098	10582	12690	14848	2.3	1.6	1.9
Urban popln.	1239	2016	2848	3194	4.4	1.2	2.6
% Urban	15.3	19.1	22.4	21.5	-	-	-

SOURCE: Sri Lanka Urban Sector, World Bank Report. 1984.

TABLE III. HIERARCHY OF TOWNS IN SRI LANKA.

Category	Criteria of Popln. size	Number of towns	Urban Local Authorities
Large Towns	above 50000	9	
Medium Towns	50000-10000	66	
Small Towns	below 10000	62	

SOURCE: Sri Lanka - Urbanisation and Urban Development, USAID, Colombo, '82.

TABLE IV. URBAN LOCAL AUTHORITIES IN SRI LANKA

Type Loc. Authority	Number of Towns
1. Municipal Councils	12
2. Urban Councils	39

SOURCE: Sri Lanka - Urbanisation and Urban Development, USAID, Colombo, '82.

TABLE V. HIERARCHY OF URBAN LOCAL AUTHORITIES

First Ten U.L.As	Local Govt. Status	Year 1981 Population
1. Colombo	Municipal Council	585,776
2. Dehiwela-Mount Lavinia	Municipal Council	174,385
3. Moratuwa	Urban Council	135,610
4. Jaffna	Municipal Council	118,215
5. Kotte	Urban Council	101,563
6. Kandy	Municipal Council	101,281
7. Galle	Municipal Council	77,183
8. Negombo	Municipal Council	61,376
9. Battaramulla	Town Council	56,535
10. Maharagama	Town Council	49,984

SOURCE: DEPARTMENT OF CENSUS AND STATISTICS, Sri Lanka.

hierarchy of local authorities -- Municipal Councils, Urban Councils and Town Councils. The hierarchy does not relate to population size or density as a town of smaller population size can be an urban council while a town of higher population size may only be a town council. In relation to population sizes the towns can be classified as in Table III. (For details Appendix I). Another important distortion is the characteristics of suburban areas of Colombo Municipal Council. These suburbs over the last few years have been showing faster population growth rates and higher investments in residential and commercial uses and also in infrastructure and public utilities. In spite of this rapidly urbanising character some of them are treated in terms of their current administrative status belonging to the lowest of the three-tiered hierarchy i.e., Town Council. For example in terms of population Battaramulla Town Council, tenth in the hierarchy of all ULAs has not been upgraded to any appropriate management status. Besides, a larger metropolitan area of Colombo in its current fragmented management setting may not be compatible with an efficient planning and development requirements.

The total public sector institutional framework for the management of urban development is an interaction between central government agencies and Urban Local Authorities (ULA). Central government Ministries and their constituent agencies are responsible for nationwide development activities including the monitoring of functions undertaken by ULA. While the Ministries

and Departments function within any part of the country, and are confined to specific activities such as Housing, Health, Transport, etc., the urban local authorities (ULA) are limited by geographic areas of authority but given authority to deal with local development issues unlike other agencies in a comprehensive manner. ULAs can be seen, therefore, as a local institutional arrangement to integrate various central government inputs as well as inputs generated on its own. Such an integration is in practice at the District level, which forms 25 administrative areas of the country. Most of the central government agencies have their District Offices which may co-ordinate their work with the ULA. This arrangement is however optional and the District officers are responsible to the Central Government Head Offices. In view of this problem of integration at the administrative level, the Central Government has appointed a District Minister who is able to act as a political authority empowered to co-ordinate development work at a decentralised level. Local authorities function autonomously but are assisted and co-ordinated by Central Government institutions. Important among them are:

1. Ministry of Local Government.
2. Department of Local Government.
3. Department of Local Government Service
4. Local Loans and Development Funds (LLDF)
5. Urban Development Authority
6. Town and Country Planning Department

7. Water Supply and Drainage Board

While these organisations are part of the local government institutional setting, there are also other Central Government Departments which play a more important role, than others, in relation to the basic services provided by the local authority. For example.

1. Department of Highways
2. Ceylon Electricity Board
3. National Housing Development Authority

While the above interactions are related to various projects carried out by the ULAs and most of the public sector agencies, critical of all, the financial basis of the ULA remains weak and subject to local economic conditions. The co-ordination of projects at levels higher than the ULA is mostly political in nature and the District Minister or the influential Member of Parliament plays an important role in the decision making and also providing financial support. In this context the Decentralised Budget, which is under the authority of the local Member of Parliament is an important source of income for the ULA. The financial relationships between the Center and Local are described in Chapter 3.

2.4. Urban Local Government Institutions.

Local government in Sri Lanka as it functions now is more than a hundred years old. During the British rule the system was introduced when three Municipal Councils were established for towns of strategic significance for colonial trade. These towns

were Colombo, Kandy and Galle. With the Small Towns Ordinance, lower levels of local managements were formed for two-fold functions -- to maintain public health standards in the emerging built-up areas and to generate revenue. The entire group of councils was structured into a four-tier system of local government administration - Municipal Councils, Urban Councils, Town Councils and Village Councils.

Over the years with changing socio-economic and political conditions, ULAs have been subject to various types of changes and reforms in the geographical limits and systems of co-ordination with the central government.

Some examples of the reforms are:

1. The functions of Housing and Loans Boards attached to the ULA were removed to the center.
2. New relationships were created by establishing the Urban Development Authority (UDA) for metropolitan planning and updating the scope of "Town Planning."
3. The Town and Village Councils were combined to form the residual area, not covered by either an MC or UC to be co-ordinated by District Councils. (4)

The current program of Performance Improvement of Urban Local Authorities, and the integration of Urban Low Income Shelter Program with the local functions mark a serious phase in the managerial change. Perhaps, a major step in making the older versions of the local government institutions to be recast for current needs and under efficient managerial arrangements.

Notes:

1. Cohen, Michael. Learning By Doing, World Bank, 1983. p. 17.
2. Ibid. p. 17
3. World Bank, Sri Lanka Urban Sector Report.
Report No. 4640 - CE, p. 3
4. The Municipal Councils and Urban Councils are the two categories of ULAs currently recognised for urban development purposes. The Town Councils have recently been abolished and are part of the District Council System. The District Councils have been established to ensure political co-ordination of geographical areas at the District level (25 Administrative Districts in Sri Lanka). This, however, has brought about a certain degree of confusion in the urban management setting.

CHAPTER 3

3.0 ORGANISATION OF THE URBAN LOCAL AUTHORITY AND CENTRAL - LOCAL RELATIONSHIPS.

This chapter describes the typical organisation of an Urban Local Authority in Sri Lanka and analyses the Central-Local relationships, especially the financial strengths of the ULA in minimising their excessive dependence on sources outside local revenue. This background of the prevailing strengths and weaknesses of the ULA forms a basis to assess the feasibility of implementing urban low income shelter programs through the ULAs.

3.1. Local-Central Interdependence

The Public Sector institutional setting in itself, whether it be developed or developing countries, has growing concerns over the viability of local government and the need for review of division and sharing of three important aspects -- responsibilities, authority and resource base. While the central government recognises the need for entrusting development activities to decentralised agencies there is a need to exercise public policy influence on the local government institutions. This relationship has been seen more as an intervention in local autonomy than a matter of policy co-ordination. On the other hand, the local government institutions are financially dependent on the central government sources even for their recurrent expenditure. This deterioration of self reliance, on the part of Local Government has severely weakened its position in terms of a bargaining power with the Central Government and has, instead led to formal intervention by the Central Government in the affairs of the Local Government. This inter-relationship has made a high degree

of monitoring by the central government inevitable. At times the local council has been dissolved bringing the local management directly under the control of the central government. For a healthy central-local relationship, the inter-dependence has to be financially and politically efficient. Experiences in Central-Local relations show a series of disputes and supports arising from the share of power and responsibilities.

3.2. Typical Organisation of the Urban Local Authority (ULA)

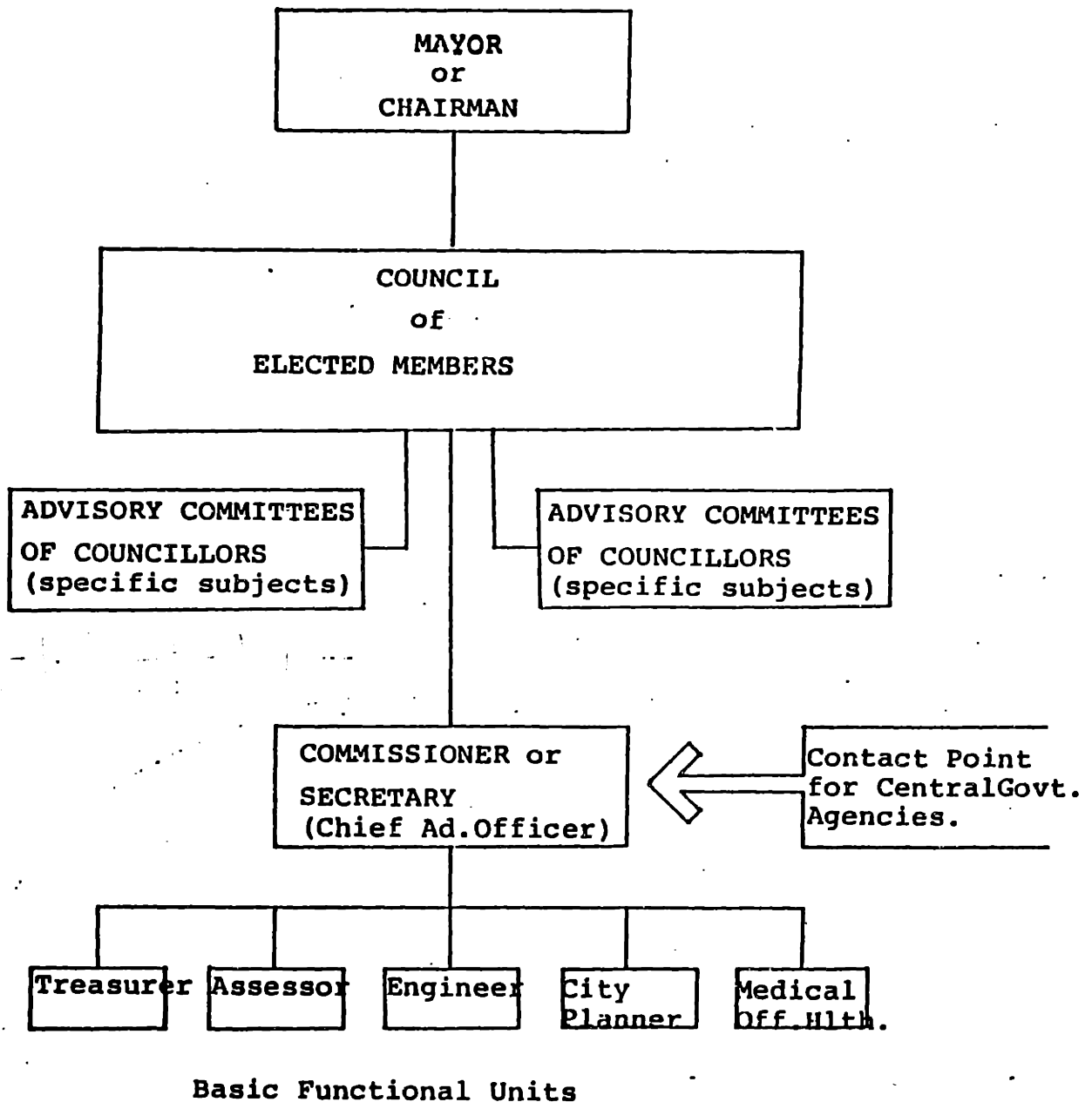
A ULA is a corporate managerial body composed of an elected council of Local representatives and an Administrative Body of public officials. Functions of the ULA are limited to the geographical area of authority. The nature and extent of central-local relationships including the source of finance are specified by the relevant local authority legislation -- the Municipal Councils Ordinance and the Urban Councils Ordinance. There are other legislative acts such as Housing and Town Improvement Ordinance, Motor Vehicles Licensing Ordinance etc., which by implication assign a variety of functions relating to the physical and socio-economic development of the local area. Local Representatives of the council are elected through popular vote cast in favor of political parties as permitted under country's Local Government Elections Law. In view of this political process of electing the council, deciding on policy issues, approving investment budgets etc., the local government institutions in Sri Lanka, play a strategic role in Public Sector Policy making. The administration of the local government is the task of public officials, recruited by the Central Government for Local

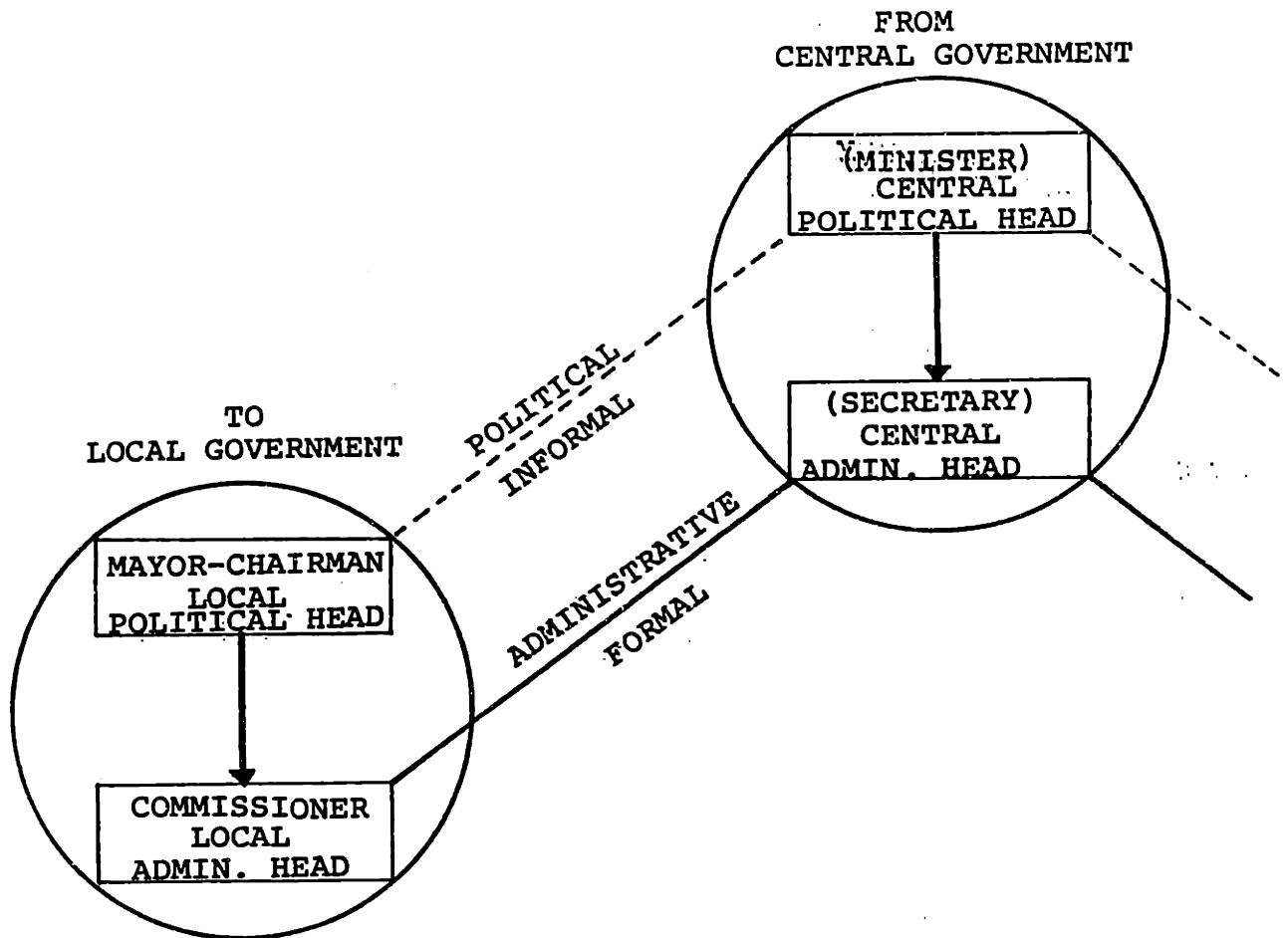
Government Service. The Local Government Service has become part of Central Administrative Service with no differentiation in salaries and benefits to the staff. Nevertheless the relative attractiveness of this service is lower than that of the Central Administrative Service and excepting key municipal positions of major towns, seldom one finds the service attractive in terms of professional stature. The management structure of the UIA corresponds to the major activities -- Finance, Valuation, Civil Works - Physical Planning and Public Health. Considering the Policy making process within the Council of Elected Members and the administrative process involving the routine activities, the management structure can be illustrated as in Fig. 3. The relationship between key positions at the Central and from the Local levels can be indicated as in Fig. 4. with the Commissioner of the Municipal Council responsible to carry out instructions from the Central Government Official - the Secretary and the Local head, who is an elected political member. As an administrative officer, the Commissioner has to carry out the instructions from the Secretary to the Ministry of Local Government even in matters not agreeable to the Local political head - the Mayor or Chairman. This situation places the local official in a quandry when policy decisions are disputed between Central and Local Governments.

3.3. Public Policy context of National-Local development in Sri Lanka.

Public Sector institutions in Sri Lanka belong to either the

Fig.3 TYPICAL ORGANISATION OF URBAN LOCAL AUTHORITY





The lines of authority between the Central and Local Governments place the officials in a predicament created by different directives given by the central government. With regard to enforcement of a new water tax the local political head has had informal consultations with the political head from the central government and received approval for delaying action. At the same time, the administrative head from the central government has instructed that the commissioner should levy the new water tax beginning from next quarter as demanded by the Bank. At the local level the Chief administrative officer is often placed between contradictory instructions until the political heads reach a consensus.

Fig. 4. CENTRAL-LOCAL LINES OF AUTHORITY

Central Government or the Local Government. The Apex of the Local Government Institutions is the Ministry of Local Government. This Ministry holds a strategic public policy position in Sri Lanka in view of its political impact on community through local development activities. While the ministry has its independent structure, historically it has been grouped with Ministries of related functions. Such groupings vary based on the views of the party in power. For example,

- a) During the period 1971-1975 Ministry of Local Governments
- b) -----"----- 1975-1976 Ministry of Public Administration,
Local Government & Home Affairs
- c) -----"----- 1977-1981 Ministry of Local Government,
Housing and Construction

As can be seen in the grouping during different periods, the trends in the activities carried more emphasis on administration or implementation. The current grouping, ie., Local Government, Housing and Construction offers the advantage of integrating major physical development programs with the managerial activities of the Local Government.

3.3.1 Main Functions of Urban Local Authorities.

The principal functions of the ULA continue to be those for which the system of Local Government was established in Sri Lanka, such as Public Health Services, construction and maintenance of public utilities etc. To support the service functions, the ULAs were empowered to raise local revenue the property tax - the prime source of ULA revenue even today. Since designating this revenue

source, there has been no other major revenue source locally generated by the ULA. This limited nature of revenue source has been one of its serious constraints.

The scope and resource base of the ULA, remain almost the same as defined in the following legislation.

1. Municipal Councils Ordinance No. 29 of 1947
2. Urban Councils Ordinance No. 61 of 1939

3.3.2 Municipal Councils

The current version of these enactments date back 40 years and their provisions have been modified frequently since then. The functions assigned to the Municipal Council are:

1. Establishing and maintaining the following public services.
 - a: Water Supply
 - b: Street Lighting
 - c: Waste removal
 - d: Provision of Markets
2. Enforcement of physical development plan for the city beginning with any habitable built-up structure.
3. Assessment and collection of property taxes and levy of fees for specific services.
3. Any other function decided by the council within the provisions of the legislation and/or as directed by the Minister of Local Government. (1)

3.3.3. Urban Councils

The key functions of the Urban Councils are:

- 1) Regulation, control and administration of all matters relating

to public health, public utility services and public thoroughfares.

2) Protection and promotion of comfort, convenience and welfare of the people and the amenities of the town. (2)

Other legislation which by implication, assign functions to the ULA are mainly in relation to

1. Physical Planning
2. Collection of Taxes and Licensing Fees.
3. Delivery of Services
4. Prevention of hazards and nuisances

For example,

- a: Town and Country Planning Ordinance
- b: Housing and Town Improvement Ordinance

3.4. Co-ordination between Central and Local Governments

While the Ministry of Local Government functions as the policy making body in the national context, a separate agency under the Ministry -- the Department of Local Government functions as the national co-ordinating agency of all the Local Authorities. The functions of the Department are in relation to the accountability of the Local Government Institutions in terms of their legitimate functions and resource mobilisation. In this context, the functions of the Department of Local Government are as follows:

1. Performance monitoring of activities of the ULA especially Budgeting, Accountability and enforcement of By-Laws with regard to local functions etc.

Fig. 5 Examples of Central-Local Functional Relationships

I. Technical matters and Public Utility Services

AGENCY	MAIN FUNCTION	RELATIONSHIP WITH U.L.A.
1. Ceylon Electricity Board	Laying of supply grid and supply of electricity	Street lights Co-ordination of Infra structure
2. Dept. of Highways	Construction of highways	Construction, improvement and maintenance of designated roads.
3. National water supply and drainage Board	Construction and provision of water supply lines and Drainage infrastructure	Selected water supply and Drainage lines
4. Dept. of Town and Country Planning	Assistance in planning and implementing development schemes	Implementation of scheme under two ordinances: Housing & Town Improvement Town & Country Planning
5. Urban Development Authority	Preparation and implementation of Urban Development Projects	Collaboration with the UDA in planning and development functions
6. Central Transport Board	Public transport	Traffic co-ordination and parking facilities

II. Financial matters

7. Local Loans and Development Fund	Loans to Local Authorities	Loans and Debt servicing
8. Ministry of Finance and Planning	Finances and tax benefits	Budgetary allocations and Grants

III. Administrative matters

9. Dept. of Local Government	Co-ordination between Central and Local Governments	Co-ordination
10. Dept. of Local Government Service	Appointment and management of Local Govt. personnel	Staff requirements

2. Corrective actions as deemed by policy of Central Government.
3. Co-ordination and processing in matters of Taxation and Funding.
4. Manpower support and institutional development through training and information.

To carry out the functions among the ULAs spread countrywide, there are Asst. Commissioners of Local Government in different districts of the country. Between National and Local Levels, the District based Asst. Commissioners are able to co-ordinate the different activities of government agencies in relation to the programs of Local Government.

The present arrangement for co-ordination is administrative in scope and is solely a procedural intermediary of relaying the messages between local and national agencies. Political considerations are extra-official which as previously highlighted through Fig. 4, place the chief administrative officer to take a cautious path in decision making without exposing to career risk. The limited scope of this administrative function is one of the reasons for the lack of any responsive action from ULAs with regard to development issues outside those conventionally carried out.

3.5. Central-Local financial relationships

Urban Local Authorities are primarily dependent on the revenue they can generate, mainly Taxes and Fees, as empowered by the provisions of the legislation. Based on the revenue, they are expected to devise their annual investment program. The scope of

financing remained essentially tax-based and with the increasing volume of functions, the ULAs very much like their counterparts in other countries have not been able to keep their revenue levels on par with the expenditure. Any ULA with a serious fiscal dependence on the Central Government justifies the intervention by the center. This situation has led to the following fiscal issues that affect the success of urban management.

- 1) Increasing scope of functions and their expenditure
- 2) Relatively stagnant revenue levels
- 3) Identification of additional revenue sources
- 4) Creating efficient Budgetary process

3.5.1 Sources of finances

The sources can be broadly categorised into Central and Local sources.

1. Local Sources:

Local sources of finances, accessible to a ULA are specified in the respective Local Government Ordinances. The sources are:

- a: Property Taxation
- b: Rates and fees payable for services rendered by the ULA
- c: Other forms of taxation -For ex: Tax on Entertainment, Animals etc.
- d: License Fees

2. Central Sources

The central government finances have been bridging the revenue gap in the Annual Budgets of the ULA and this resource flow has been a major factor in the continuing intervention by the Central Government in the affairs of the Local Government. The sources

from the central government are:

- a. Loans
- b. Grants
- c. Financial allocation from Member of Parliament.

Any ULA is also part of a electoral area of the Member of Parliament (MP). Annually, every MP is allocated with a sum of money for capital works in his electorate. Through this financial support system of the MP, the ULA is able to receive certain amount of funds for capital works.

As the annual budgeting proposals are underway the ULA management both through political and administrative channels, explores the ways of maximising the amount of these three forms of assistance to make a balanced budget.

3.5.2 Expenditure of the ULA in relation to the Annual Public Investment Program

As can be seen from Table VI the annual expenditure of the ULA forms a mere 3-5 % of the National Public Investment Program. This may give a relatively low significance to the financial situation of the ULA, but the critical factor for concern is the increasing degree of dependency on the central sources and poor performances in cost recovery. The financial situation in fifty ULAs has been summarised in the recent Urban Sector Study by the World Bank as follows:

- a) a higher proportion of recurrent to capital expenditure, following the recent dramatic increases in electricity tariffs charged by the Ceylon Electricity Board.

TABLE VI. URBAN AUTHORITIES' EXPENDITURE IN THE NATIONAL CONTEXT

EXPENDITURE	ACTUAL 1977		ACTUAL 1979		ESTIMATE 1982		PROJECTN.1987	
	Amount	%	Amount	%	Amount	%	Amount	%
o Recurrent	185	84	283	75	571	83	1047	77
o Capital	35	16	94	25	118	17	304	23
o Total	220	100	377	100	689	100	1351	100
FINANCED FROM								
Internal sources of finance								
o Fees and Charges	88	40	106	29	311	45	529	39
o Local Taxes	97	44	108	29	182	26	244	18
o Total	185	84	216	58	493	71	773	57
External sources of finance								
o Total (int + ext)	35	16	161	42	196	29	578	43
o Total (int + ext)	220	100	377	100	689	100	1351	100
Government Grants	49	22	108	29	245	36	326	24
Borrowing from LLDF	N.A.		12		N.A.		N.A.	

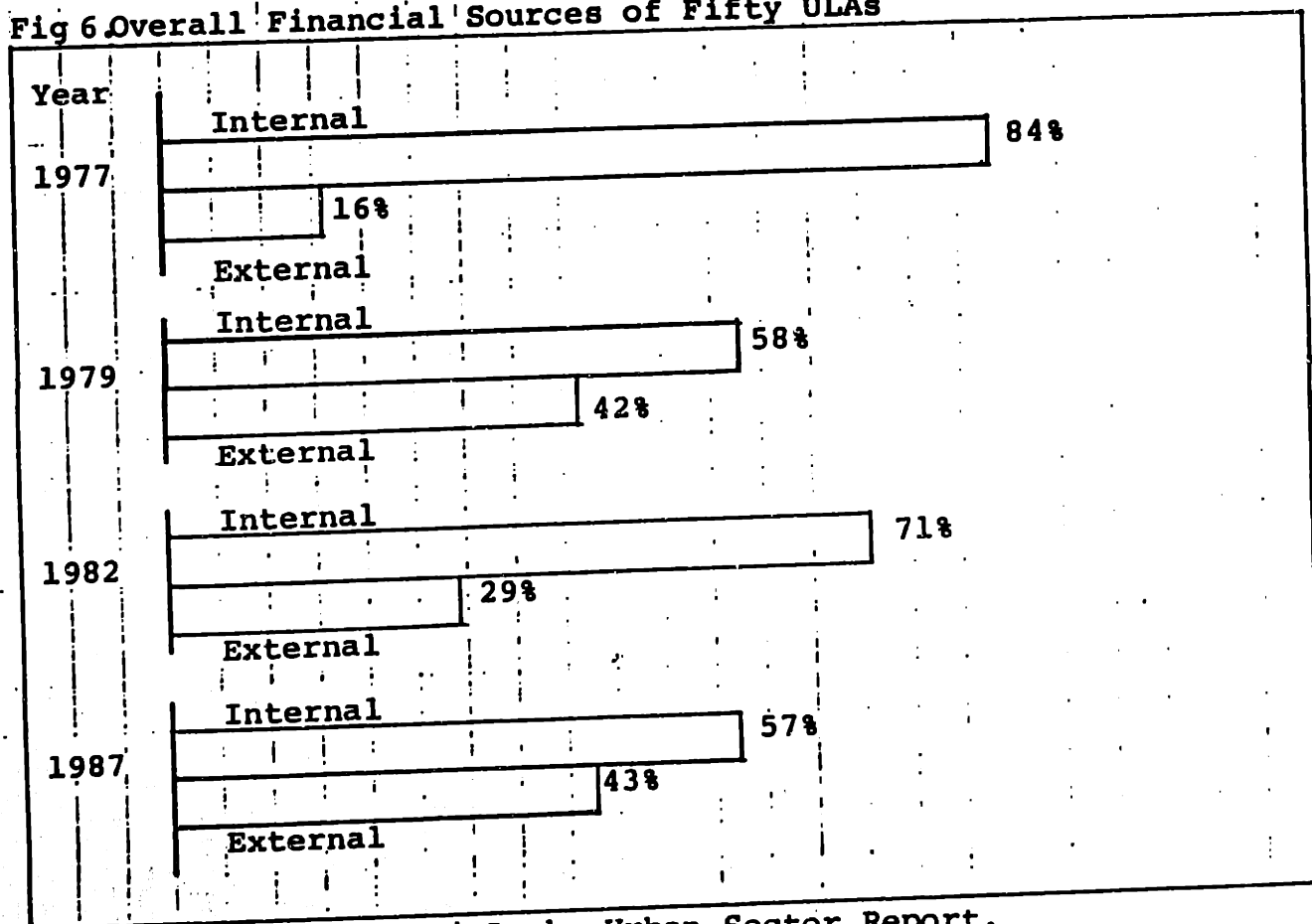
o Amounts are in Million Rupees.

o one US \$ = 27.50 Rupees

o N.A. not available

Source: World Bank, Sri Lanka Urban Sector Report.

Fig 6 Overall Financial Sources of Fifty ULAs



Source: World Bank, Sri Lanka Urban Sector Report.

TABLE VI RELATIVE SIZE OF GRANTS COMPARED WITH LOCAL TAXES

	LOCAL TAXES				REVENUE GRANTS					
	TOTAL*	PER CAP	TOTAL*	PER CAP	TOTAL*	PER CAP	TOTAL*	PER CAP	% of	% of
	1977	1977	1982	1982	1977	1977	1982	1982	Tax '77	Tax '82
1. Colombo M.C.	59.6	102	127.8	218	13.8	24	95.1	162	24	74
2. Other ULAs	37.6	24	54.4	34	31.3	20	88.4	55	83	162
3. TOTAL	97.2	45	182.1	84	45.1	21	183.5	84	47	100

Source: World Bank, Sri Lanka Urban Sector Report.

NOTE:

- Totals are in Rupees Million
- PER CAP (CAPITA) in Rupees
- One US \$ = 27.5 Rupees.

- b) a serious decline in the proportion of expenditure financed from local taxation.
- c) a reversal in 1982 of the decline in fees and charges, as a proportion of expenditure, resulting from increases in electricity tariffs; and
- d) an increasing need for external financial support and its provision through Government of Sri Lanka grants. (1)

Fig. 6. shows a fluctuating trend in Internal-External resource dependence of the ULA and in the recent years, an increasing flow from the central sources. In ULA's defence two important trends in the financing of development work can be highlighted.

- a) The cost of services per capita has been steadily rising.
- b) The local revenue mobilisation has been remaining on the same level with no efforts for revision of the property values. Central Government approval is needed for revision by ULA.

During 1978, for reasons of creating popular impact among local population, instructions were given by the Central Government that the mandatory revision of tax base every five years need not be made as the residents are not adequately serviced by the ULAs. Such an intervention by the Central Government, i.e., Ministry of Local Government was possible owing to the statutory requirement that all policy decisions on tax matters should receive the approval of the Central Government. For this purpose Local Authorities (Revision of Assessments and Reduction of Rates Act, No.57 of 1979) was passed in the Parliament the objective being "to amend the law relating to Local Authorities to provide for the revision of assessment of Annual Value of Properties of Local Authorities only in instances where the Minister so directs, to empower the Minister to authorise the waiver or reduction of Rates in certain circumstances, and to provide for matters connected therewith or incidental thereto." (4)

Backed by such a retrograde step, the tax payers within the ULA offered further resistance towards revenue collection. Such a

trend has reached a dismal situation as recently reported on the resource level of the ULAs. (World Bank Report)

- a) Fixed asset levels are very low except in two ULAs
- b) Uncollected revenue is excessive, especially cost recovery for public utilities
- c) Grants from the center, have become more significant source of revenue than local taxation - reversing a healthy situation in 1977.

3.6. Areas for better financial performance

One of the efficiency issues associated with the ULAs has been their performance in cost recovery. Cost recovery in the delivery of basic services, especially water supply and electricity, has been very poor, owing to a long history of free public welfare services provided by the government including basic amenities. Efforts to introduce cost recovery mechanisms have received political resistance though some degree of progress has been made in case of water supply. For electricity, cost recovery was in operation for a long period of time but the agencies for collection - the local authorities were not effective. A short period of improvement in cost recovery for 1982-83 was due to stiff tariffs imposed in the case of defaulting consumers. With regard to water supply, however, procedure for cost recovery has been introduced on a large scale inspite of political resistances. The issue of cost recovery of basic services, however, remains a sensitive area in a country dependent on fluctuating political fortunes.

3.6.1. Allocation of Grants

A conventional source for the ULA to fall back on has been the Revenue Grant from the Central Government, the allocation of which has not been related to any system of rewards based on performance. The revenue grants have shown a sharp increase in recent years.

Year	-	1977	1981	1982	1983
Amount	-	78m	156m	282m	352m

In certain circumstances the grants, considered as a matching grant to supplement the local resources, were allocated independent of the local tax levels of the ULA. Smaller ULAs were able to obtain higher grants on a political consideration and continue to evade any effective performance in local taxation.

The circumstances created by the inappropriate basis for the allocation of grants are summarised in Table VII.

"The above table demonstrates a very unsatisfactory trend in the financing of urban local governments. Whereas in 1977 revenue grants represented 47% of local taxes, by 1982 this has increased to 100% of local taxes. Local Authority financial projections through 1987 indicate a continuation of this percentage relationship between local taxes and revenue grants. This seems unrealistic : current expenditure is forecast to increase in the next five years from Rs. 371 million in 1982 to Rs. 1047 million in 1987. As revenue grants are highly geared to employee costs, which generally increase more rapidly, the proportion of grant

aid to local rates would increase." (5)

3.7.2 Cost recovery for services

A persisting problem of the ULAs has been the poor cost recovery often endangering re-investment prospects in critical infrastructure development. The situation can be illustrated with reference to the cost recovery on electricity as managed by 44 ULAs in Sri Lanka. The ULAs are provided a bulk supply of electricity to be retailed to the consumers and manage the distribution at the local level. The management of the billing system for consumers has raised serious constraints in the continuation of the services. In 1982, the ULAs were obliged to pay Rs. 231 million as uncollected consumer payments. In certain ULAs, the collection has been extremely slack in that the amounts payable involved 9 - 11 months of billing. The situation has a two-fold effect.

- a) Gradual breakdown of discipline in repayment for other services
- b) Escalation of the amount of grants from central government as payment to the Ceylon Electricity Board in lieu of default by ULAs.

3.8. The Rationale for performance improvement

In the light of underutilised local resource base and growing demand for basic services, the role of the ULAs has assumed much greater significance. It is also evident that the non-delivery of services have an effect on costs incurred by way of curative

measures. The need for establishing an effective delivery of basic services at local level has therefore become imperative. The preparatory steps for performance improvement are now underway and such a program offers additional opportunities to implement community based development programs through ULAs. In this context, the formulation and implementation of Urban Low Income shelter program in Sri Lanka through the existing framework of ULAs deserves examination. The impact of such a program and the likelihood of sustaining the impact through an efficient management at the urban level depends to a great extent, as has been learnt by doing, on the management capacity of urban local authorities.

Notes:

1. Municipal Councils Ordinance.
2. Urban Councils Ordinance.
3. World Bank, Sri Lanka Urban Sector Report, Report No. 4640 CE
World Bank, Washington, 1984 p. 32
4. Government of Sri Lanka, Local Authorities (Revisions of Assessment and Reduction of Rates) Act, No. 57 of 1979.

CHAPTER 4

4.0. Scope and Purpose of Urban Low Income Shelter Programs in Sri Lanka.

Public sector intervention in housing evolved in Sri Lanka as a function of Urban Local authorities which were expected, as one of their tasks, to clear the slums and also keep the town clean. Such a beginning of public housing through urban local governments has taken different directions by way of new central government institutions and specific programs. The course of this development and the changing role of urban local government with regard to housing are described in this chapter.

4.1. Background of Public Sector Housing Program In Sri Lanka.

As a public sector intervention, Town Planning preceded Housing by way of the Housing and Town Improvement Ordinance enacted in the year 1915 which incorporated the following:

- a) Legislative Provisions
- b) Institutional Structure
- c) Financial Provisions

This was necessary with the emergence of built-up areas where certain basic standards of sanitation and physical planning had to be enforced. The aspect of housing referred to in this legislation is mainly physical planning in scope and provisions the enforcement of standards at the local level was carried out by the Sanitary Boards, the predecessor to Urban Local Authority. As the scope of development in the emerging towns required larger managerial arrangements and specific technical procedures, the Sanitary Boards were upgraded either to Urban Councils or

Municipal Councils. In addition to technical procedures the Housing and Town Improvement Ordinance of 1915 incorporated the standards to be observed in the construction of houses and planning of neighborhoods. For this technical function, the Department of Town and Country Planning was created in 1915 with an advisory function to the local authorities.

The function of the ULAs, with regard to housing was regulatory in nature and in the process of enforcing action against insanitary housing, the Local Authorities did not render the families homeless. Some provision of alternative accommodation had to be made by the local government. With this concern Urban Local Authorities commenced Slum Clearance Programs for which funds were provided by the central government and the technical assistance was provided by the Department of Town and Country Planning. As evident from this arrangement housing had an origin that integrated physical planning and local management with the provision of housing for low income groups who were otherwise living in insanitary shelters.

2. Housing and Loan Boards.

Having assigned the public sector housing task and the enforcement of Rent Restriction Act of 1942 to Local Authorities, the central government created Housing and Loan Boards to offset the restrictions imposed by rent restrictions on the private sector housing by way of financing support.

"The object of the Housing Loans Act of 1949 was the promotion of private housing. It set up a Housing Loan Fund administered by a

Housing Loan Board consisting of the Secretary to the Treasury as Chairman, the Commissioner of Local Government and representatives from the Attorney General's Department, the Town and Country Planning Department and the Co-operative Department. The Board was empowered to grant loans to companies, co-operative societies and to associations of individuals or to individuals proposing to execute a housing scheme or to supply building materials for the execution of housing schemes. (1)

As for the ULAs the nature of projects approved by the Boards was mainly small-scale housing schemes, popularly titled as 'slum clearance projects'. This system of carrying out housing schemes through the local authorities continued until 1950 when concerns were raised for increasing the extent of projects and funding arrangements. As a consequence the National Housing Fund was established in 1954 under the authority of National Housing Act of 1954 which consolidated the functions of housing under a Commissioner of National Housing incorporating the functions of Housing and Loan Boards. (2)

2. National Housing Act and Public Sector Institutional Development.

With the National Housing Act, the Department of National Housing, was entrusted with the following functions.

1. Raise loans;
2. Grant loans to Building Societies, Co-operative societies, Housing Bodies and to individuals;
3. Incorporate Building Societies and to organise Housing Bodies

consisting of persons associated in building and providing the necessary infrastructure facilities;

4. Carry on housing objective of the Government; and

5. Acquire land for housing objects. (3)

From 1955-1977, the institutional development was based on these functions with greater emphasis on some of them which the government considered more significant than the others. For example, the period 1971-77 marked a phase of strengthening the Regulatory provisions such as Rent Act which was found inadequate in controlling the landlords. The Protection of Tenants Act of 1972 was enacted to give additional protection to tenants who were otherwise harassed by the landlords.

3. Major Housing Strategies

For a long period of time, the public sector housing strategies were confined to two types:

1) Construction of housing units by the state

2) Disbursement of loans by the Department of National Housing.

During 1971-77 there was a brief history of encouraging co-operative societies to undertake collective housing, which however, did not last long owing to

a) Problems of land allocation

b) Poor management of the scheme

The co-operative societies were entitled to obtain land at concessionary prices and the societies invariably lasted only until the lands were transferred to the allottees. Considering the two major strategies, the performance has been dismal and only a

small percentage of additions for the housing stock can be attributed to public sector efforts.

4.2. Different perceptions and changing approaches of the same problem.

1. Conventional Public Housing under National Housing Act and slum clearance projects under Housing and Town Improvement Schemes.

For a long period the public sector housing focussed on formal planning units, often in multi-storey blocks. This approach can be attributed largely to the lack of any socio-economic focus in diagnosing the problem. The response was merely architectural and was related to the amounts of funds allocated in the Budget of the Commissioner of National Housing. The types of schemes, though geographically scattered, conformed to the standard designs and their implementation depended on the political pressures of the local sponsor, usually a Member of Parliament. At the same time, low income residential areas were identified for 'slum clearance' by the Department of Town and Country Planning, which had developed a set of standard 'low cost schemes' for different cost parameters. When projects were considered for implementation, the most important consideration was the completion of the construction work leaving the major considerations of cost recovery, maintenance etc., to remain secondary.

2. Government Flats for the urban poor and self-help houses for the rural poor.

Any significant change in integrating the concept of self-help took place during 1971-1977 period of the government: which perhaps motivated by the popular support of the rural masses, embarked on a program that mobilised the rural groups. One of the significant contributions made by the otherwise low productive period of 1971-77, is the introduction of Aided Self Help Housing for the rural poor who were allocated land and material. With the technical advice of the field staff of government agencies such as Buildings Departments, communities in several villages built their own schemes which however, did not have any significant arrangement for cost recovery and maintenance. While Self Help was recognised for the rural sector, the urban sector had direct construction programs of rental housing which did not meet any affordability criteria. The urban poor, in this context, had a better deal from the government in the form of a very high subsidy while their rural counterparts had a comparatively low subsidy. Considering the outcome, the rural Aided Self Help programs achieved far better results at much lower costs to the government. Besides, the rural program had active community participation. In spite of the advantages of self help, the existence of more attractive options of direct construction made a greater demand for schemes completed by the government which was seen as a provider. The act of providing housing was considered a matter of high priority inspite of low

economic status of the beneficiaries whose priority may not have been housing.

3. Socialisation of Surplus Property.

The period 1971-77 may be termed a socialisation phase in the contemporary development of Sri Lanka. Most significant steps in public sector intervention of housing development and agriculture were taken in the form of nationalisation of surplus agricultural land and surplus urban housing property. These two steps depressed the private sector housing construction and placed a wrong regulatory emphasis on public sector intervention. By enacting, for example, Ceiling on Housing Property Law, only a specific number of houses were permitted to be owned by households and the surplus was acquired by the government. Such interventions seriously hampered the private sector initiative and laid, more or less, the entire burden of housing on the public sector.

4. Direct construction and selective distribution.

At the end of 1971-77, the socialisation phase was succeeded by a liberalisation phase by a new government committed to revive production in all major sectors and to revitalise the private sector. The regulatory phase had produced a very low public sector performance and the new Minister of Housing intended to create a major impact in the housing sector. The Ministry of Housing was placed under the Minister also in charge of the Ministry of Local Government and Construction. This situation encouraged an integrated action to promote housing, bringing the

construction agencies and the institutions under the Ministry of Local Government to participate in the program. The Ministry of Local Government, Housing and Construction thus embarked upon a 100,000 houses program to be implemented for a five-year period 1977-82. The 100,000 houses were categorised under the following sub programs:

1. Aided Self Help Housing for the Rural Areas - 50,000
2. Direct construction by the Government for the Urban areas
- 35,000
3. Loans Program - 15,000

A new agency was created to manage the entire implementation of the program in collaboration with other agencies especially the private contractors who had to resume construction - contracts after the preceding depression during 1970-77. The National Housing Development Authority established in 1978, went ahead with the program, through new managerial arrangements -- at both national and local levels.

4.3. Larger Program coverage and changes in management.

1. Lessons of preceding Five-Year Program.

The five year housing program from 1977-82, highlighted both the positive impacts on the community as well as specific shortcomings in the program. Major lessons were experienced with regard to:

1. High costs of the program especially unit costs which were 5 - 10 times more than what households could afford.
2. Lack of focus on and no differentiation of groups in need.

3. Incompatible design standards considering lifestyles and affordability.
4. Very poor cost recovery.
5. Little or no public participation.
6. No incentives for private sector housing.

One of the key constraints of continuing the 100,000 program is the very high cost. As identified by the Policy Committee on Housing, the Urban component, i.e., Direct Construction Program, can be characterised as follows:

"Why have the current housing programs, by and large, failed in providing housing solutions for different income groups? It is now widely accepted that especially the urban programs were found to be unaffordable by the poorer income groups. Very often the distinction between need and demand for housing does not appear to have been grasped adequately and therefore the excessively heavy subsidy burden on the State. ...In fact the urban program seems to be a classic instance of the failure of contractor built conventional public housing in Third World situations." (4)

The program did not adequately differentiate the target groups to focus on different 'solution types to suit different circumstances.' It was a near homogeneous income group that was targetted. More critically, the projects were of high design norms and incorporated amenities affordable only by higher income groups.

'Standards are generally very high with paved streets, sidewalks,

street lighting, individual water and electrical connections, piped sewer systems and extensive landscaping. Very low density (in spite of high land values) contributes to higher costs per unit...The cost for 425 sq. ft. (39.5 M) house is in the region of Rs. 100,000 or Rs. 230 per square foot. In the middle and the upper income category of housing, where the standards are higher, the cost per sq. ft. is very much higher. (5)

The Urban Program, excepting the slum and shanty program did not have any process of beneficiary participation and more often than not, considerations in allocation for low income groups included political sponsorship. The allocation of high cost units at low rentals made no sense in terms of cost recovery which in itself was very poor. Against a total public sector output of 2800 units during the previous five year period of 1972-77, (6) the 100,000 houses program created a record of unprecedented performance in shelter sector. It was also a record of heavy burden on the state mainly by way of subsidies. The next program of housing therefore, required to be framed on sound economic feasibility and to be implemented according to strategies appropriate for a developing country like Sri Lanka. By the end of 1982 preparatory studies for the next program and some degree of evaluation of the preceding program were available. With regard to the scope of the program to be pursued, the comments of PADCO Report appear most appropriate.

"The magnitude of the problem of housing, therefore, demands a completely new approach in the selection of strategies and

programs. The new housing policy should therefore:

- a) Be designed to increase the capacity of people to find their own solution to their problems of shelter;
- b) Be designed to maximise the benefits of investment that has been already made on the existing housing stock;
- c) Should cover public, private as well as informal sectors;
- d) Be viable and implementable;
- e) Be alive to political realities. (7)

4.4 Formulation of the current shelter program

The scope of the current shelter program has taken an entirely different form in almost every aspect, bringing the public sector into a 'support' role in the provision of housing. Two major strategies in the 100,000 program can be seen in a larger scale of implementation to reach the urban and rural poor.

- a) Aided Self Help Housing.
- b) Slum and Shanty upgrading.

The main focus of the current program is based on the elements that were part of the above strategies.

i) Aided Self Help

1. Provide Land and material assistance.
2. Make use of the local community organisation and the field level government offices.
3. Make beneficiary decide on the house types and participate in building.

ii) Slum and Shanty Upgrading

1. Provide basic services such as water supply

2. Offer security of tenure for land
3. Relax the standards for construction of houses and services
4. Incorporate the management potential of Urban Local Authorities and Non Governmental Organisations

iii) Integration of Local management institutions.

1. Gramodaya Mandala for the Rural Areas

(Literally -- Rural Re-awakening Societies). A collaborative arrangement between non-government and governmental organisation functioning in rural areas.

2. Urban Local Authorities.

4.5. The Management capacity of the NHDA

Apart from the evaluation of the strategies adopted, the management strengths and weaknesses of the National Housing Development Authority were also highlighted at the end of 100,000 program. The pyramidal hierarchy with centrally controlled instructions and guiding steps remained unsuitable for a community-based program. While rural housing incorporated self-help and collective effort, the housing units of the Urban Program were turned out by the building contractors commissioned by the NHDA and handed over to the allottee. Little consideration was given to planning aspects, especially in matters of land. Major management and planning requirements of the program, not well accomplished can be stated as follows:

1. Systematic identification of sites and settlements.
2. Incorporating basic urban planning considerations in the

formulation of the schemes, especially in matters such as appropriate use of land, environmental considerations, considerations of existing and required infrastructure.

3. Management of the project after occupancy, especially maintenance.
4. Arrangements for recovery of cost and follow-up measures in case of default.

While the NHDA was able to establish a country-wide network of branch offices and implement a series of projects, it was unable to effectively co-ordinate between field level agencies and the central offices to systematically carry out procedures in the housing process. The procedures involved the identification of land, preparation of appropriate designs, provision of infrastructure and amenities etc, most of which were responsibilities among different agencies.

Whether in the site selection or in the incorporation of infrastructure provisions, NHDA seldom consulted the ULAs which are responsible for planning approval and for the provision of off-site infrastructure. Instead, based on the decision of the NHDA, ULAs were often instructed to facilitate the work of NHDA and subsequently made responsible for maintenance of such housing schemes. Considering the several areas of co-ordination, the many facets of management in providing housing were not incorporated and instead the predominant concern was for 'completing and getting rid of the work.' It is with this background the role of the ULA to supplement the role of NHDA has been recognised.

4.6. Rationale for the participation of ULAs in Urban Shelter Programs.

1. Political Considerations.

The political character of the elected members of Local Government Administrations and their concerns to make use of the local development programs have been the motive for implementing projects through the ULA. Unfortunately such projects were very often costly projects intended for a visual impact as against an appropriate response towards a critical need. Such projects were identified to suit the impact needs of the political head of the local authority and to demonstrate to the people that the party can get things done. Within such an approach, the popular projects were public markets, playgrounds etc., and not projects of basic needs, not projects that could depend mostly on local resources, but projects that relied on loans and grants from the central government. This attitude of the local political heads, was mainly due to the lack of any basis for a balanced mix of projects - simple inexpensive projects for the poor and relatively expensive projects to be paid for by the better-off. The potential advantages of simple low cost project types, i.e. reaching many target groups were not recognised as alternatives to complex and expensive public markets. With the re-arrangements of the housing program and linking the implementation tasks to ULA, an alternative has been offered to the impact-conscious local leaders at affordable prices.

2. Physical Planning and Building Standards.

The conventional housing schemes did not utilise town planning considerations with regard to:

- a) Site selection
- b) Incorporation of existing infrastructure and social services
- c) Consideration of possible environmental impacts
- d) Alternatives to conventional standards to suit the affordability of low income groups.

These problems, experience showed, could be avoided by bringing in the relevant planning authority at local level to collaborate with NHDA.

3. Land and Infrastructure.

Several of the schemes experienced the consequences of wrong site selection. For example, some sites were of loose soil where the building structures developed uneven settlement. Certain other areas were low lying areas which formed part of flood catchment. The selection of the site was often prompted by existing public ownership of land, ease of acquisition or advantages of location in access to social amenities. In-depth technical feasibilities and relationship to basic environmental attributes of site were not adequately established. Consequently several occupants complained of flooding conditions, settlement of plinth areas etc.

Similarly, there were problems of lack of co-ordination with the major infrastructure managers of the city -- the Urban Local Authority; poor co-ordination in providing infrastructure that

has to fit into the existing grid or augmented capacities and compliance with the time schedule of city's augmentations plan. On the contrary, schemes were completed, house connections were made but the new supply lines of the city were not ready even after occupants moved in.

4. Valuation, tax collection and punitive measures.

The primary source of revenue of the ULA is the Real Estate Tax. Corresponding to the total value of the property, the relative affluence and creditworthiness of ULAs are determined in Sri Lanka. For this purpose as indicated in the organisation structure of a typical ULA, the valuation group plays a significant function. Considering the level of technical professionals employed by the ULAs, only the Colombo M.C. has its own capacity to carry out valuation of property. Other ULAs are dependent on the services of the central government agency --the Valuation Department which prepares the valuation reports. Such a centralised arrangement though time-consuming, maintains a fair and objective valuation base across the country. This valuation procedure continues to be used in the assessment of Local property development and value appreciation which determine the potential tax base of the ULA. The ULAs also maintain a system of tax collection periodically. According to Municipal Councils Ordinance, properties in default of tax payment are subject to foreclosure and large number of foreclosed properties have been vested with the Municipal Councils (similarly with the Urban Councils too). At present substantial portions of the city-wide

property ownership is with the ULA either through acquisition or foreclosure. The system of tax collection is a book-keeping facility at the local level and people make routine visits to make payment. All the ULAs in the country maintain the system which can be made use of for any other household based recovery purpose. Also important is to note that, punitive measures are taken by way of fiscal action, such as confiscation of movable goods etc., in case of defaults in payment. In matters of recovery the key issues are disciplined approach to record keeping and enforcement of sanctions against default to ensure effective cost recovery.

5. Maintenance of property and amenities.

ULAs employ the largest number of service laborers in a single agency. With different forms of mechanical and vehicular back-up, ULAs provide maintenance services. This makes the ULA, with its experiences and personnel, appropriate to undertake maintenance of building and amenities. Even though considered unsatisfactory the ULA is the only available framework to carry out maintenance functions at the city level.

6. ULA's formulation of By-laws.

Incorporating all the major functions, the ULAs formulate their own By-laws with the approval of the council. The council maintains a book on by-laws, which forms one of the guides for making and enforcing decisions made by the council. The ULAs' eligibility to formulate by-laws makes creation of project specific rules feasible. In development projects, therefore, the

need for a flexible but specific set of regulatory process can be carried out through the system of by-laws.

7. Cost recovery by the ULA.

Based on the aforementioned functions of the ULA and the existing institutional setting, it is feasible to entrust the task of cost recovery to the ULA. Even though there are political interventions, it is possible to recognise the characteristics of any local political power structure and accordingly make a pragmatic approach to achieve a satisfactory rate of recovery.

4.6. Policy Changes and Program Responses.

The year 1983 marked the commencement of a new housing program in Sri Lanka. Within the implementation period of 1984-89, the program has targetted one million houses to be reached through a support program based on financial loans to prospective house builders and to those intending to improve their housing. The strategy can be summarised as follows:

"One Million Houses Program has changed the direction of Public Sector housing investment in a very significant way. Two of its distinctive features are first, the recognition that housing investment must cover a wide range of housing needs and services which include but go beyond the construction of new housing units. It takes account also of the requirements of land and finance, skills training and technical advice. Second the program hopes to activate a broad-based process of community participation or mutual help and self-help for its implementation. In terms of cost-effectiveness, mode of

implementation, coverage of beneficiaries and flexibility, it avoids many of the shortcomings of the 1978-83 program. However, it will need to balance the different objectives in such a manner as to be able to add significantly to the housing stock and satisfy new housing demand. (8)

Notes:

- (1) Marga Institute, Housing in Sri Lanka, Marga Publications, Colombo, 1976. p. 16
- (2) Ibid, p. 171
- (3) Ibid, p. 171
- (4) PADCO, Meeting Housing Needs in Sri Lanka: A Strategy for the Future, USAID, Colombo, 1982.
- (5) World Bank, Sri Lanka: Urban Sector Report, Report No. 4640 - CE World Bank, Washington, 1984
- (6) Robson, David, Aided Self Help Housing In Sri Lanka, 1977 to 1982. Report of D.D.A., U.K. 1984, p. 43
- (7) PADCO, Ibid, p. 15
- (8) Marga Institute, Housing in Sri Lanka, Marga Publications Colombo, 1986. p. 168

CHAPTER 5

5.0 Operational arrangements for planning and implementation of low-income shelter programs by the ULA.

The components of the National Housing Program as outlined in the Million Houses Program and the strategies for implementation indicate a clear departure from the conventional public sector housing programs especially on such a large scale. The strategy for implementation that brings the government agencies in a support role as against a provider role, places the ULA in a new position of planning, implementing and also managing the projects. There are also other government agencies participating at National and local levels in an effort to mobilise adequate inputs for the program. This chapter describes the operational arrangement, especially those in relation to the ULA. Two important policy documents provide the basic information.

- i. Urban Shelter Policy - Part I, Low Income Housing
- ii. A Guide to the Urban Housing Sub Program for low income groups.

5.1. Basic Components of the Program.

The scope of the new program is also a new definition of the role of Public Sector in the provision of housing. The new approach is a package of assistance types, including sites and services, to help building new houses and also in upgrading. The package is a combination of loan and technical guidance compatible with the affordability of the user. For details see Appendix II.

5.2. Key participating agencies and co-ordination.

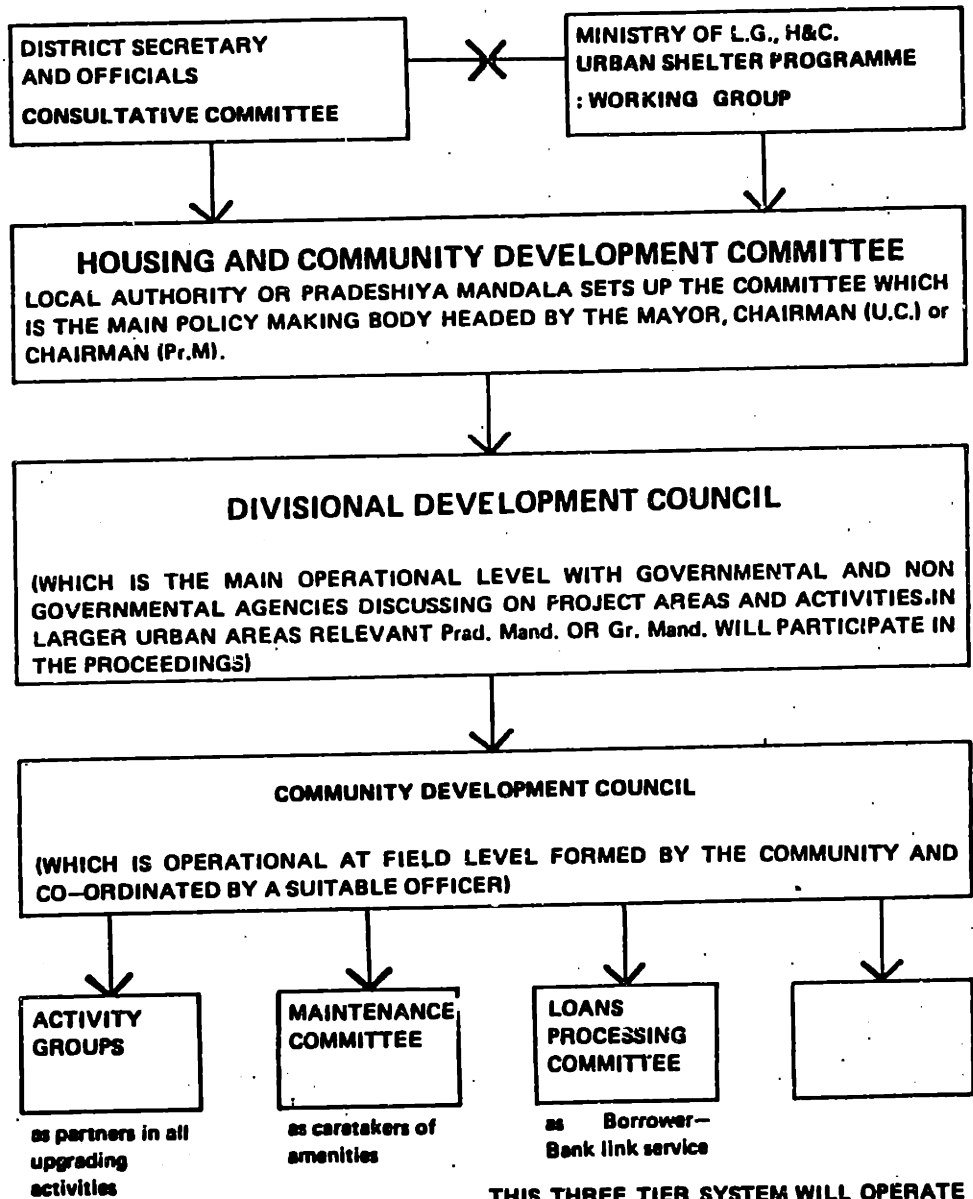
"The low income shelter program will entail a very important decentralised process bringing the local government system into a

pivotal operational role. Upgrading schemes for example will be integrated with social promotion and skill development activities and the potential technical skills of the local authorities will prove advantageous." (1)

The reasons for assigning ULA a major role in shelter programs are several, mainly their project operational functions, such as maintenance, and also functions like physical planning which has a close relationship with land for low income settlement. The previous housing program indicated the need for a local agency for planning and operational aspects working in close collaboration with the community. Considering the state sector in Sri Lanka, it is the ULA, that has necessary institutional framework and mandatory functions necessary to implement a shelter program on a large scale. While selecting the ULA for the role, it was also necessary to provide management guidelines for the identification, planning and implementation of shelter program jointly with the community. A community hierarchy has been proposed to link the community organisation with the formal organisation of the ULA. This is given in Fig. overleaf.

Intermediary levels between the ULA and the community when the geographical area of the ULA is quite large to be handled by the ULA are incorporated in the form of a Divisional Development Council, operating as an intermediary between the ULA and the community.

Fig 7. URBAN LOW INCOME SHELTER PROGRAM MANAGEMENT THROUGH ULA
PROGRAMME MANAGEMENT



THIS THREE TIER SYSTEM WILL OPERATE DEPENDING ON THE SIZE OF THE TOWN AND NUMBER OF A.G.A DIVISIONS AND ELECTORATES WITHIN THE TOWN. WHEN THIS NUMBER IS ONE, THE DIVISIONAL DEVELOPMENT COUNCIL WILL MERGE AND FUNCTION AS ONE COMMITTEE OF H & C.D.C.

5.2 Major issues in planning and implementation of shelter projects through the ULA

In taking on shelter projects according to non-conventional approaches, the ULA, shares major responsibilities at the local level in collaboration with the community groups. The major responsibilities associated with the program and the responsible agencies are indicated in Table VIII.

1. Planning and Selection.

The ULAs have been provided with an annual target number of houses to be reached based on a local selection process. While selecting it is also necessary to clarify several issues such as

1. Is the location suitable for upgrading?
2. Are there any other proposals for this site?
3. What is the existing and proposed levels of infrastructure?

These questions required simple but comprehensive physical planning criteria to ensure selection of appropriate locations. It was necessary to improve the planning capacity at the local level, where only a technical assistant has been in service for locating service or drawing a site plan.

2. Concentration of low income groups.

In any ULA the low income groups are not evenly distributed and often there are pockets of settlements in specific zones of the town. Such a concentration of low income groups has different political implications when projects are selected on the basis of the existing locations. A local political leader who sees the

TABLE VIII. MAJOR TASKS OF KEY AGENCIES

AGENCY	PROGRAM INPUTS
1. National Housing Development Authority	<ul style="list-style-type: none"> ● Program finances and guidelines for Loans and serviced sites ● National co-ordination
2. U.L.A. + Com. Dev. Com. of ULA assists.	<ul style="list-style-type: none"> ● Project identification for loans and serviced sites
3. U.L.A: Planning Comm. + UDA assists	<ul style="list-style-type: none"> ● Planning clearance of the selected site
4. U.L.A + Com. Dev. Com.	<ul style="list-style-type: none"> ● Recommendation of loans for applicants
5. N.H.D.A	<ul style="list-style-type: none"> ● Disbursement of loan installmt. ● Recovery of Loans
6. U.L.A.: Works Dept.	<ul style="list-style-type: none"> ● Formulation of Plans and norms for basic services
7. U.D.A.	<ul style="list-style-type: none"> ● Declaration of the area as a Spec. Proj. Area for relaxed standards. ● Technical Assistance
8. U.L.A. & N.H.D.A.	<ul style="list-style-type: none"> ● Technical Supervision of work ● Community Organisation
9. U.L.A.	<ul style="list-style-type: none"> ● Incorporation of the area in assessment schedule ● Continuation of Basic services

shelter program as a means of achieving certain social impact for a political benefit may not have any low income group within the zone. While selecting the projects because of their political impact, it has been necessary to choose them equally among the different zones and this poses problems of adopting reasonably uniform criteria. On the other hand, when low income groups have to be re-settled in another zone, it is often opposed by the receiving zone on the grounds that the burden of one zone is being transferred to another. This situation has led to the intervention of mediatory groups at the Mayor's level or from the central government in finalising relocation programs.

3. Comprehensive Development Planning

Considering the various support arrangements packaged by the Central Government Agencies to be implemented at the local level through the ULA, the scope of the program fits the requirements of the urban development planning approach with emphasis on community participation. The major planning issues that have surfaced in the initial years of implementation of the program highlight the need for three different functions to be co-ordinated at the local level.

1. Development Planning
2. Project management with greater efficiency on financial administration
3. Operational support

Considering the performance of ULAs in the recent past these three have been very weak and internal improvements and external

supports have to be provided by several Central Government agencies. For example, the lead agencies such as National Housing Development Authority and Department of Commissioner of Local Government have to be closely associated with the policy and operational aspects. Mechanisms to be adopted in this regard are discussed in Chapter 6.

4. Standards and norms for planning and building.

While identifying the low income groups in squatter housing as eligible households, the program recognises the squatter structure as yet another housing unit but one to be improved. This has not been the case with the formal planning and building procedures of the ULA which required the squatter structures to be demolished. The new program authorises what is considered unauthorised under the formal By-laws of ULA. This was however resolved by the policy directive from the central agency that all housing units on upgradable locations be considered for assistance. Similar to this situation was the need to recognise standards of new constructions and norms in amenities. For example a standard plot size of 450 sq. ft. is not permissible under the ULA requirement which is set at 1350 sq.ft. To deal with this situation it was necessary to seek the powers of Urban Development Authority which could authorise relaxation of standards for special project areas which also includes low income housing projects.

5. Technical skills at the ULA.

The ULA's technical staff have been attending to civil works

which did not provide experiences of working with communities. Even in matters of technical skills, the Technical Assistants have been trained in a very structured manner with little emphasis on creativity in providing appropriate technical skills for an effective participation in the housing program.

CHAPTER 6

6.0 The missing links in management

While the Shelter Program has reached its mid term of implementation 1984-89, a few links critical to the success of the program are not in place. It may be recalled that the weak management infrastructure for development programs is a reason for the difficulties in replicating projects on a larger scale. While the ULAs are seen as effective alternatives to central or parastatal public sector agencies in implementing current shelter programs, here again some of the vital arrangements to complete a more successful management systems among the public sector agencies are missing. Key issues in this regard are as follows:

- i. Loan recovery arrangements including community level recovery arrangement.
- ii. Integration of Central Government financing of shelter program with the ULA financing.
- iii. Maintenance of Amenities.

6.1. Targets reached

One of the immediate concerns in the current national shelter program is the magnitude implied in "one million houses" - a target very rarely planned for in the housing programs of a small developing country and to completed within a period of five years. Apart from a needs assessment in 1982 (see PADCO estimates in Table overleaf) there is no clear evidence for the "target one million". Moreover, the unit of enumeration to arrive at one million units are not housing units alone. It also includes all

TABLE I... ESTIMATED HOUSING NEEDS BY SECTOR

SECTOR	1983	1984	1985	1986	1987	1983-87 TOTAL	1988-92 TOTAL	1983-92 TOTAL
● URBAN								
1. New Demand	31,473	31,945	32,424	32,910	33,404	162,156	172,100	334,256
2. Replacement	5,290	5,391	5,493	5,597	5,703	27,474	30,000	57,474
3. Backlog	8,552	8,552	8,552	8,552	8,552	42,760	43,000	85,760
● URBAN ANNUAL NEEDS	45,315	45,888	46,469	47,059	47,659	232,390	245,100	477,490
● RURAL								
1. New Demand	61,035	62,255	63,500	64,770	66,066	317,626	343,811	661,437
2. Replacement	22,114	22,778	23,461	24,165	24,890	117,408	136,000	253,408
3. Backlog	12,055	12,055	12,055	12,055	12,055	60,275	60,000	120,275
● RURAL ANNUAL NEEDS	95,204	97,088	99,016	100,990	103,011	495,309	539,811	1035,120
● TOTAL NEEDS	140,519	142,976	145,485	148,049	150,670	727,699	784,911	1,512,610

SOURCE: PADCO Estimates (Sept. 1982)

prospective improvements to houses however small they may be. The million is in fact the number of loans to be disbursed for a variety of housing purposes including new construction and upgrading. There are also other housing uses eligible for the loans -- such as construction of a new toilet, extension of the room etc. In spite of this enumeration process, the very task of disbursing one million loan packages, administering them and recovering at least a fair proportion, remains a phenomenal task. It is in this context that the loan disbursement and recovery have to be evaluated for the program period and thereafter how effectively recovered.

Information for the first years are available mostly for the rural housing; the urban housing being fairly behind schedule. However, the pace of disbursement can be assessed from Table X.

6.2. Cost recovery

While loans have been reduced in amount to permit disbursement among many, the proportionate costs of recovering the amount have increased severalfold. Moreover, looking at the Repayment Records, though cost recovery has been laid down as a condition, the amounts recovered appear insignificant. It is necessary to review the program in two basic matters.

- i. To reduce the cost of managing the cost recovery process.
- ii. To maximise the amount of loans recovered through a well devised recovery schedule.

At present it is not possible to evaluate the costs of cost

	LOANS	LOANS	TOTAL
● DISBURSEMENTS			
1985 - Total Disbursements	38,460,750		38,460,750
1986 - Disbursements during October '86	476,550	7,998,123	8,474,673
1986 - Disbursements upto end October 1986 (cumulative)	10,749,250	15,618,488	26,367,738
1986 - Disbursements upto end Oct '86 as a % of '86 Budget	8.7%	37.1%	45.8%
● FAMILIES			
1986 - Families reached during Oct. '86	-	1,215	1,215
1986 - Families reached upto Oct.	7,584	8,426	16,010
1985 and 1986 - Families reached upto Oct. '86 (cumulative)	-	-	16,010
1986 - Families reached upto Oct. '86 as a % of target families	-	65.9%	65.9%
● COMPLETIONS			
1986 - Completions during Oct. '86	84	536	620
1986 - Completions upto October	5,177	2,075	7,252
1985 and 1986 - Completions upto end Oct. '86 (cumulative)	-	-	7,252
1985 and 1986 - Completions upto end Oct. '86 as a percentage as a percentage of the families reached	68.3	24.6	45.3

(amounts in Rupees)

● 1986 TOTAL BUDGET --- Rupees 123,000,000.

● 1986 TARGET FAMILIES -- 12792

One US \$ = 27.50 Rupees

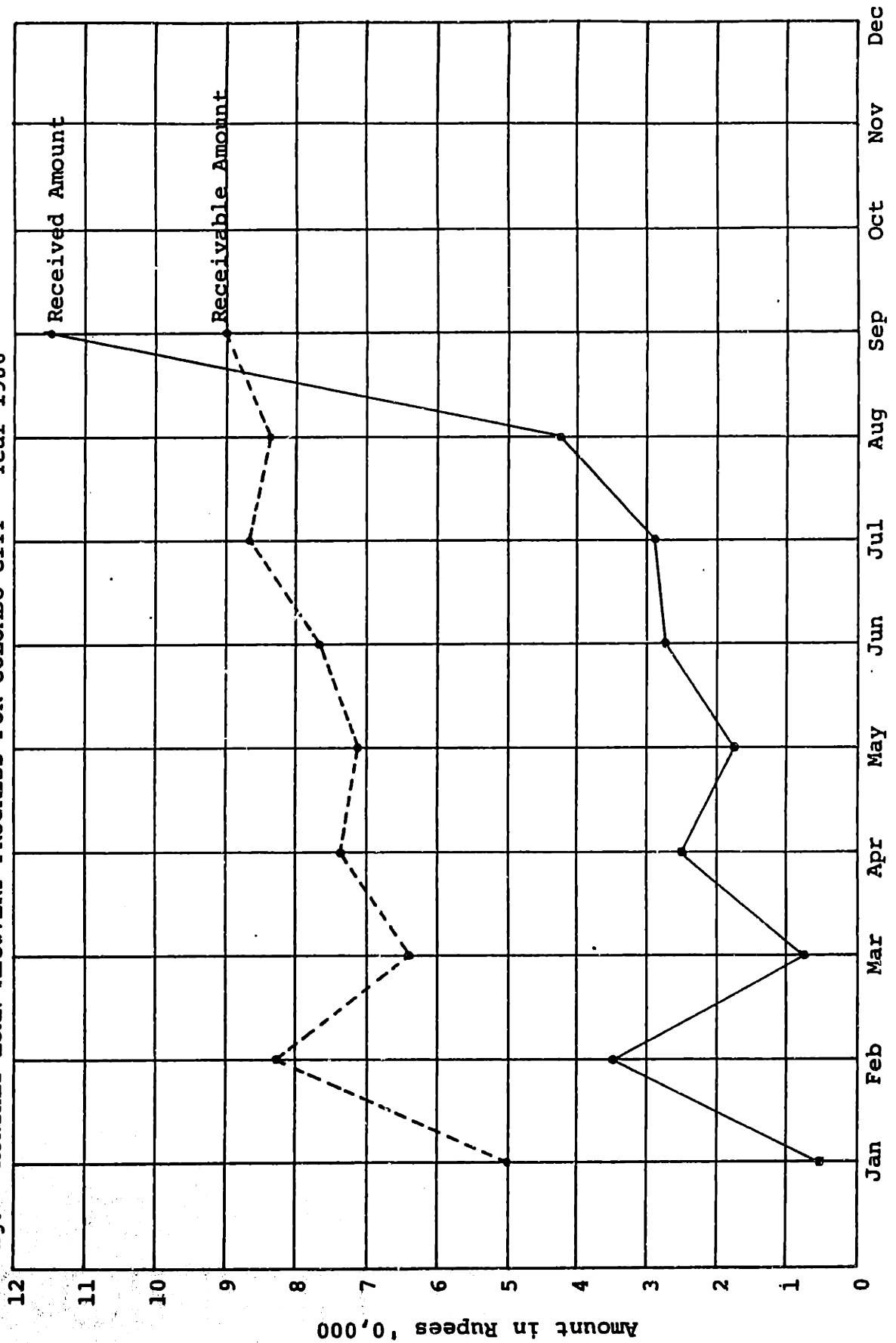
Source:

Monthly Progress Returns, NHDA.

TABLE X . URBAN HOUSING PROGRAM - PROGRESS UPTO OCT. 1986.

recovery. The trends in recovery can be however assessed for specific ULAs. The performance in the city of Colombo for the year 1986 forms a useful indicator. A fair percentage of the amount remains unrecovered each month until there is a sudden spurt of repayment in the last quarter of the year. This is presumably due to the relatively higher household expenditure during the First Quarter - a period when most of the annual household requirements are purchased and in the second for celebrations of the year during April. Often there is a tendency to default further, once payments have not been paid by deadline. The program has the weakness at critical points such as this. In spite of ambitious targets, early failures in cost recovery can lead to cut backs in the succeeding years. An important missing link has been the lack of mechanisms at the community level to exercise pressures over defaulting members of the community. Except for community measures and community sanctions it is very unlikely that formal bureaucratic pressures and efforts can succeed as they are prone to political interventions in favor of a defaulting borrower. It is this situation that brings to light the lack of integration of the financial management of the program. While the ULAs have the necessary legal provisions and experience in taking action against defaulters, the actions against default have to be vested with the ULA and be held responsible for the unrecovered loans. At present, the ULA only recommends prospective borrowers who have to then formally enter into agreements with the local office of the NHDA which functions

Fig. 8 MONTHLY LOAN RECOVERY PROGRESS FOR COLOMBO CITY - Year 1986



as a local housing bank. This tripartite relationship of ULA - Borrower - NHDA has to be made into an effective lender-borrower relationship with necessary corrective action against default. The community based loan disbursement mechanisms can be incorporated for greater viability of the scheme. Of late, the thrift Co-operative and Credit Societies active in some of the urban areas are being revitalised as useful community-based mechanisms but enormous improvements and replication in other project areas need to be done.

6.3. Maintenance of Amenities

An important consideration for the incorporation of ULA in the shelter program is its function of maintenance of property and services. While the ULAs are able to help disburse loans and provisions of infrastructure of projects, community responsibility in maintenance has not been organised enough connecting it with the city-wide services of the ULA. Formation of maintenance committees for example has not been part of the community level management arrangements. Unless the basic responsibilities are cast on the community organisation in a precise manner, i.e., Loan Processing Committee, Maintenance Group etc, it will not be able to sustain any qualitative change within the projects and before long in all probability, the schemes created under the program may be labelled as again insanitary.

6.4. Land

The million houses program has drastically simplified the procedures of implementation by restricting the role of the

Government to specific loan packages and serviced sales. A critical element not incorporated is land. Considering the capacity of low income groups and the prices at which land is available, it is very unlikely that households can obtain land on their own. In this regard, the program has relegated the land component, even in relation to new housing units. It appears necessary that almost all the target groups possess their own shelter structures and housing plots. Any newcomer to the city and those in need of land are given very low priority in the program except for a limited scale of sales and services. This may be attributed to a hurried concern for compiling a program that could account for 1.0 million units based on sample resource supports without dealing with a difficult problem of a more important resource - the land for the poor. Perhaps it may be more appropriate to offer only serviced lands as options with selective assistance in the form of loans when affordability is high enough.

Considering the extent of land available in the urban areas and the extent required for housing it is highly improbable that adequate analysis of land availability was done before establishing the target of one million.

6.5. The Private Sector

The National Shelter Program has devised several sub programs which are directed to different categories of income groups. The public sector, having taken direct involvement in the case of low income groups has not made adequate arrangements for the private

sector which can more effectively deal with higher income groups. Even within the low income housing programs there are components which could be assigned to the private sector, thus avoiding a build-up of public sector management.

6.6. Differentiation of urban and rural composition of 1 million houses.

The program has not clearly defined the differences between numbers to be achieved in terms of urban-rural differentiation. At present it is assumed to be in 1 to 3 ratio representing the population proportions in urban-rural areas.

CHAPTER 7

7.0 Innovative mechanisms and critical concerns

While the initial sense of euphoria in embarking on an innovative program is gradually dying down, surfacing among the progress records are issues that are ignored in the hurry. Nevertheless the program has generated a variety of responses among public sector institutions and also among ULAs, in dealing with urban low income housing program. The experiences accumulating over the coming years should prove to be significant experiments on decentralisation of public sector management and of strengthening the ULAs in the delivery of basic services. This chapter discusses the salient features some of the several mechanisms.

7.1. Urban planning and special planning considerations for urban low income projects

As indicated earlier, until the formulation of Urban Development Authority Regulations, standards for housing and urban planning were derived from the following:

- a) Town and Country Planning Ordinance
- b) Housing and Town Improvement Schemes
- c) By-Laws formulated by the ULA

The above regulations incorporated in these legal documents have been remained the same since formulation of the law 75 years ago when houses were constructed according to extremely high specifications. So were the amenities. This was one reason why public sector was unable to reduce the standards in the formal housing types to an appropriate level at costs affordable to low income families. While retaining the archaic provisions which

only the higher income groups could afford, any deviation in house construction by the low income groups had been considered as a violation of law, thus excluding the self help houses of improvised type from recognition. The approach throughout the developing world has been changing and in Sri Lanka, the necessity to provide a set of relaxed standards was incorporated as part of the UDA legislation. Deriving from the UDA legislation, Development Regulations are prepared by ULA incorporating the requirements for relaxed set of standards. This is achieved by way of designation of Special Project Areas. "In such areas the Authority may restrict or prohibit the use of the site or construction of any particular type of building may relax any restrictions placed by the rules, impose new restrictions or may formulate separate regulations in order to attain the purpose for which the area has been defined." (1)

Conforming to these powers specific guidelines have been prepared for planning and building in Special Project Areas. While standards are determined by ULAs to suit local conditions, guidelines from the central authority helps in ensuring a general conformity in the important aspects of the project, implemented throughout the country. The projects implemented thus far have been impressive and have demonstrated the successful use of lower standards affordable by the poor. In terms of construction and amenities the previous standards have been significantly relaxed.

7.2. Community participation

As indicated in the management framework, the decision making process in the identification and in development of projects is more than before, in favor of poor communities. In every ULA, the Mayor (or the Chairman) and the representatives of the council, as has been their traditional role, continue to be the strong intermediaries between the ULA and the community. In the formal central government programs, even though some of them have field level co-ordinating arrangement, the local representatives have not been successful in mobilising large scale participation as they did not have, within their purview, support institutions. In the ULA, however, the Member of the Council has the advantages of co-ordinating with the ULA management to facilitate the development work. More effective participation is thus achieved between the institution and the community.

7.3 Skill development and training

As earlier referred to, the need for skill development and training has been a serious constraint at the ULA level. The training component of the current program relates to the skills needed for the management of projects. The ULA personnel, the officials of the NHDA and community members from the target group. Among the important training programs are:

1. Orientation to Urban Housing Problems - For elected members and officials
2. Micro level social planning - Officials of ULA/NHDA and committee levels

Table XI. TECHNICAL AND PROFESSIONAL TRAINING COURSES UNDER THE MILLION HOUSES PROGRAM
 Progress of sample Programs from 1983 to 1986.

Subject Area	Participants	Session	Persons	Course objective	Resources
1. Orientation for Urban Program	Public Health Officers Planning Officers (UDA) and officers from ULAs	8	173		UNESCO
2: Development of Policy, Programs and Procedures for Urb. Programs	Mayors and Chairmen (ULA) Govt. Officers and Officers of UDA and NHDA	3	120	Planning and Development procedures	DPU (UK) NHDA
3. Micro level Social Planning	Officers of ULA-NHDA and Technical officers low income project sites	6	215	Orientation to members of community on preparation of action plans	MIT UNICEF NHDA
4. Design and Training of Trainers	Managers, Architects Engineers etc. Also masons and carpenters	11	524	Training of Trainers and preparation of Training Manuals	MIT NHDA
5. Gravel road construction	Technical staff of NHDA	4	35	Training of Trainers and preparation of Training Manuals	RDA NHDA
6. Community Development	Project Officers and Community leaders	3	88	Understanding procedures of community construction, maintenance and management	DANIDA UNCHS NHDA

SOURCE: NHDA, 1985 PERFORMANCE IN OUTLINE OF THE RURAL AND URBAN HOUSING SUB-PROGRAMS, Colombo, 1986.

3. Gravel road construction

- NHDA Technical staff.

The programs are conducted with reference to the implementation program for housing and all the different groups have been considered for training. Though modest in scope in relation to program scale, the training component is an indication of commitment to build up the skill level. Apart from the training for program implementation, training has to address the needs of ULA and the community groups. A sample of training program is given in Table XI.

7.4. The role of thrift societies.

The new shelter program is making the loan mechanism more effective: the concept of thrift and credit co-operative societies has been promoted "to develop a community level institution with financial management capacity to achieve rural and urban development, especially for low income groups." (2) The Thrift and Credit Co-operatives (TCC) are institutions of the formal type. Until recently the name TCCs, have been associated with a local financing needs of rural areas. The TCCs can assist the program mainly because of the community groups that form the basis of a project. At the community level, the TCC can be an effective arrangement to carry out the financial functions, necessary to support housing. The initial source of funds has to be established and in this regard, the TCC has to be interlocked with an appropriate financing network such as the Peoples Bank of Sri Lanka, which has a track record of working with communities. The major issue is the initial outlay of funds and

its management - an issue that should enable the separation of financing and implementation sections of the program. At present both are combined at the National Housing Development Authority. More appropriate arrangement is as follows:

1. Local Implementation -- ULA
2. National Implementation and Co-ordination -- NHDA
3. Financing -- A network of housing banks, different from those operating as commercial banks

NOTES

1. Urban Development Authority, City of Colombo - Development Plan, Vol. 1, Part II Sec. 3. Colombo, 1986
2. National Housing Development Authority, (N H D A) 1985 Performance in Outline of the Rural and Urban Housing Sub-Programmes, N H D A, Colombo, 1986. p. 23.

CHAPTER 8

8.0. Conclusion

8.1 The urban low income shelter program in Sri Lanka offers a useful experience in revitalising the local institutional setting to deal with the problem of inadequate shelter. The identification of ULAs as a critical implementing agency at the local level has to be demonstrated by assigning a set of key tasks in the shelter program. At present, the ULA within the heavy loan-orientation may become only a processing institution. The scope of shelter program has to be, therefore, placed within the local Development Plan and the ULA will be responsible for

a) Preparation of a long term Development Plan

b) Preparation of an investment plan with details of Annual Implementation Program.

The urban low income shelter program has to be integrated with this Development Plan which will be the local reference document.

8.2 The assumptions of the program give rise to a serious oversimplification of the problems of housing to a mere lack of few resource supports. Studies indicate to the contrary. While poor live in impoverished shelters, the causes are many especially in terms of the socio-economic opportunities which have to be adequately diagnosed. Besides, simple financial assistance alone, as the program appears to assume (though coupled with other development activities) cannot deal with or help the family to overcome the deficiencies in shelter.

The problem can be differentiated into several categories based on a major deficiency. For example, there are communities occupying floodable land which needs substantial investment, more than simple improvements to the shelter, to bring the living conditions to a satisfactory level. Elsewhere, squatter locations are in zones which do not have essential trunk-infrastructure to plug-in the new supply lines that would connect to the new amenities provided within the community.

These two attributes of land and infrastructure have not been adequately accounted for in compiling the costs of the current housing program. In this sense, the program, based on simplistic assumptions that resource supports in the form of Loans can help low income families will not apply to a large portion of the low income households which need higher than average cost of improvement to land and infrastructure. Lower priority to infrastructure will not ensure the basic levels which the ULAs should provide.

8.3 Existing housing stock versus additions to stock.

The program has a major limitation of targetting for existing housing stock. The programs of assistance do include sites and services (See Appendix II). But the sequence of project management required for such a program, entirely different from one adequate to disburse loans and supervise its utilisation, has not been incorporated in the guidelines. As such the ULAs are not actively engaged in programs of land development and basic services.

It is necessary to implement the range of different options to enable the ULA create the necessary impact on the local community and be identified with the provision and maintenance of basic services - the implementation of sites and services on a scale equal to the loan program is, therefore, very urgent to create a supply side. In the absence of such a supply side even the improved stock will enter into a faster pace of changing hands.

B.4 Role of the private sector

The major emphasis of the program is its target of One million. But the methods of reaching it have not been made diverse enough to offset the risks of reliance on few public sector organisations. Though the ULAs can perform adequately at the local level with reference to low income housing their capacity to deal with large scale projects or several projects at a time, and their pace in developing the main infrastructure are not compatible with targets. This invariably points to the role of the private sector which can effectively manage and deliver on time, whether it be required number of serviced plots or developed land.

A policy for private sector participation has not been promoted in the country and the private sector operations are restricted to specific middle income housing projects in Colombo. In relation to the capacity of the private sector, the Master Plan for Million houses could be sub divided and allocated for implementation, so that several sub programs are in progress at the same time.

8.5 Training and Information

The scope of a resource support program assumes an efficient and community oriented manpower back-up to translate the objectives into reality. The prevailing technical man power capacity of the public sector is not adequate or compatible with the several procedures specified in the Implementation guidelines. The need for training of personnel in the central government agencies and ULAs is very high. Also weak in the manpower input in the inflow of professional skills sensitive to housing issues. The overall setting demands a large network of trained project groups which have to be well trained. A wide variety of training programs are therefore needed in relation to major categories of activity.

Even though the Central Govt. Agency - the N.H.D.A. is concerned with training as described earlier, a strong committment to training of various types of personnel is necessary. The ULAs too require adequate orientation, especially the local leaders and political representatives.

8.6 The contribution.

The achievements of one million houses program may fall short of the numbers especially in view of the simplified assumptions.

Nevertheless, its demonstration to the country and other developing countries lies in the cost effective and participatory approach with which the otherwise burdensome public housing programs have been transformed into simple resource supports facilitating those in need of better shelter.

BIBLIOGRAPHY

1. Mendis, M.W.J.6, "SRI LANKA: Urbanisation and Urban Development" USAID, Colombo, 1982.
2. World Bank, Sri Lanka - Urban Sector Report, Report No. 4640-CE World Bank, Washington, 1984.
3. Mendis, M.W.J.6, Local Government in Sri Lanka, Colombo Apothecaries, Colombo, 1976.
4. I.T.C., CASE STUDIES URBAN SURVEY - COLOMBO SRI LANKA, I.T.C., Netherlands 1982.
5. Abeysinghe, K.M., INTER-GOVERNMENTAL Financial Relationships in Sri Lanka. Paper submitted at the EDI/W.B. Workshop. 1986. Colombo.
6. Abeysinghe, K.M. and Selvarajah, E., Role of Local Authorities for Development of Human Settlements in Asia and the Pacific - A case study of the Colombo Mun. Corp. A paper submitted at the YLAP Seminar, Yokohama, Japan, 1982.
7. Marga Institute, Housing Development in Sri Lanka - 1971-1981, Marga Institute, Colombo. 1986.
8. World Bank, Learning By Doing - World Bank Lending for 1972-82. World Bank, Washington, 1983.
9. Ruddle, Kenneth and Rodinelli, Dennis. A. "Changes in Development Theories and Policies: Toward Economic Growth with Social Equity" in Transforming Natural Resources For Human Development: A Resource Systems Framework for Development Policy, U.N. University, Tokyo, 1983. Chap. II p.18.

II. Reports and Policy Documents

1. Department of Census and Statistics, Census of Population and Housing Sri Lanka - 1981 Housing Tables , Colombo, 1982
2. N.H.D.A., A GUIDE to the Urban Housing Sub Programme for Low Income Groups., N.H.D.A., Colombo. 1985
3. N.H.D.A., 1985 Performance in Outline of the Rural and Urban Housing Sub-Programmes, Colombo, 1986
4. Ministry of L.6, H&C Urban Shelter Policy Paper - Part I, Low Income Groups, Colombo. 1984.
5. Ministry of L-6, H&C, Upgrading Steps, U.D.A. Colombo, 1984
6. PADCO, Meeting Housing Needs in Sri Lanka: A Strategy for the Future, USAID, Colombo, 1982
7. Urban Dev. Authority, Guidelines for selection of Urban Low Income Shelter Projects as Special Project Areas, UDA, 1986

III Legislative Enactments, Gazette Notifications and official Circulars.

- 1. Municipal Councils Ordinance**
- 2. Urban Development Authority Law, No 46 of 1978**
- 3. National Housing Development Authority No of 1979**
- 4. Urban Development Authority (Amendment) Act No 4 of 1982**
- 5. Local Authorities (Revision of Assessment and Reduction of Rates) Act, No 57 of 1979**
- 6. Municipal Councils and Urban Councils (Amendment) Law No 18 of 1971**
- 7. Municipal Councils Amendment Act, No 33 of 1981**
- 8. Housing and Town Improvement Ordinance**
- 9. Town and Country Planning Ordinance**
- 10. Land Acquisition Act**

APPENDIX I.

O SCHEDULE OF URBAN LOCAL AUTHORITIES AND THEIR POPULATION IN YEAR 1981.

1.0 Municipal Councils	Populn.	2.0 Urban Councils	Populn.	Urban Councils	Populn.
1. Colombo	585,776	1. Moratuwa	135,610	22. Point-Pedro	15,087
2. Dehiwela-Mt. Lavinia	174,385	2. Kotte	101,563	23. Kegalle	14,920
3. Jaffna	118,215	3. Trincomalee	44,913	24. Avissawella	14,011
4. Kandy	101,281	4. Kolonnawa	41,149	25. Valvettithurai	13,982
5. Galle	77,183	5. Matara	39,162	26. Nawalapitiya	12,153
6. Negombo	61,376	6. Anuradhapura	36,248	27. Gampaha	10,667
7. Batticaloa	42,934	7. Kalutara	31,495	28. Balangoda	10,263
8. Ratnapura	37,354	8. Panadura	31,190	29. Hatton-Dickoya	9,802
9. Badulla	32,954	9. Katunayake	28,741	30. Tangalle	9,567
10. Matale	29,745	10. Peliyagoda	25,522	31. Horana	8,887
11. Kurunegala	26,519	11. Beruwala	25,175	32. Hambantota	8,559
12. Nuwara Eliya	21,319	12. Ja-ela	24,403	33. Wattegama	6,453
		13. Puttalam	21,463	34. Minuwangoda	6,400
		14. Chilaw	20,830	35. Kuliyaipitiya	5,810
		15. Gampola	20,736	36. Bandarawela	4,941
		16. Wattala-Mabole	19,960	37. Talawakele-Lindulla	4,864
		17. Chavakachcheri	19,640	38. Haputale	2,432
		18. Vavuniya	18,511	39. Kadugannawa	1,493
		19. Weligama	17,872		
		20. Ampara	16,531		
		21. Ambalangoda	15,605		

APPENDIX II.

HOUSING OPTIONS AND LOANS PACKAGE (URBAN)

A. UPGRADING PACKAGE				B. NEW HOUSE PACKAGE				C. UTILITIES PACKAGE				D. NAVAGANGODA OR SITES & SERVICES PACKAGE			
OPTION	LOAN AMOUNT	INTEREST RATE	MONTHLY REPAYMENT	OPTION	LOAN AMOUNT	INTEREST RATE	MONTHLY REPAYMENT	OPTION	LOAN AMOUNT	INTEREST RATE	MONTHLY REPAYMENT	OPTION	LOAN AMOUNT	INTEREST RATE	MONTHLY REPAYMENT
Need: Upgrading or repairing or extending an existing house.				Need: Where only a basic house is required and land is already available.				Need: Where individual service and title clearance is required.				Need: Where serviced plots and shelter are required			
1. Upgrading house	4,000	3%	27.64	1. Basic house (common water & sanitation available)	8,000	6%	87.52	1. Water connection	1,000	3%	17.97	1 Site - common water & sanitation	4,000 - CPP	3%	27.64
	5,000	3%	34.55		10,000	6%	84.40	2 Pit Latrine	2,000	3%	35.95		7,500 - CPP	6%	63.30
	6,000	6%	50.84		12,000	10%	128.95	3 Latrine + Septic Tank	4,000	3%	71.88		9,500 - CPP	6%	80.18
	7,000	6%	59.08		13,000	10%	139.70	4 Bucket latrine conversion	2,000	3%	35.95		11,500 - CPP	10%	123.60
2. Upgrading house + Latrine	5,000	3%	34.55	2. Basic house + water & Sanitation	10,000	6%	84.40	5 Electricity connection	2,000	3%	35.95		13,500 - CPP	10%	145.10
	6,000	6%	50.84		12,000	10%	128.95	6 Water + Latrine + Electricity	5,000	3%	89.85				
	7,000	6%	59.08		14,000	10%	160.45	7 Survey + Registration of Deeds	1,500	3%	26.98				
	8,000	6%	67.52		15,000	10%	161.20								
3 Upgrading Tenement	4,000	3%	27.64												
	5,000	3%	34.55												
	6,000	6%	50.84												
	7,000	6%	59.08												
	8,000	6%	67.52												
4 Upgrading Tenement + Latrine	5,000	3%	34.55												
	6,000	6%	50.84												
	7,000	6%	59.08												
	8,000	6%	67.52												
5. Additional Space	4,000	3%	27.64												
	5,000	3%	34.55												
Repayment Period is 15 years				Repayment Period is 15 years				Repayment Period is 05 years				Repayment Period is 15 years			

Source: A Guide To the Urban Housing Sub Program, NHDA.